

KAORI



高力熱處理工業股份有限公司

KAORI HEAT TREATMENT CO., LTD.



Low Carbon  
and Emission



People Values



Sustainability

2024

E S G

Sustainability Report

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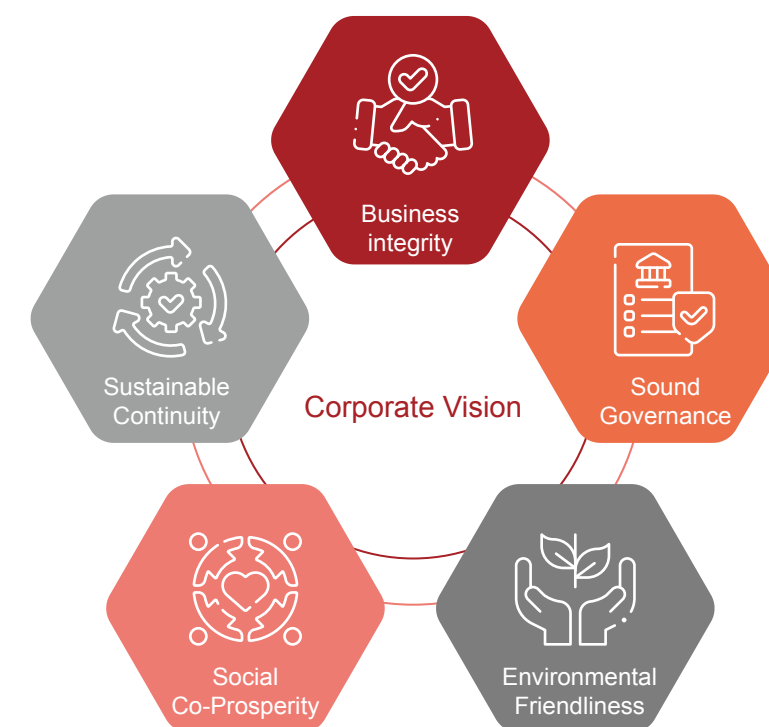
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## Message from the Chairman

In response to the growing global focus on corporate sustainability, Kaori has consistently upheld a proactive and responsible approach, actively addressing external challenges and seizing opportunities for transformation. We are committed to implementing forward-looking and sustainable strategies across key areas such as environmental protection, social responsibility, and corporate governance, driving the steady growth of long-term corporate value. Looking back on the past year, Kaori has made significant progress and achieved concrete results in various aspects of sustainability development. These accomplishments not only reflect the Board of Directors' strong emphasis on and continuous oversight of ESG sustainability governance, but also embody the collective dedication and action of all our colleagues, demonstrating our firm commitment to integrating sustainability into both our corporate culture and day-to-day operations.

To further enhance the Company's governance effectiveness and strategic execution in sustainability, the Company's Board of Directors formally established the Sustainable Development Committee in May 2024. This committee is dedicated to coordinating and advancing policies and action plans related to environmental protection, social responsibility, and corporate governance (ESG). The establishment of the committee not only improves decision-making transparency and oversight mechanisms for sustainability issues, but also helps optimize the overall governance structure, deepen communication and collaboration with stakeholders, and ultimately strengthen Kaori's brand image and market competitiveness.



In terms of sustainability practices, Kaori has made concrete progress and achieved key results in two major areas: carbon reduction and human rights advocacy. On the environmental front, we actively participated in the Carbon Disclosure Project (CDP) and received a “B” rating in the 2024 assessment. This recognition highlights the Company's strong performance in building carbon management systems and maintaining transparency in climate-related disclosures, demonstrating our strong commitment to aligning with international standards. At the same time, we continue to promote energy transition and are dedicated to implementing carbon reduction actions. As of now, Kaori's carbon intensity has been significantly reduced by over 21% compared to 2023. More importantly, in accordance with the Taiwan Financial Supervisory Commission's “Sustainable Development Roadmap”, Kaori completed greenhouse gas inventory and third-party verification for both the parent company and its subsidiaries four years ahead of schedule. This achievement clearly reflects our forward-looking planning and robust execution toward the net-zero goal. In the area of human rights governance, Kaori has also taken a pioneering role within the industry by being among the first to complete a comprehensive human rights due diligence process. We systematically identified potential human rights risks across four key dimensions: “labor conditions”, “physical and mental well-being”, “diversity and inclusion”, and “ethical governance”, and proposed corresponding adaptation and mitigation measures. This mechanism not only reinforces our human rights governance structure but also lays a solid foundation for future risk management and system optimization.

Looking ahead to 2025, Kaori will continue to uphold its core sustainability philosophy, “For Earth. For Us.”, and lead the Company toward a new chapter of deepened sustainability development. We are focusing on five key strategic pillars: accelerating product and service innovation, introducing low-carbon process technologies, strengthening the overall risk management system, fostering a diverse and inclusive workplace culture, and enhancing information security and operational resilience, with the goal of comprehensively boosting our sustainability competitiveness. In our engagement with stakeholders, we are committed to continuously enhancing transparent communication mechanisms, proactively responding to societal and market expectations, and closely monitoring global sustainability trends. We will systematically integrate the United Nations Sustainable Development Goals (SDGs) into our corporate strategy and operations. We firmly believe that only by deeply embedding ESG principles into corporate governance and daily operations can we truly realize our corporate vision of integrity in management, sound governance, environmental friendliness, shared social prosperity, and long-term sustainability.

Chairman and Chief of the ESG Committee

**Chih-Hsiung Wu**

## Report Overview and Scope

### Report Overview

This report follows the guidelines and framework of the Global Reporting Initiative (GRI) Sustainability Reporting Standards to detail the efforts of Kaori Heat Treatment Co., Ltd. (hereinafter referred to as Kaori Heat Treatment, Kaori, the Company, or we) in fulfilling corporate citizenship responsibilities. It focuses on the Company's active implementation of sustainability management, corporate governance, risk management, operational strategy performance, customer relations, product innovation and quality management, sustainable supply chain management, sustainable environmental sustainability, creating a friendly workplace and safe and healthy work environment, and social harmony.

Considering the issues that concern investors, this report aims to provide reliable and transparent information. Various information is published simultaneously on the Company's website to promote two-way communication with internal and external stakeholders. Kaori anticipates increasing demands from stakeholders for the disclosure of non-financial information. Therefore, we aim to present the Company's management approach and data related to corporate sustainable development, as well as the transparency and credibility of data.

This report can be read and downloaded from the Company's ESG sustainability official website: <https://esg.kaori.com.tw/>

### Data Period

Year 2024 (from January 1, 2024 to December 31, 2024). This report discloses the various ESG sustainability reports of Kaori Heat Treatment Co., Ltd., including sustainable management involving stakeholder structure and identification, the communication and analysis of issues of concern, the ranking of and response to material issues, impact of sustainable management and risk assessment of material issues, implementation of the United Nations Sustainable Development Goals, management approaches of material issues, and performance information on managing and acting on material ESG issues. Some content is included to enhance the reader's understanding of the information in the report. The Company will annually revise and continue to issue ESG sustainability reports.

### Scope and Boundaries

The scope of this report is defined by the organizational boundaries set by Kaori Heat Treatment Co., Ltd. This time, the boundaries include:

- Headquarters: No. 5-2, Jilin North Road, Zhongli District, Taoyuan City

The data from the four Zhongli plant sites and the one Kaohsiung plant site are consolidated,

- Zhongli Plant 1: No. 2, Jilin North Road, Zhongli District, Taoyuan City
- Zhongli Plant 2: No. 11, Songjiang N. Rd., Zhongli Dist., Taoyuan City
- Zhongli Plant 3: No. 5-2, Jilin North Road, Zhongli District, Taoyuan City
- Ziqiang Plant: No. 8-1, Ziqiang 4th Road, Zhongli District, Taoyuan City
- Kaohsiung Plant: No. 3, Bengong 2nd Rd., Gangshan Dist., Kaohsiung City

The information contained herein is mainly based on the data from the Taiwan headquarters and the five aforementioned plants, and does not include the data of other subsidiaries in China. The report discloses relevant material topics concerning Kaori Heat Treatment Co., Ltd. employees, and external stakeholders such as customers, suppliers, and investors. Other information is presented in general terms and numerical values, while the consolidated financial statements (including the five plants in Taiwan and the subsidiaries in China) are presented in NTD or NTD in thousands.

### Principles and Guidelines

The content of this report was compiled by the respective working groups under the ESG Committee of Kaori, based on collected and consolidated information. It has been reviewed and approved by the ESG Committee in accordance with the established procedures, and was ultimately submitted by the Sustainable Development Committee for review by the Board of Directors.

To continuously enhance the comparability of performance and the substantiveness of the report, all the information disclosed in this report adheres to international standards: GRI, TCFD, SASB, and the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies. The standards are as follows:

- Global Reporting Initiative Sustainability Reporting Standards (GRI Standards: 2021)
- TCFD: Climate change risks, opportunities, and financial impacts
- SASB: Themes and accounting metrics of Sustainable Accounting Standards for Resource Transformation: Industrial Machinery and Items
- SDGs: United Nations Sustainable Development Goals → Applicable provisions for corporate organizations
- Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies (amended on September 22, 2022)
- Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies (amended on December 7, 2021)



Material issues disclosure

Detailed description of the Company's material ESG topics in 2024:

Material issues: 2023 ESG Sustainability Report	After adjustment to material issues: 2024 ESG Sustainability Report
<p><b>Material issues (including terms with identical meanings)</b></p> <ul style="list-style-type: none"><li>2023 items: Operational Performance, Energy and GHG Management, Product Quality, Innovative R&amp;D, Customer Relations Management, Risk Management, Talent Development and Cultivation, Customer Privacy, Sustainable Product Services, and Occupational Health and Safety, totaling 10 items.</li><li>Deleted: 0 items</li></ul>	<p><b>Adjustments to material issues (including terms with identical meanings)</b></p> <ul style="list-style-type: none"><li>2024 items: Operational Performance, Energy and GHG Management, Product Quality, Innovative R&amp;D, Customer Relations Management, Risk Management, Talent Development and Cultivation, Customer Privacy, Sustainable Product Services, and Occupational Health and Safety, totaling 10 items.</li><li>Added: 0 items</li></ul>
<p><b>Description of material topics maintained from 2023:</b></p> <ol style="list-style-type: none"><li><b>Long-term Stability and Consistency:</b> The Company has consistently focused on the three core areas of sustainability: environmental protection, social responsibility, and corporate governance. These topics are crucial to our long-term development and are highly aligned with our corporate mission.</li><li><b>Stable Internal and External Environment:</b> Over the past two years (2023 - 2024), both our internal operations and the external market environment have remained stable, without significant changes. To ensure the continuity and consistency of our sustainability strategies, we have decided to maintain the same material topics as the previous year, with an emphasis on deepening and implementing the existing plans.</li><li><b>Stakeholder Expectations Remain Unchanged:</b> Based on our ongoing dialogue and surveys with stakeholders, the vast majority continue to hold a high regard for our performance in areas such as environmental protection and social responsibility.</li><li><b>Material Topics Are Well-Covered and Actively Implemented:</b> The Company's current material sustainability topics have been developed and implemented over several years, reaching a relatively mature stage of execution. To ensure the continuity and consistency of our sustainability strategies, we have decided not to make any adjustments to the material topics this year and will instead focus on deepening and carrying out existing plans.</li></ol>	

Ensuring the accuracy of public information

Publishing ESG-related information has a significant impact on stakeholders. Therefore, we must make every effort to ensure the accuracy and completeness of the disclosed information. In 2024, we paid close attention to every detail to guarantee the correctness and completeness of the public information.

Internal verification

Unless otherwise noted, all currency units in this report are in New Taiwan Dollars (NTD), and numerical values are rounded to two decimal places. Some indicators are provided to highlight medium- to long-term trends, offering continuous data for 2 to 3 years (financial reports for 3 years) from 2022 to 2024. All information, data, reviews, and verification materials disclosed in this report have been documented. The content was compiled by the respective working groups under the ESG Committee of Kaori, based on collected and consolidated information. It has been reviewed and approved by the ESG Committee in accordance with the established procedures and was ultimately submitted by the Sustainable Development Committee for review by the Board of Directors.

External verification

Financial data: Deloitte Taiwan

ESG Sustainability Report: Verified by AFNOR Asia Ltd. in accordance with the AA1000 Assurance Standard, Type I, Moderate level of assurance, and in compliance with the requirements of the GRI Standards: 2021. The Independent Assurance Statement was issued by AFNOR Asia Ltd. (see Appendix 4 for details).

Frequency of issuance

This is the 2024 Sustainability Report of Kaori Heat Treatment Co., Ltd. In support of Kaori's energy and carbon reduction, environmental care, and paperless initiatives, the Company has opted to disclose the report to all potential users in electronic form over Kaori's website.

- Date of previous publication: June 2024
- Date of current publication: August 2025
- Date of next publication: August 2026 (scheduled)

Contact window

Please do not hesitate to contact us if you have any suggestions regarding this report or Kaori's sustainability practices.

- Kaori Heat Treatment Co., Ltd. ESG Committee Manager Chen
- Address: No. 5-2, Jilin North Road, Zhongli District, Taoyuan City 320030
- Tel.: +886-3-4527005 ext. 213
- Mail: pr@kaori.com.tw
- Website: <https://www.kaori.com.tw>

## ESG Vision and Strategy

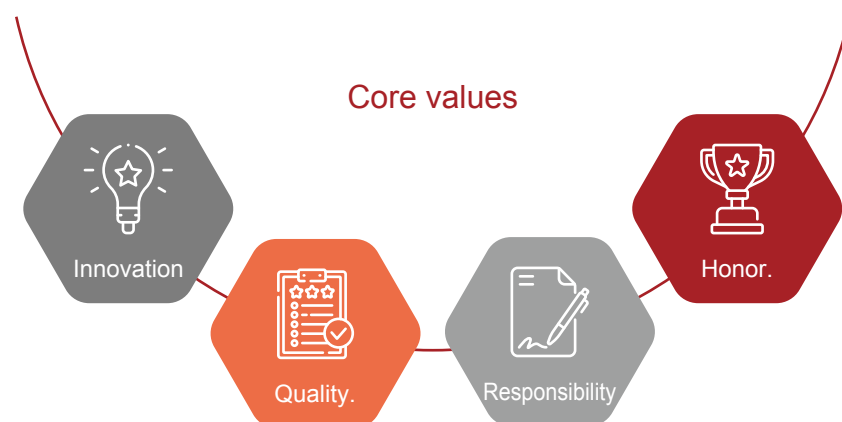
### Kaori ESG Sustainability Strategy Blueprint

#### Vision

For Earth. For Us.

#### Duty

- ✓ Low-carbon emission reduction
- ✓ People-oriented
- ✓ Sustainable operation



### Business Strategy (Aligned with the SDGs)



#### Environmental

- Establishment of a sustainable green environment
- Energy Conservation, carbon reduction, and energy management
- Renewable energy and effective energy conservation
- Support for renewable energy and circular utilization
- Pollution prevention/compliance with environmental laws and regulations



#### Social

- Friendly and inclusive workplace
- Talent cultivation and development
- Healthy and safe environment
- Competitive remuneration and benefits
- Community charity/care for the disadvantaged



#### Governance

- Sustained growth and profitability
- Customer service and satisfaction
- Support for local procurement
- Establishment of a sustainable supply chain
- Quality governance and business integrity



## 2024 Sustainability Highlights



Carbon Disclosure Project (CDP)  
Climate Change Disclosure Questionnaire Rating:  
**Management Level B (the highest level in the SME category)**



Implemented ISO 14064-1 Greenhouse Gas Inventory for three consecutive years and passed third-party verification: 2024 Scope 1 and Scope 2 emissions.  
The total emissions amounted to 7,163.4911 metric tons of CO<sub>2</sub>e, **Greenhouse gas emission intensity compared to 2023↓Reduced 15.14%**



An industry pioneer, Kaori completed its first third-party Human Rights Due Diligence (HRDD) assessment:  
Kaori identified a total of 23 human rights risk issues across four major categories, namely labor conditions, physical and mental health, diversity and inclusion, and ethical governance,  
**The results of the human rights risk analysis indicate a medium-low level of risk**



Awarded the “**Healthy Workplace Certification - Badge of Accredited Healthy Workplace**” by the Health Promotion Administration, Ministry of Health and Welfare



Awarded as an outstanding enterprise in the “**Active Evaluation of Occupational Health and Safety Performance Disclosure in Corporate Sustainability Reports**” by the Occupational Safety and Health Administration, Ministry of Labor





## 1.1 Organization and Identification of Stakeholders

### 1.1.1 ESG structure and responsibilities

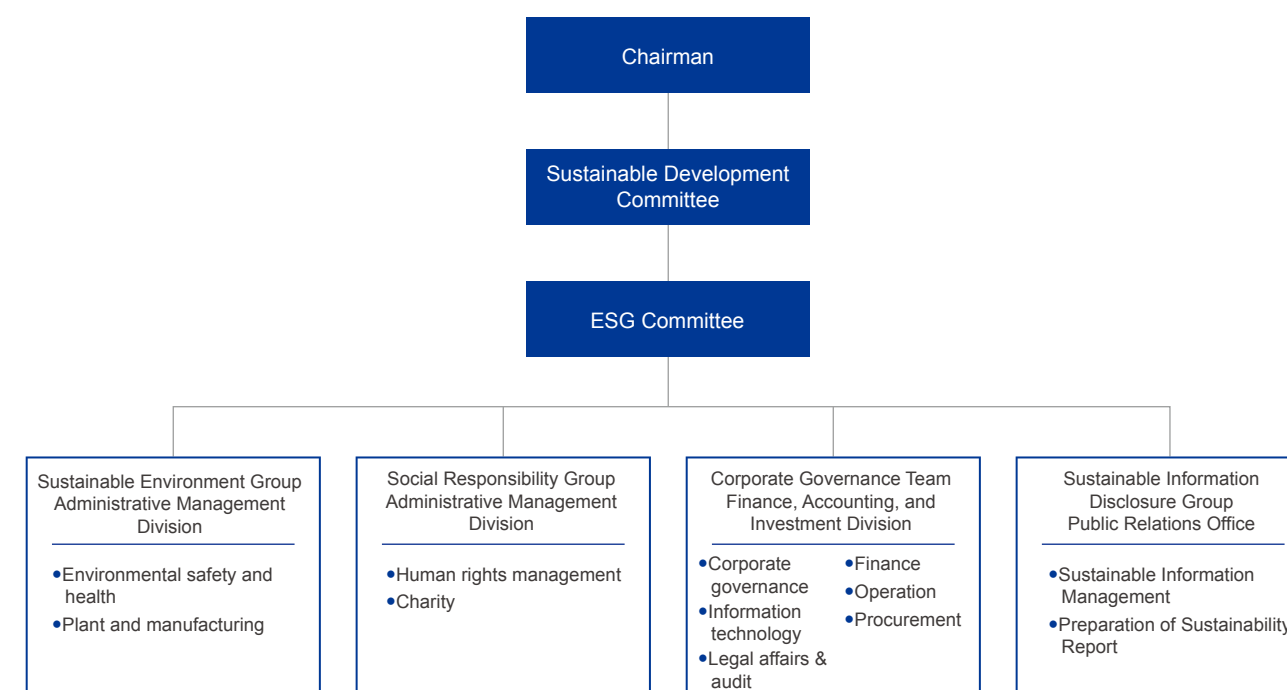
To strengthen the Company's governance and promotion of sustainability, and to ensure the effective implementation of its sustainability strategies and goals, the Company formally established the Sustainable Development Committee (hereinafter referred to as "the Committee") with the approval of the Board of Directors on May 8, 2024. The Committee is composed of three members and aims to enhance the Company's management and oversight in areas such as environmental protection, social responsibility, and corporate governance, ensuring that while pursuing economic benefits, the Company also fulfills its responsibilities to society and the environment.

Under the authorization of the Board of Directors, the Committee shall exercise the duty of care of a good administrator and faithfully perform the following responsibilities, with reports submitted to the Board of Directors:

- I. Formulate, promote, and strengthen the Company's sustainability policies, annual plans, and strategies.
- II. Review, track, and revise the implementation status and effectiveness of sustainability initiatives.
- III. Supervise sustainability-related disclosures and review the sustainability report.
- IV. Oversee the implementation of the Company's Sustainable Development Best Practice Principles and other sustainability-related tasks as resolved by the Board of Directors.

In 2024, the Sustainable Development Committee convened a total of three meetings, with reports submitted to the Board of Directors.

#### Organizational structure of the Sustainable Development Committee



# 1 Sustainability Management Implementation



The Company has established the ESG Promotion Committee (hereinafter referred to as the ESG Committee) as the executive body to assist the Sustainable Development Committee in implementing various plans. In accordance with Article 6 of the Organizational Regulations of the Sustainable Development Committee, the executive functions are performed by relevant department heads, who serve as members of the Sustainable Environment Group, Social Responsibility Group, Corporate Governance Group, and Sustainability Information Disclosure Group. The General Manager acts as the convener, reporting the implementation status during monthly management meetings and, when necessary, urging timely adjustments. The ESG Committee held a total of 17 meetings in 2024 to discuss project execution progress, changes in domestic and foreign laws, and issues concerning CBAM.





The ESG Committee is a cross-departmental communication platform responsible for planning, implementing, and controlling various action plans. It integrates and supervises the implementation progress and effectiveness of the four key aspects: corporate governance, social responsibility, environmental management, and sustainable information disclosure, ensuring the effectiveness of both horizontal and vertical communication within the organization and concrete practices of sustainable development.

• Responsibilities of the ESG Committee:

1. Formulate the annual corporate sustainable development plan and strategic direction.
2. Plan and execute various activities related to corporate sustainability development.
3. Track and review the implementation and effectiveness of the corporate sustainable development plan.
4. Make decisions on other ESG-related matters, including corporate governance, environment, and social issues.
5. Monthly meetings to report and discuss corporate sustainability development-related topics.
6. Regularly report the ESG implementation plan and results to the Board of Directors every year.



The structure of the aforementioned ESG Committee, the key ESG initiatives for each category, and the responsible units are as follows:

By Category		Key ESG initiatives	Responsible unit	
 Corporate Governance Team	Corporate governance	<ul style="list-style-type: none"><li>Corporate governance - financial management systems</li><li>Business integrity</li></ul>	Finance and Investment Division, Administrative Management Division, Audit Office	
		<ul style="list-style-type: none"><li>Various management systems: finance/ISO/personnel management, etc.</li></ul>	Quality Assurance Center	
		<ul style="list-style-type: none"><li>Ethical management systems: Legal compliance, professional ethics, anti-corruption and bribery, etc.</li></ul>	Human Resources Department/ Employees at All Levels/ Labor Representative	
		<ul style="list-style-type: none"><li>Cybersecurity</li></ul>	Information Technology Department	
		<ul style="list-style-type: none"><li>Risk management</li></ul>	Operations Management Department	
		<ul style="list-style-type: none"><li>Customer privacy and customer relationship management</li></ul>	Operations Management Department	
		<ul style="list-style-type: none"><li>Sustainable development management system and goals</li></ul>	ESG Committee	
		<ul style="list-style-type: none"><li>Grievance system - employees/customers/suppliers/shareholders</li></ul>	Administrative Management Division/Operations Management Department/Procurement Center/ Finance and Investment Division	
	Product	Suppliers	<ul style="list-style-type: none"><li>Supply chain management (including contractors)</li></ul>	Procurement Center, Administrative Management Division
		Product safety and customer service satisfaction	<ul style="list-style-type: none"><li>Product quality and safety</li><li>Customer service and satisfaction</li><li>Customer relations management</li></ul>	Operations Management Department, Quality Assurance Center
Product quality management and delivery time		<ul style="list-style-type: none"><li>Product quality management systems</li><li>Key quality management procedures and control methods</li><li>Product yield rate and delivery time</li></ul>	Operations Management Department (Quality Assurance Unit)	
Economic	<ul style="list-style-type: none"><li>Operating performance</li></ul>	Operations Management Department		
 Sustainable Environment Group	Environmental Management Energy conservation & carbon reduction.	<ul style="list-style-type: none"><li>Energy management</li><li>Greenhouse gas management (including carbon emissions)</li><li>Water resource management</li></ul>	Administrative Management Division	
		<ul style="list-style-type: none"><li>Sewage/Exhaust/Waste management</li><li>Work environment management systems</li></ul>	Administrative Management Division	
		<ul style="list-style-type: none"><li>Public area management systems</li></ul>	Administrative Management Division	
	Health and safety	<ul style="list-style-type: none"><li>Occupational safety and health</li></ul>	Administrative Management Division	
 Social Responsibility Group	Human rights management	<ul style="list-style-type: none"><li>Employee management system</li><li>Labor/management relations</li></ul> <ul style="list-style-type: none"><li>Human rights management and protection</li><li>Employee selection, training, utilization, and retention management</li><li>Salary, benefits, and talent cultivation</li><li>Labor relations, diversity and inclusion</li></ul>	Administrative Management Division	
	Community and public welfare activities	<ul style="list-style-type: none"><li>Neighborhoodliness in local communities</li></ul>	Administrative Management Division	
		<ul style="list-style-type: none"><li>Give back to communities and charity events</li></ul>		
 Sustainable Information Disclosure Group	Sustainable Information Management Preparation of Sustainability Report	<ul style="list-style-type: none"><li>Sustainable Information Management Policy</li><li>Relevant Regulations and International Standards for Sustainability Disclosure</li></ul>	Public Relations Office	



1.2 Major stakeholder communication and grievance channels

1.2.1 Identifying major stakeholders

The ESG Promotion Task Force of Kaori followed six key selection principles: “Responsibility”, “Influence”, “Proximity”, “Dependency”, “Representativeness”, and “Policy and Strategic Intent”. Stakeholder identification and prioritization were then cross-validated through questionnaires. The results were then cross-validated with input from external sustainability consultants to ensure the completeness of stakeholder coverage. Final deliberation and approval were carried out through the ESG Committee meeting. In 2024, the five primary stakeholder groups were identified as: investors/shareholders, employees (with senior internal management consolidated into this category), customers, suppliers, and government agencies. We listen to the voices of stakeholders through various communication channels, collect their concerns on the Company, and accept and respond to their expectations.



1.2.2 Major stakeholder communication and grievance channels

Kaori discloses its corporate social responsibility on the Company website. Five contact window and contact information of the major stakeholders, and the corresponding contact person, and issues of concern are as follows:

Category	Contact window, Issues of concern, and Grievance channels	
Employees' Area	Contact window: Administrative Management Division Issues of concern: Human rights protection, remuneration and benefits, training and development, safety and health, promotion channels, etc. • Grievance hotline: 03-4527005 #236      • Email: jocelyn@kaori.com.tw	
Customers' Area	Contact window: Operations Management Department Issues of concern: Product quality and delivery time, customer privacy, customer service and satisfaction, etc. <div>Brased Plate Heat Exchangers Operations Management Department • Grievance hotline: 03-4527005 #229 • Email: minnie@kaori.com.tw Gasket Plate Heat Exchangers Operations Management Department • Grievance hotline: 03-4527005 #233 • Email: jim-tsai@kaori.com.tw New Business Development - Thermal Energy • Grievance hotline: 03-4527005 #505 • Email: lyh@kaori.com.tw</div> <div>New Business Development - Hydrogen Power • Grievance hotline: 03-4527005 #801 • Email: victorhsu@kaori.com.tw Brazing and welding composite application technology • Grievance hotline: 03-4527005 #819 • Email: winston@kaori.com.tw</div>	
Suppliers' Area	Contact window: Procurement Center Issues of concern: Procurement regulations, green procurement, supplier management, etc. • Grievance hotline: 03-4527005 #501      • Email: daniel-lee@kaori.com.tw	
Investors' Area	Contact window: Finance, Accounting, and Investment Division Issues of concern: Operational performance, corporate governance, risk management, shareholders' equity, information disclosure, etc. • Grievance hotline: 03-4527005 #221      • Email: ritachuang@kaori.com.tw	
Government Agencies' Area	Contact window: Administrative Management Division Issues of concern: Legal compliance, corporate governance, safety and health, environmental protection, etc. • Grievance hotline: 03-4527005 #280      • Email: hjoiu823@kaori.com.tw	

1.3 Communication on issues of concern to stakeholders and the process of identifying material issues

Kaori collects sustainability-related issues based on the SDGs, industry regulations and standards, and the organization's annual goals. Through various communication channels with stakeholders, representatives of various units communicate with stakeholders on a regular/ad hoc basis to summarize the concerns of stakeholders through the impact of the Company's operations, and whether there is an impact on the Company's operations. A total of 23 issues were raised (with duplicates counted as one), as detailed in the table below:

Stakeholders	Significance for Kaori	Issues of Concern	Communication Methods and Channels	Frequency of Communication
Customers	Customers' recognitions and support are what drive us to grow; Kaori is dedicated to meeting customers' needs and expectations and creating maximum value with top-quality products and services	<ul style="list-style-type: none"><li>Customer relations management</li><li>Product quality and safety</li><li>Customer privacy</li></ul>	<ul style="list-style-type: none"><li>Business meetings and visits</li><li>Quarterly business reviews</li><li>Product project meetings</li><li>Customer satisfaction surveys</li><li>E-mails, documents, questionnaires</li><li>Technology conferences</li><li>Company website</li></ul>	<ul style="list-style-type: none"><li>Unscheduled</li><li>Quarterly</li><li>Unscheduled</li><li>Q4 each year</li><li>As needed</li><li>Unscheduled</li><li>Unscheduled</li></ul>
Investors/shareholders	Kaori operates in the best interests of its shareholders; it allocates capital in a manner that creates a virtuous cycle and makes transparent disclosures of operational and financial information	<ul style="list-style-type: none"><li>Operating performance</li><li>Corporate governance</li><li>Compliance</li><li>Shareholders' interests</li><li>Business integrity</li></ul>	<ul style="list-style-type: none"><li>General meetings</li><li>Investor conference</li><li>Annual reports</li><li>Investor mailbox</li><li>Market Observation Post System (MOPS)</li><li>Telephone</li></ul>	<ul style="list-style-type: none"><li>Once a year</li><li>Once a year</li><li>Regularly</li><li>Unscheduled</li><li>Unscheduled</li><li>Unscheduled</li></ul>
Suppliers	Kaori views suppliers as important partners for sustainable development. By assisting suppliers in assessing potential risks and opportunities, we work together to develop higher-quality solutions for our customers.	<ul style="list-style-type: none"><li>Compliance</li><li>Supplier sustainability management</li><li>Occupational safety and health</li></ul>	<ul style="list-style-type: none"><li>Supplier conferences</li><li>Supplier sustainability performance assessment</li><li>Supplier sustainability audits</li><li>Sustainable supply conferences</li></ul>	<ul style="list-style-type: none"><li>Unscheduled</li><li>Once a year</li><li>Unscheduled</li><li>Once a year</li></ul>
Employees	Driven by the core value of being “people-centered”, Kaori attracts the world's best talents by providing them with comprehensive compensation, a robust training system, and a workplace where they can perform to their best potential and maximize their performance	<ul style="list-style-type: none"><li>Compliance</li><li>Occupational safety and health</li><li>Human rights protection</li><li>Diversity, inclusion, and labor relations</li><li>Remuneration and benefits</li><li>Training and development</li><li>Innovative R&amp;D and value creation</li></ul>	<ul style="list-style-type: none"><li>Internal meetings</li><li>Operational meetings</li><li>COO meetings</li><li>Labor-management meetings</li><li>Performance evaluation</li><li>Training of professional skills</li><li>Training for new recruits</li><li>Occupational Safety and Health Committee meetings</li><li>Employee Welfare Committee meetings</li><li>Bulletins</li><li>Intranet announcements</li><li>Employee health checkups</li><li>Reports of personal health states</li><li>Health knowledge</li><li>Employee grievance mailbox</li></ul>	<ul style="list-style-type: none"><li>Monthly</li><li>Once a month</li><li>Once a week</li><li>Quarterly</li><li>Semiannually</li><li>Carried out according to employees' annual training program</li><li>Carried out depending on new recruitment</li><li>Unscheduled</li><li>Ad-hoc</li><li>Ad-hoc</li><li>Once a year</li><li>Ad-hoc</li><li>Unscheduled</li></ul>
Government agencies	In addition to complying with government policies and regulations of the competent authority, Kaori takes the initiative to promote awareness of government measures and builds a corporate culture of compliance while fulfilling its civic responsibility	<ul style="list-style-type: none"><li>Compliance</li><li>Occupational safety and health</li><li>Energy and GHG management</li><li>Waste management</li></ul>	<ul style="list-style-type: none"><li>Participation in corporate governance evaluation</li><li>Correspondence</li><li>Telephone</li><li>On-site audit</li><li>Seminars and public hearings</li></ul>	<ul style="list-style-type: none"><li>Once a year</li><li>Unscheduled</li><li>Unscheduled</li><li>Unscheduled</li><li>Unscheduled</li></ul>

The aforementioned issues of concern were analyzed with reference to the Global Reporting Initiative Standards (GRI Standards) based on the steps of identification, prioritization, validation, and review. This analysis aims to confirm the scope of material issues disclosed in the report and to comprehensively examine the sustainable development challenges faced by the company, both internally and externally, in terms of material issues and the overall effectiveness of sustainable management.

The process for generating material issues is as follows:



### 1.3.1 Identification and analysis of stakeholders' issues of concern

Each issue of concern is identified based on the material issues considered by the stakeholders. This involves examining the focus areas of corporate governance, economic aspects, environmental aspects, and social (including human rights/people) issues, identifying the direct or indirect impacts within the internal and external scope of the Company. These topics are then analyzed based on the level of stakeholder concern and subsequently prioritized.

The direct and indirect impacts of the issues continuously monitored by the ESG Committee in 2024 are summarized in the table below:

● Direct impact ◎ Indirect impact

Stakeholder areas of concern	Analysis of the content of issues of concern	Internal to the Company		External to the Company			
		Organization	Employees	Shareholders	Customers	Suppliers	Government agencies
Corporate governance aspect	Corporate governance	●	●				◎
	Compliance	●	●				●
	Business integrity	●	●	●	●		◎
	Risk management	●	●	●	●		●
	Innovative R&D	●	●	●	●	●	◎
	Cybersecurity	●	●	●	●		◎
Economic	Investors	●	●	●	●	●	
		●	●	●	●	●	
	Customers	●	●		●		
		●	●	●	●	●	
		●	●	●	●	●	
	Suppliers	●	●		●	●	
Environmental	Energy and GHG management	●	●		●	●	●
	Green operation	●	●		●		●
	Waste management	●	●			◎	●
	Water resource management	●	●			◎	●
Social	Personnel management within the Company	●	●	●		●	●
		●	●		●	◎	●
		●	●	●			●
	Labor/management relations	●	●				●
		●	●	●	●	●	●
	Occupational health and safety	●	●	●	●	●	●
Community	Charity	●	●				

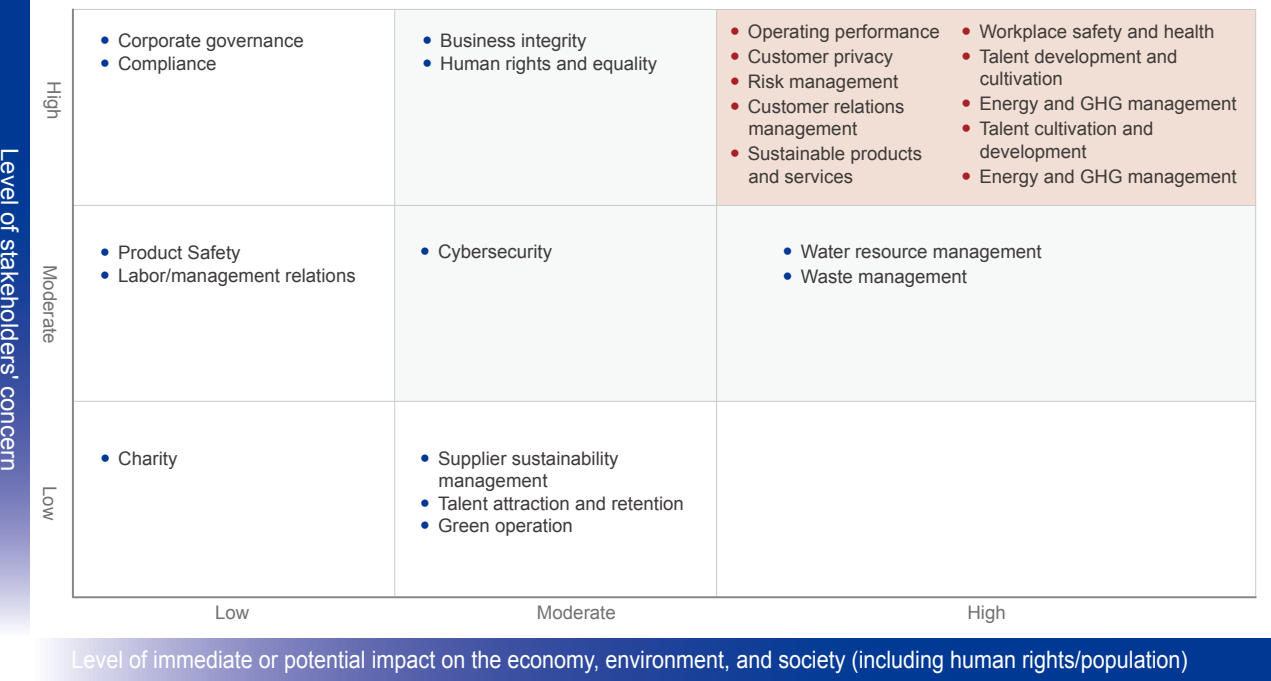
Descriptions: The above table analyzes the importance of 23 issues of concern for both the internal (organization and employees) and external (shareholders, customers, suppliers, government agencies, communities) stakeholders. Issues with 5 or more (●) are considered highly impactful and are marked in orange as material issues. A total of 10 material issues have been identified. These issues will be addressed in terms of their materiality and secondary importance and will be subjected to risk assessment and management (refer to section 2.7.1 Risk Management Process and Response Methods and Appendix 2-1). Issues with 3 or more (●) and 1 (◎) but less than 5 (●) are considered secondary issues and are marked in light gray. A total of 5 secondary issues have been identified. Only the material and secondary issues are addressed; other general issues are not addressed.



1.4 Identification and ranking of material issues and responses

The Company has consistently focused on the three core areas of sustainability: environmental protection, social responsibility, and corporate governance. These material topics are crucial to our long-term development and are highly aligned with our corporate mission. Over the past two years, both our internal operations and the external market environment have remained stable, without significant changes. To ensure the continuity and consistency of our sustainability strategies, ESG Committee have decided to maintain the same material topics as the previous year, with an emphasis on deepening and implementing the existing plans.

The Materiality Matrix of the Company for 2024 is shown below:



Note: Material issue ■ , Secondary issue ■

1.4.1 Responses to material and secondary issues

In 2024, 10 major issues and 5 secondary issues were identified and confirmed. A summary of the management actions and related measures is provided below:

Item	GRI standards	Importance to Kaori	Promotion measures
Corporate governance aspect/economic aspect			
Operating performance	201 Economic performance	By maintaining continuous profitability to achieve the goal of sustainable operations, we aim to expand new customer bases, increase market share, and create new employment opportunities.	<ul style="list-style-type: none"><li>Keep track of the economic situation and increase capital expenditure in a timely manner.</li><li>Expand customers and increase market share.</li><li>Control costs and expenses.</li></ul>
Risk management	2-25 Procedures for remediating negative impacts	Payment terms are important to the Company. Payment terms are important to suppliers.	Establish management authority or procedures for customer receivables and supplier payments.
Innovative R&D	416--2 Customer health and safety 417 Product services and product quality	Customers place great importance on product quality and delivery times, which are crucial factors in building trust and a strong reputation with them.	Obtained ISO9001 quality management certification (including procedures, work standards, etc.) and continuously maintain its validity.
Customer relations management	416--2 Customer health and safety 417 Product services and product quality	Customer service and satisfaction are crucial factors in building trust and a strong reputation with them.	Conduct regular annual customer satisfaction surveys, and require the responsible units to address customer complaints and implement improvements within a specified timeframe.
Customer privacy	418 Customer privacy	Understand customers' requirements and standards for the Company and draw up purchase orders and contracts to protect customer privacy.	Obtained ISO/IEC 27001 Cybersecurity Management Systems certification and established "Personal Data Protection Management Procedures" for both parties to follow.
Sustainable products and services	417 Product services	Customers' demand for sustainable, green products is increasing and becoming more important, which is also a key factor for the Company's product transformation.	Obtained ISO14067 carbon footprint verification. At the same time, an R&D center has been set up to innovate and develop green and sustainable products.
Product quality	416--2 Customer health and safety 417 Product services, product quality, and delivery times	Customers place great importance on product quality and delivery times, which are crucial factors in building trust and a strong reputation with them.	Obtained ISO9001 quality management certification (including procedures, work standards, etc.) and continuously maintain its validity.
Business integrity	201 Economic performance 2-15 Conflicts of interest	Satisfying shareholders is the most important task of the Company. Implementing business integrity policy is crucial for establishing the Company's reputation and credibility.	<ul style="list-style-type: none"><li>Established the Articles of Incorporation and clearly defined the dividend distribution procedures for shareholders.</li><li>Establishment of the "Business Integrity Code of Conduct".</li></ul>
Cybersecurity	2-3 ~ 2-5 Report practices 418 Customer privacy	The Company legally discloses the annual financial report and ESG sustainability report, ensuring transparency of information and securing the personal data of customers and employees through robust computer cybersecurity measures.	The disclosure and transparency of information in the annual financial report and ESG sustainability report. Obtained the ISO/IEC27001 cybersecurity management system certification and formulated the "Regulations Governing the Use of Computers and Networks" and "Required Software for Installation on Computers" to ensure personal data security.

Item	GRI standards	Importance to Kaori	Promotion measures
Environmental			
Energy and GHG management	<ul style="list-style-type: none"><li>305-1,2 Carbon emissions</li><li>2-27 Legal compliance</li></ul>	In response to global environmental trends and to align with the national greenhouse gas reduction strategy, the Company monitors its greenhouse gas emissions.	Following the ISO14064-1 Greenhouse Gas Inventory Guidelines, we established a "Carbon Management Committee" and implemented the "Energy Saving and Carbon Reduction Management Procedures" to effectively manage energy.
Waste management	<ul style="list-style-type: none"><li>306-3 Waste</li><li>2-27 Legal compliance</li></ul>	Violations of environmental regulations regarding wastewater and waste disposal can result in penalties, negatively impacting the Company's reputation and corporate image.	In compliance with the ISO14001 Environmental Management System, we ensure wastewater testing meets regulatory standards, and waste is classified and processed legally.
Water resource management	<ul style="list-style-type: none"><li>303-1, 2, 3 Water and effluents</li><li>2-27 Legal compliance</li></ul>	We have implemented comprehensive water resource management measures, including water management, reduction initiatives, and improving recycling and reuse to reduce the risk of water shortages.	Based on the characteristics of water usage, we primarily focus on recycling and reusing wastewater from cooling towers, industrial processes, and domestic water.
Social			
Workplace safety and health	<ul style="list-style-type: none"><li>403 Occupational safety and health</li></ul>	In accordance with the "Occupational Safety and Health Act," we have formulated the "Occupational Safety and Health Work Principles" and submitted them to the Taoyuan City Government Labor Inspection Division for approval and implementation to build a safe, healthy, and friendly workplace.	Established the "Hazard Identification and Risk Management Procedures," which include a graded control mechanism for hazard identification to ensure a safe and healthy working environment.
Talent development and cultivation	<ul style="list-style-type: none"><li>404 Training and development</li></ul>	Established a training and development system and supplemented by a performance evaluation mechanism to nurture and develop employees' personal capabilities and career competencies.	Established the "Education and Training Management Procedures" and "Annual Performance Evaluation Implementation Regulations" for managers at all levels to follow.
Human rights and equality	<ul style="list-style-type: none"><li>405-1 Diversity of governance units and employees</li><li>405-2 Ratio of basic salary and remuneration for women and men</li><li>406 Non-discrimination</li><li>408 Prohibition of child labor</li><li>409 No forced labor</li><li>412 Human rights assessment</li></ul>	By focusing on people, Kaori takes actions to enforce employees' human rights and diversity within the workplace	<ul style="list-style-type: none"><li>The first third-party human rights due diligence was conducted in 2024 and will be published in Q2 2025.</li><li>The "Human Rights Policy" is formulated in accordance with the core labor standards and local laws and regulations of the "United Nations Universal Declaration of Human Rights," "United Nations Global Compact," "RBA Code of Conduct," and the fundamental Conventions of the International Labour Organization.</li></ul>

1.5 Impact of sustainable management

1.5.1 Value chain relationships of material issues in Kaori

Note: ◎ Highly impacted and ▲ Minor impacted

Sustainability tasks	Material issues	GRI Standards specific topics SASB Standards - Industrial Machinery and Items	Upstream	Key products of Kaori		Downstream	Operational importance			
			Procurement stage	Plate heat exchangers	Thermal energy products	Customer use	Revenue growth	Customer satisfaction	Employee morale	Business risk
Operating profit	Operating performance		◎	◎	◎	◎	◎	◎	◎	◎
	Customer relations management	<ul style="list-style-type: none"><li>201 Economic performance</li><li>202 Market presence</li><li>416 Product safety</li><li>417 Product services</li><li>418 Customer privacy</li></ul>	◎	◎	◎	◎	◎	◎		
	Customer privacy		◎	◎	◎	◎	◎	◎		
	Innovative R&D		◎	◎	◎	◎	◎	◎	◎	◎
Corporate governance	Risk management	<ul style="list-style-type: none"><li>2-15 Conflicts of interest</li><li>2-25 Procedures for remediating negative impacts</li></ul>	▲			▲	◎	◎	◎	◎
	Sustainable Products	<ul style="list-style-type: none"><li>416 Product safety</li><li>417 Product services</li><li>RT-IG-440a.1 Materials sourcing</li></ul>				▲	◎	◎		◎
	Product quality		◎	◎	◎	◎	▲	◎	◎	◎
Green production	Energy and GHG management	<ul style="list-style-type: none"><li>305-1,2,7 Carbon Emissions</li><li>2-27 Legal compliance</li><li>306 Sewage and waste</li><li>2-27 Legal compliance</li><li>RT-IG-130a.1 Energy management</li><li>RT-IG-410a.1-4 Fuel economy and use-phase emissions</li></ul>	◎	◎	◎	◎	◎	◎	◎	◎
Friendly Workplace	Talent cultivation and development	<ul style="list-style-type: none"><li>404 Education and Training</li><li>403 Occupational safety and health</li></ul>	▲			▲	▲	◎	◎	◎
	Workplace safety and health	<ul style="list-style-type: none"><li>RT-IG-320a.1 Employee health and safety</li></ul>	▲	◎	◎	▲	◎	◎	◎	◎

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Sustainability Management Implementation

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1.5.2 Risk management of material issues

In accordance with the Taiwan Stock Exchange's corporate governance evaluation requirements, TWSE/ TPEX listed companies shall conduct risk assessments on environmental, social, and corporate governance issues related to the Company's operations based on the principle of materiality and establish relevant risk management policies or strategies. The following table provides a detailed analysis and explanation of the severity and likelihood of risks associated with the 10 material issues identified in 2024, along with the risk considerations, risk assessments, and management measures:

Operating performance		Product quality	Innovative R&D	Customer relations management		Customer privacy	Energy and GHG management	Risk management	Sustainable Products	Occupational health and safety	Talent development and cultivation	
Risk consideration ★ Strategy ● Operations ◆ Hazards	Earnings from operating performance	Loss from operating performance	Product quality yield is low and does not meet customer requirements.	Innovation and R&D as the driving force for the Company's growth	Customer relations and services are excellent, and satisfaction is high.	Poor customer relations and complaints of poor satisfaction	Understand customers' requirements and standards for the Company and draw up purchase orders and contracts to protect customer privacy.	The Company complies with environmental laws and regulations, effectively reduces oil/electricity consumption, and purchases green electricity.	The Company adheres to financial, environmental, labor, and occupational safety regulations, with no violations reported.	The Company develops green and sustainable products in response to customer demands.	The Company complies with the "Occupational Safety and Health Work Principles," implements hazard identification and risk assessment, and establishes a healthy and safe work environment.	Talent is the foundation of the Company's growth and strength, and we continuously nurture and develop employees' professional and management skills.
	★ ●	★ ●	● ◆	★ ●	●	● ◆	● ◆	● ◆	● ◆	●	●	
	This year's operational performance has resulted in a surplus.	In the first half of 2023, there was pressure due to increased inventory awaiting clearance, which may lead to potential losses.	Products with a yield rate that do not meet customer requirements will be returned or claimed for compensation, resulting in significant financial losses and damage to the Company's reputation.	Kaori R&D Center focuses on developing innovative products for various product lines and enhancing the value of existing products.	Kaori conducts regular customer satisfaction surveys and promptly addresses customer complaints.	If customer complaints are handled improperly, leading to poor satisfaction, it may result in a loss of future orders.	Obtained "ISO/IEC 27001" Cybersecurity Management Systems certification and established "Personal Data Protection Management Procedures" for both parties to follow.	Obtained the ISO 14001 Environmental management systems certification Effectively reduced electricity consumption and invested in green energy in line with government policies. Regularly conducted compliant wastewater testing and ensured legal disposal of waste. Additionally, the Company passed the third-party certification for the "ISO 14064-1 Greenhouse Gas Inventory"	The Company has formulated the "Risk Management Policy" to respond to the risks of corporate operations and reduce the impact of risks after they occur.	Customers' demand for sustainable, green products is increasing and becoming more important, which is also a key factor for the Company's product transformation. Passed the "ISO 14067 Carbon Footprint Inspection", committed to transforming into low-carbon products	The Company has established the "Occupational Safety and Health Work Principles" along with its organizational structure and personnel allocation, which has been submitted for official approval. Additionally, we have obtained ISO 45001 Occupational Health and Safety Management System certification.	Established a training and development system and a performance evaluation mechanism to nurture and develop employees' personal capabilities and career competencies.
Risk assessment and management measures	With weak consumer demand, customers are delaying or partially canceling orders. The sales department is planning to actively pursue new customer development.	Through the "ISO 9001 Quality Management System" certification, which includes a rigorous quality control system and execution forms, we regularly review the causes of defects in the production process and implement continuous improvements to ensure that our products meet customer requirements.	We have established a "Patent Review Committee" and developed the "Patent Application and Reward Policy" to enhance product competitiveness, improve the quality of patents, optimize the company's intellectual property management and operations, and encourage employees to focus on innovation and research and development.	If customer service and satisfaction are poor, it could lead to reduced future orders, or in more severe cases, order cancellations, which would negatively impact the Company's operational performance.		In accordance with international cybersecurity management practices, personal data protection standards, and legal regulations, the Company has established the "Cybersecurity Management System" to ensure that our IT infrastructure and information systems meet the requirements for confidentiality, integrity, availability, and legality.	If any violations occur, the company may be subjected to official penalties, with a deadline for improvement and fines imposed by the government. In more severe cases, such violations could lead to workplace accidents, such as employee injuries, which would negatively impact the Company's reputation. The solar power system at the Kaohsiung plant began commercial operation in September 2022, and the system at the Zhongli plant is scheduled for completion in 2025.	If operational risks arise, the impact and potential losses to the Company will be assessed based on the severity of the event, and a tiered management approach will be implemented.	An R&D center has been set up to innovate and develop green and sustainable products.	In the event of a safety and health incident, minor cases may result in employee injuries and loss of work hours, while severe cases could lead to fatalities and serious workplace accidents. Such incidents could result in official penalties with deadlines for corrective action, significantly impacting the Company's reputation.	The Company has established the "Education and Training Management Procedures" and "Annual Performance Evaluation Implementation Regulations" for managers at all levels to follow.	
	Please refer to this report: 3.2 Operating Performance	Please refer to this report: 4.5 Quality management	Please refer to this report: 4.1 Product Innovation	Please refer to this report: 3.3 Customer Relations Management		Please refer to this report: 3.4 Customer Data Confidentiality Mechanism	Please refer to this report: 6.4 Environmental and Energy Management, 6.4.2 Greenhouse Gas Management	Please refer to this report: 2.6 Risk management	Please refer to this report: 4.2 Strategic Goals for New Products and Technologies	Please refer to this report: 7.6 Workplace Safety and Health	Please refer to this report: 7.3 Talent Cultivation and Development	
Risk Occurrence Probability	Almost certain											
	Very likely			✓		✓						
	Possible	✓								✓		
	Unlikely		✓			✓	✓	✓			✓	
	Very unlikely	✓			✓				✓			
Risk Severity	Severe disaster											
	Critical			✓								
	Medium		✓			✓	✓	✓		✓		
	Minor	✓							✓		✓	
	Very slight	✓			✓							

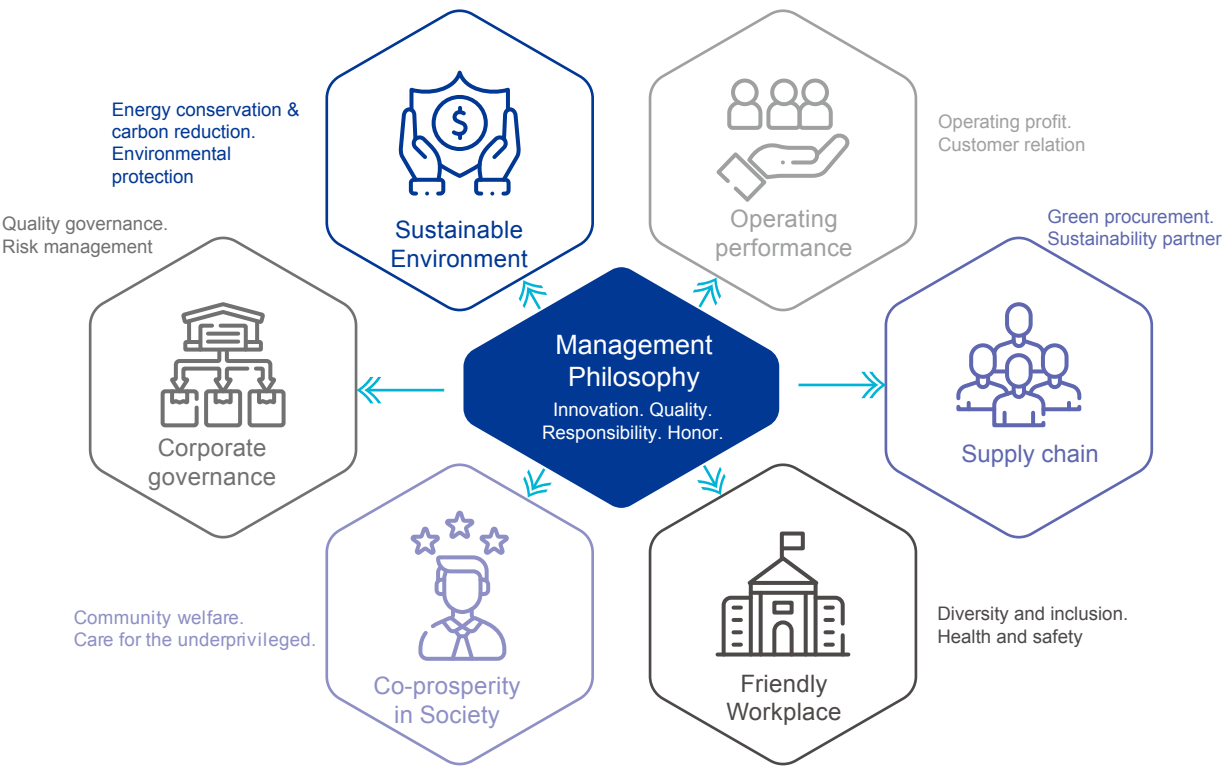
1.6 Fulfill the United Nations Sustainable Development Goals

To fulfill the UN Sustainable Development Goals, Kaori continues to focus on focus on 6 sustainability goals: SDG 3 (Good health and well-being), SDG 4 (Quality education), SDG 5 (Gender equality), SDG 7 (Affordable and clean energy), and SDG 12 (Responsible consumption and production), SDG 13 (Climate action). The company has set 2024 goals and management measures from economic, environmental, and social perspectives, and is implementing specific actions to create a sustainable impact.

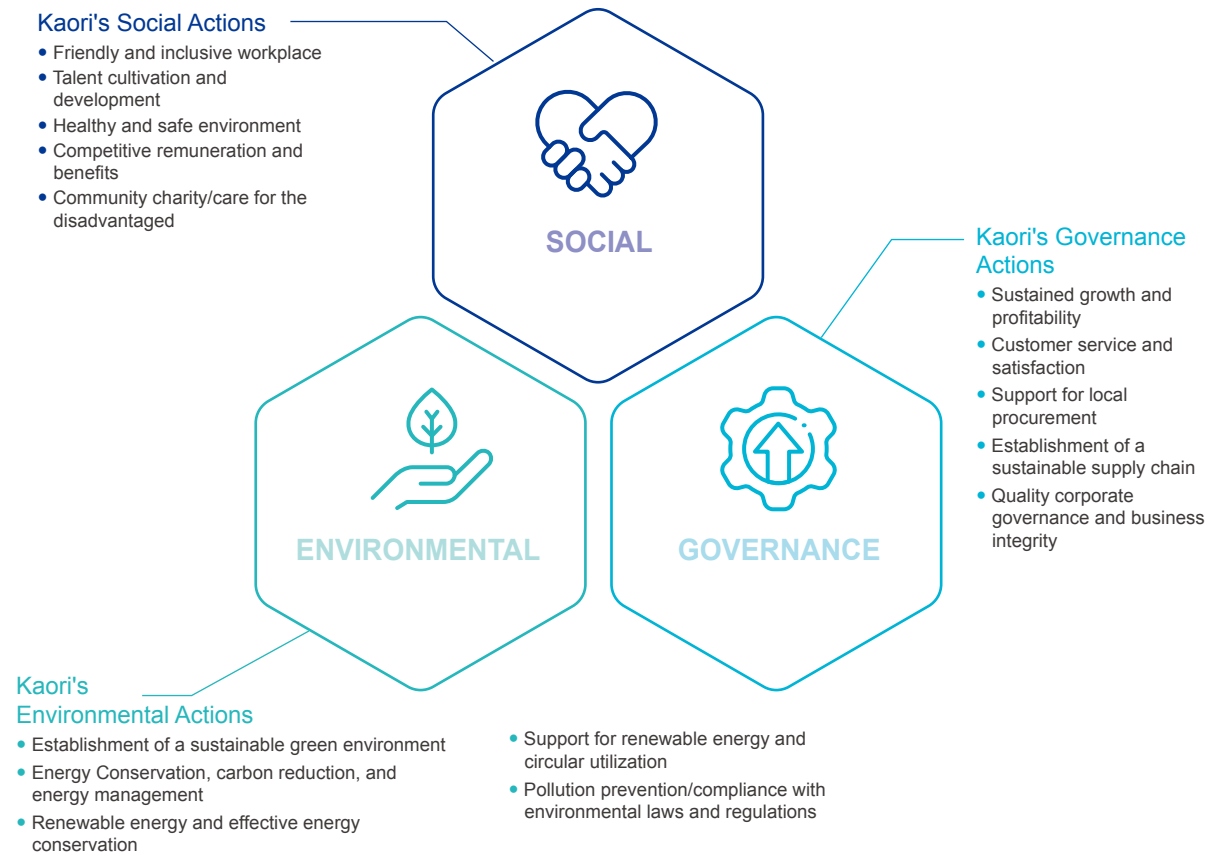
Economic aspect			
Corresponding SDGs: 12 Responsible consumption and production, 13 Climate action			
Company Goals	Management Measures	Corresponding SDGs	Corresponding ESG chapters
Disclose relevant information in cooperation with the government in promoting corporate governance blueprint.	The Company discloses non-financial information with reference to the international reporting standards and obtains third-party verification assurance.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Report Overview and Scope
Respond to climate change and energy supply risks, actively identify the risks brought about by climate change, and continue to control the impact and damage of extreme weather on operations.	Develop policies and solutions to address physical risks such as floods, typhoons, power outages, and rising temperatures, and actively implement relevant response measures to ensure the rapid recovery of operations after disasters.	13 CLIMATE ACTION	• 6. Sustainable Environment/TCFD • 6.4 Environmental and Energy Management • 6.4.2 Greenhouse Gas Management
Environmental aspect			
Corresponding SDGs: 07 Affordable and green energy, 13 Climate action			
Company Goals	Management Measures	Corresponding SDGs	Corresponding ESG chapters
Increase the proportion of renewable energy in the energy structure of the plants	The Kaohsiung Plant has built a solar photovoltaic system of 744.51kW. The feasibility assessment for the Zhongli plant has been completed, and construction is expected to be completed in 2025.	7 AFFORDABLE AND CLEAN ENERGY	• 6.4.1 Environmental Management and Energy Conservation
Greenhouse Gas Inventory and Verification	Completed the inventory and inspection of the parent group for three consecutive years in accordance with the ISO 14064-1 standard. The subsidiary completed third-party inventory verification on November 11, 2024	13 CLIMATE ACTION	• 6.4.2 Greenhouse Gas Management
Social aspect			
Corresponding SDGs: 03 Health and safety, 04 Quality education, 05 Gender equality			
Company Goals	Management Measures	Corresponding SDGs	Corresponding ESG chapters
Enhance the knowledge and skills of new and existing employees	New employees should undergo pre-employment training according to general regulations of the Company, such as personnel policies, safety and health regulations, and other important management guidelines. Upon entering the work environment, they receive on-the-job training from their supervisors. Employees must demonstrate error-free performance before they can work independently, ensuring both product and work quality.	4 QUALITY EDUCATION	• 7.3 Talent Cultivation and Development
Promote self-inspection and management measures for occupational safety and health to prevent in-plant disasters and reduce risks.	In accordance with the "ISO 45001 Occupational health and safety management system" and related occupational safety laws and regulations, we have formulated the occupational safety and health work principles, identified hazardous operations, established self-inspection and safe operation standards to prevent various potential hazard incidents.	3 GOOD HEALTH AND WELL-BEING	• 7.6 Workplace Safety and Health
Prohibit gender discrimination in recruitment, employment, remuneration, promotion, training, and others.	The first third-party human rights due diligence was conducted in 2024 and will be published in Q2 2025. The Company has formulated the "Employee Code of Conduct" and submitted it to the department of labor of the county and city governments for approval. This code clearly outlines policies and procedures prohibiting gender discrimination.	5 GENDER EQUALITY	• 7.5 Human rights protection and diversity inclusion

Kaori's SDG/ESG Sustainability Reporting Direction and Actions

- The five major directions of ESG are shown in the figure below



- The Company implements ESG initiatives in practice.







# 2

## Corporate Governance and Risk Management



### Achievement of Short-, Medium-, and Long-term Plans and Goals for Material Topics in Corporate Governance

Timeline	Short-term metrics (2024 - 2025)	Medium-term metrics (2026 - 2029)	Long-term metrics (after 2030)
Corporate governance	The Company's corporate governance evaluation ranking is in the 36th to 50th percentile among all listed companies.	The Company's corporate governance evaluation ranking is in the 36th to 50th percentile among all listed companies.	The Company's corporate governance evaluation ranking is in the 21th to 35th percentile among all listed companies.
Compliance	0 violation of the Company Act or tax regulations	0 violation of the Company Act or tax regulations	0 violation of the Company Act or tax regulations

#### Material issue objective and performance: Corporate governance and business integrity

Kaori is committed to corporate governance and sustainable management, adhering to the principles of business integrity and transparency in information disclosure. The company follows regulations, enhances operational performance, strengthens internal controls and personnel management mechanisms, and maintains ISO management system certifications. This is all part of fostering a high-quality corporate culture that embodies the Company's business philosophy and ethical standards. The goals and performance related to key issues are outlined as follows:

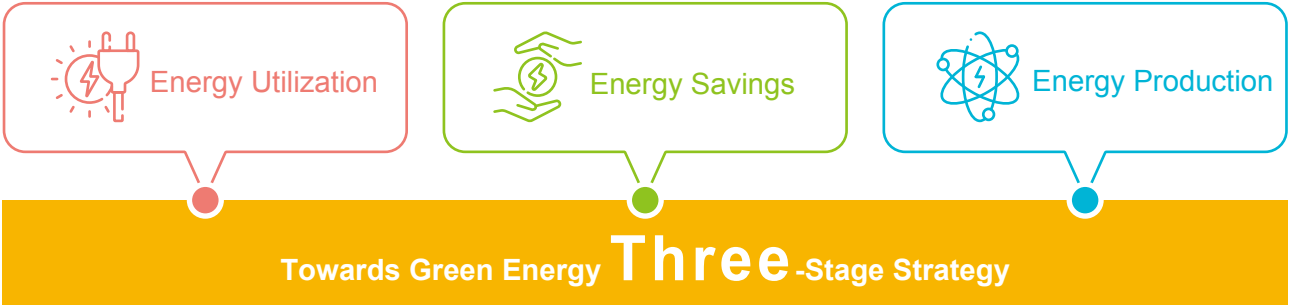
	2024 Goals	2024 Performance Achievement Level	2025 Goals
Corporate governance	The Company's corporate governance evaluation ranking is in the 36th to 50th percentile among all listed companies.	51% - 65% → Not achieved <sup>(Note)</sup>	The Company's corporate governance evaluation ranking is in the 36th to 50th percentile among all listed companies.
Compliance	0 violation of the Company Act or tax regulations	0 cases → Achieved	0 violation of the Company Act or tax regulations

Note: For an explanation of the reasons for unmet targets, please refer to Section 2.2.4 Corporate Governance Practices and Future Plans

### 2.1 Company Profile

#### 2.1.1 Company Profile

Kaori Heat Treatment Co., Ltd. (TWSE code: 8996) was founded in 1970 with the mission to promote green energy. It is the only business in Taiwan that is concurrently involved in the “use”, “conservation”, and “generation of energy”. Today, Kaori has successfully established its expertise in energy conservation and environmental protection. Over the years, Kaori has been aligning its technology and quality with international markets. In addition to gaining experience through partnerships with global industry leaders, Kaori's equipment is on par with that of advanced countries like the United States, Germany, and Japan. To meet the stringent regulatory standards of major international companies, the Company continues to innovate and transform. To date, Kaori's products have been sold in over 90 countries, with a rapidly growing global customer base, making it the preferred partner for international green energy development companies.



All of the Group's core business activities revolve around energy conservation and green energy, with the main products including plate heat exchangers and critical components for stationary Solid Oxide Fuel Cell (SOFCs). Kaori also offers next-generation green low-carbon solutions through two major technologies: water cooling and immersion liquid cooling and hydrogen power. These efforts support industrial upgrading and align with global trends towards net-zero emissions, environmental friendliness, and sustainable development. The basic information about the Company is as follows:

Company Profile			
	Company Name	Kaori Heat Treatment Co., Ltd.	
	Capital	NTD 910 million (February 8, 2025)	
	Date of establishment	October 11, 1970	
	Employee count	644 (in Taiwan as of December 31, 2023)	
	Main products and technologies	Brazen plate heat exchangers, gasket plate heat exchangers, key components for solid oxide fuel cells (SOFCs), water cooling and immersion server cooling technology, and hydrogen power technology (methanol-based hydrogen/heat generation, power generation, purification of industrial waste hydrogen)	
	Chairman	Chih-Hsiung Wu	
	Vice Chairman	Hsien-Fu Han	
	General manager	Hsin-Wu Wang	
	Headquarters	No. 5-2, Jilin North Road, Zhongli District, Taoyuan City	
	Operating locations	Zhongli Plant 1, Zhongli Plant 2, operating headquarters and Zhongli Plant 3, Zhongli Ziqiang Plant, Kaohsiung Benzhou Plant, Zhejiang Ningbo Plant	

The operating headquarters and plants are shown in the figure below:



Operations Headquarters



Zhongli Plant 1



Zhongli Plant 2



Zhongli Plant 3



Zhongli Ziqiang Plant



Kaohsiung Ben-Chou Plant



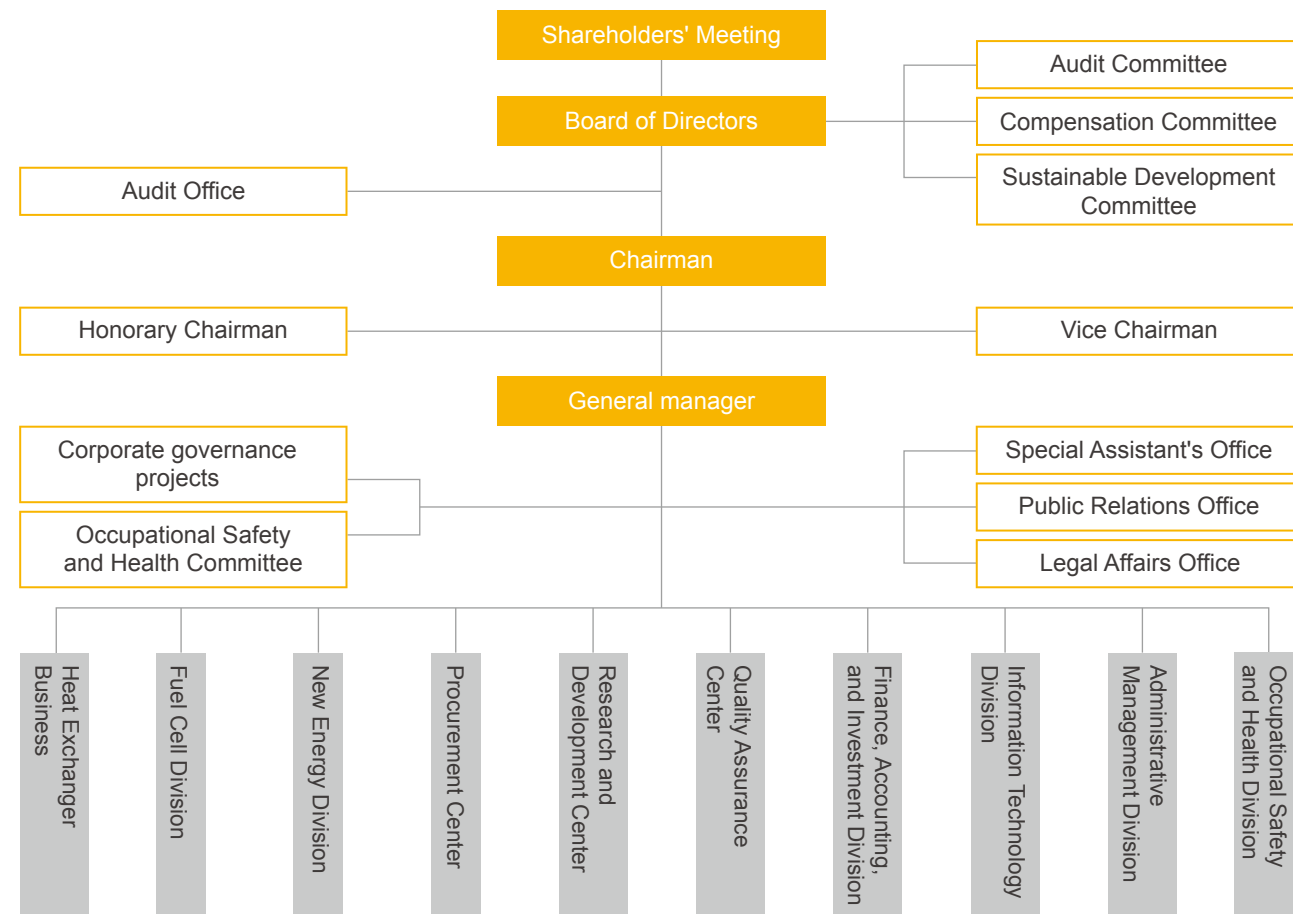
China Ningbo Plant

Establishment of the Company and Major Milestones

Year	Establishment of the Company and Major Milestones
1970	The Company was founded on October 11.
1994	Independently developed brazed plate heat exchangers
2008	Critical heat exchange system for fuel cells, hydrogen fuel cell power generation system
2018	Established a Thermal Department and introduced immersion server cooling system
2021	Integrated energy solutions into sustainability
2022	<ul style="list-style-type: none"><li>Kaori hosted the "Immersion Cooling Technology Forum," during which it invited guest speakers from the industry, government agencies, and academia to deliver speeches on how low-emission, low-energy, and low-water technologies can be used to help businesses accomplish becoming "carbon neutral."</li><li>Expansion of the Kaohsiung Plant was completed, adding 7,841m<sup>2</sup> of factory premises for a total of 17,269m<sup>2</sup></li><li>Passed third-party certification for the "ISO 14064-1 Greenhouse Gas Inventory"</li><li>The 744.51 kW commercial rooftop photovoltaic system installed at the Kaohsiung Plant began production</li><li>The first sustainable supplier exchange meeting was held to introduce a sustainable supply chain management system.</li><li>Acquired an invention patent certificate in Taiwan for a "Device and method of disposing and reusing organic waste fluids"</li><li>Plate heat exchangers passed Water Regulations Advisory Scheme (WRAS) certification in the UK</li></ul>
2023	<ul style="list-style-type: none"><li>The world's first plate heat exchanger manufacturer to receive a dual certification of ISO 14064-1 for greenhouse gas inventory and ISO 14067 for carbon footprint from a third party.</li><li>Founder and Honorary Chairman Han Hsien-Shou was awarded an honorary doctorate from National Changhua University of Education</li><li>With a focus on energy-saving digitalization in the manufacturing process, the Kaohsiung Plant and Plant 1 have already implemented semi-automated production equipment, achieving energy savings and improving production management efficiency.</li><li>Obtained the ISO 45001 Occupational Health and Safety Management System certification</li><li>Promote CPR+AED training for all employees to improve emergency care skills</li><li>Obtained third-party validation for the ISO 27001 cybersecurity management standard</li><li>Implemented the ISO 14064-1 Greenhouse Gas Inventory for two consecutive years and passed the third-party validation</li></ul>
2024	<ul style="list-style-type: none"><li>The Board of Directors established a functional committee, the "Corporate Sustainable Development Committee"</li><li>An extraordinary shareholders' meeting approved the spin-off of the Company's Thermal Business Division, which will be transferred through a spin-off arrangement to a newly established wholly owned subsidiary, Kaori Thermal Technology Co., Ltd.</li><li>In 2024, the Company received a Grade B in the international CDP Carbon Disclosure assessment</li><li>The Ningbo plant passed the international ISO 14064-1:2018 greenhouse gas inventory verification and was rated as a Three-Star Green Factory by Beilun District, Ningbo City</li><li>Implemented the ISO 14064-1 Greenhouse Gas Inventory for three consecutive years and passed the third-party validation</li><li>Awarded the "Healthy Workplace Certification - Badge of Accredited Healthy Workplace" by the Health Promotion Administration, Ministry of Health and Welfare</li><li>Awarded as an outstanding enterprise in the "Active Evaluation of Occupational Health and Safety Performance Disclosure in Corporate Sustainability Reports" by the Occupational Safety and Health Administration, Ministry of Labor</li><li>Conducted the first third-party human rights due diligence and issued a corresponding report</li></ul>



## 2.1.2 Organizational Structure and Responsibilities




### Main duties of each department

Department	Main duties and responsibilities
Special Assistant's Office	<ul style="list-style-type: none"><li>Oversees the establishment, execution, communication, and coordination of the overall goals of the Company</li><li>Research, establishment, execution, and tracking of projects and plans</li></ul>
Corporate governance projects	<ul style="list-style-type: none"><li>Provides directors and supervisors with correct, useful, and timely information; assists directors and supervisors with duties and supervisory functions; and bridges communication between the Board of directors, business units, and the competent authority</li></ul>
Legal Affairs Office	<ul style="list-style-type: none"><li>Legal affairs, litigation, and patent management</li></ul>
Public Relations Office	<ul style="list-style-type: none"><li>Communicates information relating to the organization; responsible for relationship management and the consultation, planning, implementation, and execution of matters relating to the corporate image</li><li>Executes corporate sustainability projects and discloses annual sustainability performance to stakeholders</li></ul>
Audit Office	<ul style="list-style-type: none"><li>Establishes and revises the internal audit system</li><li>Examines and evaluates the internal control system; raises suggestions and tracks improvements as necessary</li></ul>
Administrative Management Division	<ul style="list-style-type: none"><li>Responsible for personnel and industrial safety management</li><li>Assists business departments with equipment maintenance</li><li>Assists business departments with engineering works</li></ul>
Information Technology Division	<ul style="list-style-type: none"><li>Plans, maintains, controls, and implements the computerized processes within the Company and subsidiaries</li></ul>
Finance, Accounting, and Investment Division	<ul style="list-style-type: none"><li>Responsible for financial, accounting, and tax-related affairs within the Company and subsidiaries</li><li>Responsible for budgeting, shareholder services, financial planning, and investment planning within the Company and subsidiaries</li></ul>

Department	Main duties and responsibilities
Quality Assurance Center	<ul style="list-style-type: none"><li>Executes internal and external audits on the quality assurance system and document management</li><li>Plans and executes certification tasks</li></ul>
Research and Development Center	<ul style="list-style-type: none"><li>Researches and develops new products and new technologies</li><li>Validates feasibility and plans commercialization of R&amp;D results</li></ul>
Procurement Center	<ul style="list-style-type: none"><li>Responsible for supplier/contractor management and ensuring balance between quality and occupational safety</li></ul>
New Energy Division	<ul style="list-style-type: none"><li>Responsible for the design, development, production, and sale of methanol fuel cell systems, methanol-based hydrogen/heat generation, and industrial waste hydrogen purification solutions</li></ul>
Fuel Cell Division	<ul style="list-style-type: none"><li>Responsible for the production and processing of fuel cell components</li></ul>
Heat Exchanger Business	<ul style="list-style-type: none"><li>Responsible for the production, sale, stamping, research, and development of brazed and gasket plate heat exchangers</li></ul>

## 2.2 Corporate governance

### 2.2.1 Management approach and policies

Topic	Management Approach
	<p><b>Policy</b> Comply with the Company Act and relevant business regulations to ensure the proper functioning of the Board of Directors and maintain profitable operations without losses, thereby safeguarding shareholders' rights.</p>
	<p><b>Goals</b> The key to successful business management lies in a governance system that is supported by the management, employees, and shareholders.</p>
 Corporate Governance	<p><b>Commitment</b> Utilize due diligence and early warning communication methods to implement the Company's established codes, ensuring the protection of stakeholders' interests.</p>
	<p><b>Measures</b></p> <ol style="list-style-type: none"><li>Establish the "Corporate Governance Best Practice Principles" system to ensure the structure, agenda, and obligations of the Board of Directors.</li><li>Comply with the laws, regulations to ensure the proper composition of the Board of Directors.</li><li>In accordance with the "Business Integrity Code of Conduct," a responsible and transparent corporate governance structure is established, and managers operate with integrity.</li><li>In order to seek professionalism in business decision-making, the Board of Directors is composed of people with diverse educational backgrounds.</li><li>Adhering to the business philosophy of innovation, quality, responsibility, and honor, we are committed to the sustainable governance of innovation quality.</li><li>Update material information on the Market Observation Post System at any time to protect the rights and interests of stakeholders.</li></ol>

Based on the business philosophy of innovation, quality, responsibility, and honor, Kaori is committed to achieving sustainable and steady operations. We also emphasize product innovation, quality management, and employee responsibilities and honors, cultivating a tacit understanding of cooperation and innovative capabilities and thereby building energy efficiency. The outstanding team that exerts the greatest effectiveness for the enterprise continues to inject new competitive niches and become the benchmark in the industry. In addition, we are committed to providing customers with innovative products and high-quality and efficient services. We strive for excellence and an honorable corporate culture to become Taiwan's leading heat treatment company with high growth and high performance.

Kaori has always prided itself on having adopted an accountable and transparent corporate governance framework. The Company holds the conviction that a strong Board of directors provides the foundation for sustainable growth. To enforce these values, the Company has implemented the Corporate Governance Code of Conduct and the Business Integrity Code of Conduct throughout the organization. Through the implementation of governance principles and policies, the Company hopes to develop a culture of integrity, enforce accountability in corporate governance, and empower the Board of directors to the best interest of all stakeholders.

- 2024 Annual general meetings:



### 2.2.2 Functionality of the Board of Directors

Kaori has established its Board of directors system using standards that are more stringent than what the laws require. The Board of directors serves as the ultimate governance body of the Company; its main responsibilities are to supervise and strengthen the management, devise operating plans, establish key policies, and make decisions on major investments.

#### Board of Directors Nomination and Election Procedures

Carried out according to the Company's "Directors Election Policy". Director election is held during shareholders' meetings.

- All shareholders of adequate capacity within the Company are eligible to be elected as the Company's directors.
- Election of the Company's directors shall proceed using the candidate nomination system, where shareholders will elect from a list of director candidates using the cumulative voting system. The shareholder account number printed on the ballot shall be used as the identifier for registered votes. Each share is vested with voting rights equal to the number of directors to be elected. These voting rights may be concentrated on a single candidate or spread across multiple candidates.
- Candidates who receive the highest number of votes are assigned the role of director, until the number of director seats mentioned in the Articles of Incorporation are fully filled. If two or more candidates receive the same number of votes, thereby resulting in more electees than the number of seats available, the candidates who receive an equal number of votes shall draw for the remaining seats available. The Chair will draw on behalf of those who are absent during the meeting.
- The Chairman is elected by the Board of Directors. The Board has functional committees such as the Remuneration Committee and the Audit Committee assembled under it to support its duties. Internally, the general manager devises business plans and coordinates departments for execution depending on current market circumstances and the competitive landscape. The roles of Chairperson and general manager are not undertaken by the same person.

The Board of Directors consists of 9 members (including 3 independent directors), each serving a three-year term. The Board convenes at least once every quarter. In the 21st term of 2024, a total of eight Board meetings were held, with an attendance rate of 98.61%. Kaori has rules in place to ensure that independent directors are selected from diverse professional backgrounds and that they individually possess the adequate knowledge, insight, and commercial judgment needed to carry out their duties independently. Three of the nine Board members are independent directors: Hsiang-Wen Hung (Consultant of Li Mei Jia Investment Co., Ltd.), En-Kuang Mao (Secretary General of Taiwan Wind Turbine Industry Association), and Chih-Yao Tang (Vice President, HR Department of Lion Travel Service Co. Ltd.). Independent directors currently represent one-third of the Board.

#### The powers of the Board of Directors include:

1. The Company's business plan.
2. Annual and semi-annual financial reports. Except for semi-annual financial reports that are not audited and attested by a CPA according to law.
3. Establishment or amendment of the internal control system in accordance with Article 14-1 of the Securities and Exchange Act, and evaluation of the effectiveness of the internal control system.
4. Establishment or amendment of the procedures for the acquisition or disposal of assets, engaging in derivative transactions, lending funds to others, making endorsements or providing guarantees for others, and handling procedures of major financial or business activities according to Article 36-1 of the Securities and Exchange Act.
5. The offering, issuance, or private placement of marketable securities that are of an equity nature.
6. Election or dismissal of the chairperson if the Board of Directors does not have a managing director.
7. Appointment or dismissal of a financial, accounting, or internal auditing officer.
8. Donations to a related party or material donations to a non-related party. However, public welfare donations for emergency relief due to major natural disasters may be ratified at the next board meeting.
9. Matters requiring resolution at a shareholders' meeting or board of directors meeting under Article 14-3 of the Securities and Exchange Act or other laws, regulations, or the Articles of Incorporation, or material matters as specified by the competent authorities.

In line with the Corporate Governance 3.0 - Sustainable Development Blueprint, the Company established a functional committee, the Corporate Sustainability Committee, on May 8, 2024, to promote its vision and strategy for sustainable management.

#### Educational Experiences of Board Members

Designation	Name	Gender	Current position	Academic and career experience
Chairman	Chih-Hsiung Wu	Male	Chairperson of the Company	<ul style="list-style-type: none"> <li>Ph.D. in Materials Science and Engineering, University of Illinois at Urbana-Champaign</li> <li>Senior Vice President of Motech Industries Inc.</li> </ul>
Vice Chairman	Hsien-Fu Han	Male	Vice Chairperson of the Company	<ul style="list-style-type: none"> <li>Department of Mechanical Engineering, Tatung University</li> <li>General Manager of Kaori since June 2000</li> </ul>
Director	Hsin-Wu Wang	Male	General manager of the Company	<ul style="list-style-type: none"> <li>Graduate Institute of Financial Management, National Central University</li> <li>Vice President of the Company since January 2006</li> </ul>
	Hung-Hsing Huang	Male	Chief Strategy Officer of the Company	<ul style="list-style-type: none"> <li>Institute of Technology Management, National Tsing Hua University</li> <li>Investment Manager of IBF Financial Holdings Co., Ltd.</li> </ul>
	Chun-Ying Wu, Representative of Aladdin Investment Co., Ltd.	Male	Vice President of the Company	<ul style="list-style-type: none"> <li>J.D., Tulane University</li> <li>Master of Advanced Business Administration, Université de Lausanne</li> <li>Investment Partner of MiiCs &amp; Partners Inc.</li> </ul>
	Hung-Tao Ku, Representative of Aladdin Investment Co., Ltd.	Male	Chairperson of Kaori Thermal Technology Co., Ltd.	<ul style="list-style-type: none"> <li>MSc Financial Economics, University of York</li> <li>Bachelor of Business Administration, National Chengchi University</li> <li>Technology Director of Linkupper Co., Ltd.</li> </ul>
	Hsiang-Wen Hung	Male	Consultant of Li Mei Jia Investment Co., Ltd.	<ul style="list-style-type: none"> <li>Department of Business Administration, National Taiwan University</li> <li>Trust Fund Manager of Kwanghua Securities Investment &amp; Trust Co., LTD.</li> </ul>
Independent Director	En-Kuang Mao	Male	Secretary General of Taiwan Wind Turbine Industry Association	<ul style="list-style-type: none"> <li>Deputy Secretary-General, Taiwan Electrical and Electronic Manufacturers' Association</li> <li>1987: Passed the second-class examination for the general administrative staff of the retired military personnel transferred to the civil service.</li> </ul>
	Chih-Yao Tang	Male	Vice President of Human Resources, Lion Travel Service Co. Ltd.	<ul style="list-style-type: none"> <li>Master of Business Administration, College of Management, National Taiwan University</li> <li>Director of the Human Resources Division, Taiwan Star Telecom Corporation Limited</li> </ul>

→For the latest updates, please refer to the information available on the Company's official website



Gender and age range of directors

21st term in 2024		Age Distribution of Members of the Board of Directors			
		30 and below	31-50	51 and above	Subtotal
Gender	Female	0	0	0	0
	Male	0	4	5	9
Subtotal		0	4	5	9

Board of Directors Meetings and Attendance

The Board of Directors held 8 meetings in 2024. The attendance of the directors is as follows:

Designation	Name	2024		
		No. of In-Person Attendances	No. of proxy attendance	Actual attendance rate (%)
Chairman	Chih-Hsiung Wu	8	0	100%
Vice Chairman	Hsien-Fu Han	8	0	100%
Director	Hsin-Wu Wang	8	0	100%
Director	Hung-Hsing Huang	8	0	100%
Director	Chun-Ying Wu, Representative of Aladdin Investment Co., Ltd.	8	0	100%
Director	Hung-Tao Ku, Representative of Aladdin Investment Co., Ltd.	7	1	87.50%
Independent Director	Hsiang-Wen Hung	8	0	100%
Independent Director	En-Kuang Mao	8	0	100%
Independent Director	Chih-Yao Tang	8	0	100%
Average attendance rate		98.61%		

Execution of Board of Directors Meetings

The Board of directors convenes meetings on a regular and irregular basis. The general manager is responsible for issues concerning economic performance and management, and briefs the Chairperson or the Board of directors either regularly or irregularly depending on the materiality of the issue in question. The purpose of the meeting is to review business performance and discuss material strategic issues and major concerns, including economic, environmental, and social impacts and risks and opportunities associated with business activities. A responsible unit will be designated for each of the issues discussed during meeting and tasked with the responsibility of making follow-up reports in the next meeting.

Major Resolutions of the Board of Directors in 2024

Date of meeting	Resolution
The 6th meeting of 21st term January 17, 2024	<ol style="list-style-type: none"><li>1. Motion to apply for credit limits and handle credit-related matters with financial institutions based on operational needs.</li><li>2. Proposal for the company-wide year-end and performance bonuses for 2023.</li><li>3. Proposal for the allocation of year-end and performance bonuses for managers in 2023.</li><li>4. Proposal for the Company's 2024 Annual Business Plan.</li><li>5. Proposal for the change of the Company's spokesperson.</li><li>6. Proposal for the revision of the "Regulations Governing Financial and Business Transactions among Affiliated Enterprises" of the Company.</li></ol>
The 7th meeting of 21st term March 8, 2024	<ol style="list-style-type: none"><li>1. Motion to apply for credit limits and handle credit-related matters with financial institutions based on operational needs.</li><li>2. Proposal for the 2023 business report and financial statements.</li><li>3. Proposal for the 2023 earnings appropriation.</li><li>4. Proposal to determine the distribution schedule of cash dividends for the 2023 earnings appropriation.</li><li>5. Proposal for the employee and director remuneration for 2023.</li><li>6. Proposal for the issuance of the 2023 "Statement on Internal Control System".</li><li>7. Proposal for the independence and the evaluation of the independence and suitability of the Company's CPAs.</li><li>8. Proposal for the revision of the Company's "Audit Committee Charter".</li><li>9. Proposal for the amendments to the Company's "Board of Directors' Meeting Rules."</li><li>10. Proposal for the details concerning the 2024 annual general meeting.</li></ol>
The 8th meeting of 21st term May 8, 2024	<ol style="list-style-type: none"><li>1. Motion to apply for credit limits and handle credit-related matters with financial institutions based on operational needs.</li><li>2. Proposal for the change of the Company's certifying CPA in accordance with the internal rotation policy of the accounting firm.</li><li>3. Proposal for the 2024 Q1 Financial Report.</li><li>4. Proposal for the distribution of directors' and employees' remuneration for 2023.</li><li>5. Proposal for the adoption of the Company's "Sustainable Development Committee Charter".</li><li>6. Proposal for the establishment of the Company's "Sustainable Development Committee" and the appointment of its members.</li><li>7. Proposal for the revision of the Company's Accounting System.</li><li>8. Proposal to set the record date for the issuance of new shares upon conversion of the Company's fourth domestic unsecured convertible corporate bond.</li><li>9. Proposal to authorize the Chairman to handle the necessary assessments and preparations related to the spin-off of the thermal dissipation business.</li><li>10. Proposal to appoint Chun-Ying Wu, Vice President of the Company, as General Manager of the subsidiary, Kaori Technology (Ningbo) Co., Ltd., to be officially appointed by the subsidiary's Board of Directors with a separate effective date to be determined.</li></ol>
The 9th meeting of 21st term August 9, 2024	<ol style="list-style-type: none"><li>1. Motion to apply for credit limits and handle credit-related matters with financial institutions based on operational needs.</li><li>2. Proposal for the 2024 Q2 Financial Report.</li><li>3. Proposal for the revision of the Company's "Pre-approved Non-assurance Services" list.</li><li>4. Proposal to set the record date for the issuance of new shares upon conversion of the Company's fourth domestic unsecured convertible corporate bond in Q2 2024.</li><li>5. Proposal for the Company's equity investment in the establishment of Kaori Thermal Technology Co., Ltd.</li><li>6. Proposal to adopt the Articles of Incorporation for the newly established subsidiary and appoint its directors.</li><li>7. Proposal to establish a subsidiary in Thailand and authorize the Chairman to handle all matters related to its establishment with full authority.</li></ol>
The 10th meeting of 21st term September 13, 2024	<ol style="list-style-type: none"><li>1. Motion to apply for credit limits and handle credit-related matters with financial institutions based on operational needs.</li><li>2. Proposal for the business transfer through spin-off of the Company's Thermal Business Division.</li><li>3. Proposal for matters related to the 2024 First Extraordinary Shareholders' Meeting.</li><li>4. Proposal to authorize the Chairman to negotiate the purchase of land in an industrial zone in Thailand.</li><li>5. Proposal to establish a subsidiary in Thailand and appoint directors for the newly established subsidiary.</li><li>6. Proposal to open a bank account for the Thailand subsidiary and authorize designated signatories.</li><li>7. Proposal for the revision of the Company's "Procedures for the Management of Related Party Transactions."</li><li>8. Proposal for the amendments to the Company's "Corporate Governance Code of Conduct."</li></ol>
The 11th meeting of 21st term October 9, 2024	<ol style="list-style-type: none"><li>1. Supplementary explanation regarding the business transfer through spin-off of the Company's Thermal Business Division</li></ol>

Date of meeting	Resolution
The 12th meeting of 21st term November 8, 2024	<ol style="list-style-type: none"><li>1. Motion to apply for credit limits and handle credit-related matters with financial institutions based on operational needs.</li><li>2. Proposal for the 2024 Q3 Financial Report.</li><li>3. Proposal to set the record date for the issuance of new shares upon conversion of the Company's fourth domestic unsecured convertible corporate bond in Q3 2024.</li><li>4. Proposal for the revision of the Company's "Internal Control System."</li><li>5. Proposal for the 2025 Annual Audit Plan.</li><li>6. Proposal for the adoption of the Company's "Procedures for the Preparation and Assurance of Sustainability Reports."</li><li>7. Proposal for the revision of the Company's "Procedures for Changes in Accounting Policies and Estimates."</li><li>8. Proposal for the revision of the Company's "Regulations Governing the Preparation Process of Financial Statements."</li><li>9. Proposal for the amendments to the Company's "Regulations for Distribution of Year-end Bonuses."</li><li>10. Proposal for the revision of the Company's "Performance Bonus Guidelines."</li></ol>
The 13th meeting of 21st term December 20, 2024	<ol style="list-style-type: none"><li>1. Motion to apply for credit limits and handle credit-related matters with financial institutions based on operational needs.</li><li>2. Proposal to appoint directors for the subsidiary, Kaori Thermal Technology Co., Ltd.</li><li>3. Proposal to appoint Chairman Chih-Hsiung Wu as Chief Executive Officer of the subsidiary, Kaori Thermal Technology Co., Ltd.</li><li>4. Proposal to appoint Vice President Wu-Hsing Chou as General Manager of the subsidiary, Kaori Thermal Technology Co., Ltd.</li><li>5. Proposal to waive the non-competition restrictions for directors.</li><li>6. Proposal for the company-wide year-end and performance bonuses for 2024.</li><li>7. Proposal for the allocation of year-end and performance bonuses for managers in 2024.</li><li>8. Proposal for the Company's 2025 Annual Business Plan.</li></ol>

The execution of recusal by directors with conflicts of interest shall specify the director's name, the content of the proposal, the reason for recusal, and the voting participation status:

1. At the Board Meeting held on January 17, 2024, Proposals 2 and 3 were discussed:  
The Board approved the Company-wide year-end and performance bonus proposal and distribution plan for 2023, as reviewed by the Remuneration Committee. For the discussion on the year-end and performance bonuses of managers, directors and managers who were stakeholders in the matter recused themselves from both the discussion and voting. The remaining attending directors raised no objections, and the proposals were approved as presented.
2. At the Board Meeting held on January 17, 2024, Proposal 5 was discussed:  
Approved the proposal for the change of the Company's spokesperson. For this proposal, managers who were stakeholders recused themselves from both the discussion and voting. The remaining attending directors raised no objections, and the proposal was approved as presented.
3. At the Board Meeting held on May 8, 2024, Proposal 4 was discussed:  
The Board approved the distribution plan for directors' and employees' remuneration for 2023, as reviewed by the Remuneration Committee. For the discussion on directors' and managers' remuneration, the directors and managers who were stakeholders in the matter recused themselves from both the discussion and voting. The remaining attending directors raised no objections, and the proposal was approved as presented.
4. At the Board Meeting held on May 8, 2024, Proposal 6 was discussed:  
Approved the proposal for the establishment of the Company's "Sustainable Development Committee" and the appointment of its members. For the discussion on the appointment of committee members, the directors who were stakeholders in the matter recused themselves from both the discussion and voting. The remaining attending directors raised no objections, and the proposal was approved as presented.
5. At the Board Meeting held on May 8, 2024, Proposal 10 was discussed:  
Approved the proposal to appoint the President of the subsidiary, Kaori Technology (Ningbo) Co., Ltd. For the discussion on the appointment of the manager, the manager who was a stakeholder in the matter recused himself from both the discussion and voting. The remaining attending directors raised no objections, and the proposal was approved as presented.
6. At the Board Meeting held on August 9, 2024, Proposal 6 was discussed:  
Approved the proposal to appoint directors for the subsidiary, Kaori Thermal Technology Co., Ltd. For the discussion on the appointment of board members, the directors who were stakeholders in the matter recused themselves from both the discussion and voting. The remaining attending directors raised no objections, and the proposal was approved as presented.

7. At the Board Meeting held on September 13, 2024, Proposal 5 was discussed:  
Approved the proposal to appoint the director of the subsidiary, Kaori Technology (Thailand) Co., Ltd. For the discussion on the appointment of board members, the directors who were stakeholders in the matter recused themselves from both the discussion and voting. The remaining attending directors raised no objections, and the proposal was approved as presented.
8. At the Board Meeting held on December 20, 2024, Proposal 3 was discussed:  
Approved the proposal to appoint the Chief Executive Officer of the subsidiary, Kaori Thermal Technology Co., Ltd. For the discussion on the appointment of the manager, the director who was a stakeholder in the matter recused

himself from both the discussion and voting. The remaining attending directors raised no objections, and the proposal was approved as presented.

9. At the Board Meeting held on December 20, 2024, Proposals 6 and 7 were discussed:  
The Board approved the Company-wide year-end and performance bonus proposal and distribution plan for 2024, as reviewed by the Remuneration Committee. For the discussion on the year-end and performance bonuses of managers, directors and managers who were stakeholders in the matter recused themselves from both the discussion and voting. The remaining attending directors raised no objections, and the proposals were approved as presented.

### 2.2.3 Continuing education, performance, capability, and remuneration for members of the Board of Directors

In addition to the board members with relevant industry backgrounds and practical experience in business management, all the Company's directors participated in the continuing education in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" in 2024, and the hours of training are as follows:

Designation	Name	Training hours in 2024 (hours)
Chairman	Chih-Hsiung Wu	<ul style="list-style-type: none"><li>• What Are Investors Thinking? - Corporate Sustainability Transformation through ESG Investment and Financing 3 hours</li><li>• Practical Performance Evaluation in Corporate "ESG Sustainability" and "Risk Management" 3 hours</li></ul>
Vice Chairman	Hsien-Fu Han	<ul style="list-style-type: none"><li>• What Are Investors Thinking? - Corporate Sustainability Transformation through ESG Investment and Financing 3 hours</li><li>• Practical Performance Evaluation in Corporate "ESG Sustainability" and "Risk Management" 3 hours</li></ul>
Director	Hsin-Wu Wang	<ul style="list-style-type: none"><li>• What Are Investors Thinking? - Corporate Sustainability Transformation through ESG Investment and Financing 3 hours</li><li>• Practical Performance Evaluation in Corporate "ESG Sustainability" and "Risk Management" 3 hours</li></ul>
Director	Hung-Hsing Huang	<ul style="list-style-type: none"><li>• What Are Investors Thinking? - Corporate Sustainability Transformation through ESG Investment and Financing 3 hours</li><li>• Practical Performance Evaluation in Corporate "ESG Sustainability" and "Risk Management" 3 hours</li></ul>
Director	Aladdin Investment Co., Ltd. Representative Chun-Ying Wu	<ul style="list-style-type: none"><li>• What Are Investors Thinking? - Corporate Sustainability Transformation through ESG Investment and Financing 3 hours</li><li>• Practical Performance Evaluation in Corporate "ESG Sustainability" and "Risk Management" 3 hours</li><li>• Taiwan's Capital Market Summit 3 hours</li></ul>
Director	Aladdin Investment Co., Ltd. Representative Hung-Tao Ku	<ul style="list-style-type: none"><li>• What Are Investors Thinking? - Corporate Sustainability Transformation through ESG Investment and Financing 3 hours</li><li>• Practical Performance Evaluation in Corporate "ESG Sustainability" and "Risk Management" 3 hours</li></ul>
Independent Director	Hsiang-Wen Hung	<ul style="list-style-type: none"><li>• What Are Investors Thinking? - Corporate Sustainability Transformation through ESG Investment and Financing 3 hours</li><li>• Practical Performance Evaluation in Corporate "ESG Sustainability" and "Risk Management" 3 hours</li></ul>
Independent Director	En-Kuang Mao	<ul style="list-style-type: none"><li>• What Are Investors Thinking? - Corporate Sustainability Transformation through ESG Investment and Financing 3 hours</li><li>• 2024 Cathay Sustainable Finance and Climate Change Summit 3 hours</li><li>• 2024 Insider Trading Prevention Awareness Seminar 3 hours</li></ul>
Independent Director	Chih-Yao Tang	<ul style="list-style-type: none"><li>• What Are Investors Thinking? - Corporate Sustainability Transformation through ESG Investment and Financing 3 hours</li><li>• Practical Performance Evaluation in Corporate "ESG Sustainability" and "Risk Management" 3 hours</li></ul>



### Board Performance Evaluation Procedures and Frequency

The Company has established a “Board Performance Evaluation Policy” and discloses assessment outcomes in its annual report. Evaluation of the Board of Directors is conducted regularly, at least once a year, through internal self-assessment. Directors are asked to assess several aspects, such as the functionality and culture of the Board and functional committees, management of internal/external relationships, and individual performance. The Board meeting organizer then consolidates the outcomes and reports them in a Board of Directors' meeting along with proposed improvements. The overall performance evaluation of the Board of Directors and functional committees in 2024 was rated as “Excellent,” demonstrating the Company's continued efforts to strengthen board functions and the effective operation of its functional committees. Going forward, the Company will remain committed to continuous improvement to further enhance the effectiveness of corporate governance.

The overall performance evaluation of the Board of Directors and functional committees in 2024 was rated as “Excellent.” The detailed assessment is as follows:

Evaluation criteria	5* to 4 points	4* to 3 points	3* to 2 points	2* to 1 points	1* point
	Excellent	Good	Fair	Needs Improvement	Poor

Note: “5\* to 4 points” refers to scores greater than 4 and up to 5 (inclusive). The same logic applies to the other ranges

#### • Board of Directors:

Self-evaluation of the Five Key Dimensions	Number of Questions	Average Score	
		113	112
A. Participation in Company Operations	12	5.00	4.75
B. Enhancement of Board Decision-making Quality	12	4.92	4.83
C. Board Composition and Structure	7	5.00	4.71
D. Director Selection and Ongoing Training	7	4.43	4.43
E. Internal Control	7	5.00	4.71
<b>Total/Average Score</b>	<b>45</b>	<b>4.87</b>	<b>4.69</b>

#### • Board Members:

Self-evaluation of the Six Key Dimensions	Number of Questions	Average Score	
		113	112
A. Understanding of the Company's Goals and Mission	3	4.89	4.85
B. Awareness of Directors' Responsibilities	3	5.00	4.96
C. Participation in Company Operations	8	4.81	4.81
D. Internal Relationship Management and Communication	3	4.96	5.00
E. Professionalism and Ongoing Training of Directors	3	4.85	4.85
F. Internal Control	3	4.81	4.81
<b>Total/Average Score</b>	<b>23</b>	<b>4.89</b>	<b>4.88</b>

#### • Functional Committee:

Self-evaluation of the Five Key Dimensions	Audit Committee			Compensation Committee		
	Number of Questions	Average Score		Number of Questions	Average Score	
		113	112		113	112
A. Participation in Company Operations	4	4.75	4.67	4	4.75	4.67
B. Awareness of Functional Committees' Responsibilities	5	4.87	4.67	5	4.67	4.53
C. Enhancement of Decision-making Quality in Functional Committees	7	4.67	4.57	7	4.67	4.57
D. Composition of Functional Committees and Selection of Members	3	5.00	4.67	3	5.00	4.67
E. Internal Control	3	4.78	4.56	-	-	-
Total/Average Score	22	4.81	4.63	19	4.77	4.61

#### Conclusion:

Overall, the performance evaluation was rated as “Excellent,” demonstrating the Company's continued efforts to strengthen the functions of the Board of Directors and the effective operation of its functional committees. The Company remains committed to ongoing improvement to further enhance corporate governance effectiveness. The evaluation results will be disclosed in the annual report.

### Board diversity

The board members have backgrounds in professional fields such as business management and financial accounting and possess the knowledge, skills, and attainments required to perform their duties, including operational judgment, industry experience, leadership decision-making, and operational judgment.

Name of Director	Diversity Items	Operation and management	Accounting	Operational judgment	Industry knowledge	Leadership decision-making	Crisis, conflict, and risk management capabilities		
							Crisis management	Conflicts and risks	International markets
Chih-Hsiung Wu		•		•	•	•	•	•	•
Hsien-Fu Han		•		•	•	•	•	•	•
Hsin-Wu Wang		•	•	•	•	•	•	•	•
Hung-Hsing Huang		•	•	•	•	•	•	•	•
Aladdin Investment Co., Ltd. Representative Chun-Ying Wu		•	•	•	•	•	•	•	•
Aladdin Investment Co., Ltd. Representative Hung-Tao Ku		•	•	•	•	•	•	•	•
Independent Director Hsiang-Wen Hung		•	•	•	•	•	•	•	•
Independent Director En-Kuang Mao		•		•	•	•	•	•	•
Independent Director Chih-Yao Tang		•	•	•	•	•	•	•	•

### Directors' remuneration

According to the Company's Articles of Incorporation, no more than 5% of the Company's profit shall be allocated as remuneration to directors, and the proposal to distribute remuneration to directors shall be submitted to the annual shareholders' meeting. Directors and independent directors who do not hold positions within the Group shall receive fixed remuneration regardless of the Company's profit or loss. Directors holding positions within the Group are considered based on their positions in the Company, representatives serving as directors of subsidiaries, and involvement in the Company's operations. The abovementioned proposed remunerations are subject to the recommendations of the Remuneration Committee and then submitted to the Board of Directors for approval.

### 2.2.4 Corporate Governance Practices and Future Plans

The Company has established and disclosed its own Corporate Governance Code of Conduct in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and is committed to enforcing a sound corporate governance philosophy and practices throughout the organization. During the meeting held in November 2021, the Board of directors passed the resolution to appoint one corporate governance officer and made short-, medium-, and long-term plans to enforce sound governance practices. The Company will continue making amendments to relevant policies, enhancing information transparency, and empowering the Board of directors in ways that support sound corporate governance.

- Explanation for Not Meeting the Target Ranking in the 2024 Corporate Governance Evaluation:

The primary reason is that the Company is entering a transitional phase in its operational policies and organizational structure during a period of rapid growth. As the business expands and market demands evolve, time is needed to optimize internal processes, integrate resources, and adjust the management framework to ensure the Company’s governance system can adapt to a more complex operating environment. Although the importance of enhancing corporate governance has been recognized and corresponding plans have been established, the Company is still in the midst of organizational and policy adjustments. Therefore, achieving the target ranking may require a longer period to be realized gradually. Over the next one to two years, efforts will focus on stabilizing internal operations, improving management efficiency, and strengthening key governance indicators. As the organizational structure matures, the Company’s corporate governance performance is expected to improve progressively, ultimately reaching the intended goals.

- Key Areas of Focus Going Forward (The following items are listed in no particular order and will be promoted according to the Company’s operational progress)

- Enhancing Board Structure, Functionality, and Diversity:

The Company plans to strengthen the structure and functionality of the Board by implementing board succession planning, establishing mechanisms to link the performance evaluation of directors and managers with their compensation (conducting external board evaluations every three years), and increasing the number of female directors to promote diversity.

- Strengthening Internal Control and Risk Management:

The Company aims to enhance the effectiveness of its risk management mechanisms to ensure timely identification and response to various internal and external risks, particularly in the areas of compliance, finance, and market operations.

- Information Disclosure and Transparency:

The Company seeks to strengthen the timeliness and completeness of its information disclosure, particularly in relation to financial statements, such as earlier publication and the provision of English versions, so that investors can gain a clearer understanding of the Company’s operational status.

- Protection of Shareholder Rights:

Shareholders’ meeting month (to be held in May starting from 2025)

- Corporate Sustainability (ESG) Carbon Management and Related Investment Plans:

Establish greenhouse gas reduction targets, invest in energy-saving or green energy equipment, and allocate resources to support domestic cultural development.

- Performance Evaluation of Senior Management:

Link manager performance evaluations with compensation, implement a policy connecting executive remuneration with ESG performance, and incorporate performance evaluation into the governance framework to ensure management decisions align with shareholder interests and support the Company’s long-term growth.

- Strengthening of Compliance Policies:

Prohibit insider trading (training programs), promote corporate ethics units, disclose ethical business policies, and establish a sound compliance management system to ensure legal compliance across all business activities and prevent compliance risks.

- Enhancement of Legal Support:

Provide stronger legal support in the management of legal affairs, particularly by offering professional guidance in contract management and intellectual property protection. (Develop an intellectual property management plan)

### Functional Committee

The Company has always been transparent about its operations and valued shareholders’ interests. We believe that sound corporate governance is possible only with a strong and efficient Board of directors. This is why the Board of directors has assembled and delegated part of its authority to functional committees such as the Audit Committee and the Compensation Committee, whose responsibilities are to assist the Board of directors with supervisory duties. All committees have had their charters approved by the Board of directors, and the chief of each committee makes regular reports to the Board regarding activities and resolutions. The Audit Committee and Remuneration Committee consist entirely of independent directors.

### Audit Committee

The Audit Committee assists the Board of directors by supervising the quality of internal practices such as accounting, auditing, financial reporting, and financial controlling. Outcomes of assessments are raised for discussion by the Board of directors. The Audit Committee consists entirely of independent directors and was assembled directly under the Board of Directors following the approval of the Audit Committee Charter. One member serves as the convener, and at least one member possesses accounting or financial expertise. The Audit Committee convenes meetings at least once a quarter; five meetings were held in 2024.

Kaori has also established channels to facilitate communication between the Audit Committee and CPAs and the chief internal auditor. The CPAs make irregular reports to the Board of Directors on various issues, including the Company’s financial position, the financial and operating performance of overseas subsidiaries, and audit findings concerning internal control. They also communicate with the Company on major adjustments to accounting entries and how regulatory changes affect accounting practices. The Company’s audited consolidated financial statements and CPAs’ independent auditor’s report are reviewed by the Audit Committee. The chief internal auditor makes regular reports to the Board of directors concerning the execution of internal audits and regular follow-ups on improvement measures.

Matters reviewed by the Audit Committee mainly include:

- Establishment or amendment of the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
- Evaluation of the effectiveness of the internal control system.
- Establishment or amendment of the procedures for the acquisition or disposal of assets, engaging in derivative transactions, lending funds to others, making endorsements or providing guarantees for others, and handling procedures of major financial or business activities according to Article 36-1 of the Securities and Exchange Act.
- Matters involving the interests of directors.
- Significant asset or derivative transaction.
- Lending funds, making endorsements, or providing guarantees for material loans.
- The offering, issuance, or private placement of marketable securities that are of an equity nature.
- Appointment, discharge, or remuneration of CPAs.
- Appointment or dismissal of a financial, accounting, or internal auditing officer.
- Annual and semi-annual financial reports.
- Other matters that are material to the Company or as regulated by the competent authority.

- In 2024, the Audit Committee convened five meetings. The attendance record is as follows:

Designation	Name	2024		
		No. of In-Person Attendances	No. of proxy attendance	Actual attendance rate (%)
Convener	Hsiang-Wen Hung	5	0	100%
Committee member	En-Kuang Mao	5	0	100%
Committee member	Chih-Yao Tang	5	0	100%
Average attendance rate		--	--	100%

## Compensation Committee

Kaori has complied with the requirements of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange” by having the Board of directors approve a Compensation Committee Organizational Charter and assembling a Compensation Committee. More than half of the Compensation Committee members are independent directors. The committee exercises the duty of care as a prudent manager to establish and regularly review policies, systems, standards, and procedures concerning directors' and managers' performance evaluation as well as compensation. The committee has authority over the assessment of directors' and managers' compensation and raises proposals for discussion by the Board of directors. In 2024, the Remuneration Committee convened five meetings.

The Remuneration Committee has the following terms of reference, and submits recommendations to the Board of Directors for discussion:

- I. Regularly review the Charter and propose amendments as needed.
- II. Establish and regularly review the annual and long-term performance goals and the policies, systems, standards, and structures of remuneration for the Company's directors and managers.
- III. Assess the achievement of performance targets of the Company's directors and managers regularly and set the content and amount of individual compensation.

- In 2024, the Remuneration Committee convened five meetings. The attendance record is as follows:

Designation	Name	2024		
		No. of In-Person Attendances	No. of proxy attendance	Actual attendance rate (%)
Convener	Hsiang-Wen Hung	5	0	100%
Committee member	En-Kuang Mao	5	0	100%
Committee member	Chih-Yao Tang	5	0	100%
Average attendance rate		--	--	100%

## Compensation Policy

- I. Directors' individual compensations are disclosed in Section Three of the annual report: III. Compensation paid to directors, supervisors, the general manager, and vice presidents in the last year.
- II. Regarding independent directors' compensation, the Board of Directors is authorized under the Articles of Incorporation to set a maximum amount of NT\$1 million and determine the standards for monthly payment per person. Payment of directors' remuneration is linked to corporate profit and performance; according to the Articles of Incorporation, no more than 5% of profit concluded in a year is appropriated for directors' remuneration.
- III. A “Performance Bonus Policy” has been established to provide incentives for senior managers to pursue growth and profit targets while focusing on the Company's long-term competitiveness and continuity.

## Information Disclosure

Kaori maintains an official website (<https://www.kaori.com.tw/>), where it discloses the company's basic information, product offerings, and financial data. The Company also has a spokesperson and an acting spokesperson responsible for handling and responding to shareholders' rights-related matters. In addition to holding corporate briefings from time to time or through investment forums held by financial institutions, where the company's operational status and future outlook are presented and explained, relevant information is also uploaded to the "Market Observation Post System" for stakeholders' reference. Additionally, we regularly disclose information about business activities, organizational structure, financial status, and operational performance in accordance with relevant applicable laws and major industry practices.

## 2.2.5 Tax Management Approach

The Company's tax policies support product and technology innovation and sustainable development and are committed to controlling tax risks, pursuing sustainable development, and fulfilling corporate social responsibility. Kaori is committed to:

- Major operational decisions are made in compliance with relevant laws and regulations, and the impact of tax risks is assessed accordingly.
- Comply with the OECD's Base Erosion and Profit Shifting Action Plan (BEPS), ensuring that the Company generate profit with economic substance and obtain tax residency status in the respective countries, complying with local tax regulations.
- Do not engage in tax planning or transactions in low-tax jurisdictions for the purpose of tax avoidance.
- Disclosure in financial reports is conducted in accordance with relevant laws, and tax information is fully disclosed as required by applicable regulations.
- Establish a relationship of mutual respect and good communication with the tax authority under the tax jurisdiction based on good faith.
- In 2024, the Company complied with tax policies and regulations and did not receive any government financial subsidies.

## 2.3 Business integrity

Kaori has implemented a business integrity policy with the Board of directors' approval and developed its own accounting policies and internal control system to enforce business integrity. Internal auditors have been assigned to audit compliance on a regular basis. Kaori has clearly stated its core values of innovation, quality, responsibility, and honor in external communications and established business integrity policies that all directors, senior managers, employees, and the controller must obey when carrying out their duties. The Company has established the "Business Integrity Code of Conduct," "Business Integrity Procedures and Behavioral Guidelines," relevant "Ethical Conduct Guidelines," "Investor Relationship Management Policy," and "Risk Management Policy" in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies."

## Integrity Management Approach

1. Incorporating integrity and moral values into the Company's operating strategies and establishing integrity assurance and fraud prevention measures in accordance with laws.
2. Implementing measures against dishonest conduct, including standard operating procedures and behavioral guidelines.
3. Planning internal organization and duties and implementing checks and balances for business activities that present higher risks of dishonest conduct.
4. The promotion and coordination of integrity policy training have been incorporated into the onboarding training for new employees. In the future, the Company will evaluate including it in the annual training program.

The Company has designated the Special Assistant's Office as the unit responsible for the amendment, execution, interpretation, and consultation of the procedures and behavioral guidelines, as well as the supervision of regulatory reporting and filing works. The Special Assistant's Office operates under the supervision of the Audit Office, which is an independent unit created directly under the Board of directors. The Audit Office conducts regular audits on business integrity and compliance and is responsible for monitoring internal operations and presenting audit reports to the Board of directors.

The Company convenes "monthly general assemblies" to verbally promote the importance of avoiding dishonest conduct in all business activities. Employees are also encouraged to undergo internal and external training on a regular basis. Kaori incurred no financial losses from legal cases related to bribery or corruption in 2024. One report concerning a violation of integrity and ethics was received at the end of 2023 and was closed in 2024. The case had no material impact on the Company and was handled in accordance with relevant internal procedures, along with the implementation of strengthened preventive measures.



### Building an Integrity Culture

Kaori upholds “innovation, quality, responsibility, and honor” and recognizes integrity as the core of its corporate culture. By implementing a set of ethical behavior guidelines, the Company enforces values such as fair trade, avoidance of improper gains, protection of business secrets, human rights, and compliance in all aspects of business operations. The Company has implemented rigorous preventive and disciplinary measures to enforce high ethical standards among employees and prevent violations when engaging in business activities. Misconduct reporting channels have also been set up, and any employee that violates the behavioral guidelines will be disciplined according to the Work Rules.

In addition to tracking yearly internal control self-assessments conducted by various departments and making adjustments to policies and laws that affect corporate operations, Kaori also reiterates the importance of corporate governance and ethics to employees from time to time. Employees who commit violations of the law, safety rules/regulations, employment contracts, or commercial ethics will be subject to legal consequences and disciplinary measures. These violations will also be considered in employee performance evaluations as part of our efforts to build a culture of integrity within the organization.

### Complete Grievance Systems, Channels, and Investigation Procedures

Kaori upholds integrity in all business activities and prohibits corruption and all forms of fraud. All reports of suspicious activities or violations against ethical behavior guidelines that involve Kaori's employees or any personnel related to the Company are handled in secrecy unless otherwise specified by law, for which the Company will assign relevant departments to investigate in a timely manner.

An Investors Section has been created on the corporate website to disclose the contact number and e-mail of service personnel for institutional customers and shareholders and to handle investors' suggestions, queries, and disputes. The Company has open communication channels in place to maintain productive interaction with investors, suppliers, customers, and stakeholders. Interactions with the above-mentioned parties are carried out with the utmost integrity and in conformity with the Company's internal control system and management policy.

Employees are required to report, using the following channels, any violations of laws, policies, or contract terms or any attempts to exploit the vested authority for improper gains against the Company's interests:

- Physical Mailbox:  
No. 5-2, Jilin North Road, Zhongli District,  
Taoyuan City 32030  
Special Assistant's Office of Kaori Heat  
Treatment Co., Ltd.
- Email Address:  
csr@kaori.com.tw

- Website “Integrity - Grievance mailbox”



Misconduct reports are handled by the Special Assistant's Office under the supervision of the Audit Office. Employees who are found to have violated the Company's behavioral or ethical guidelines will be disciplined and instructed to make improvements within a given period of time. Incidents of high severity may be referred to judicial institutions. The Company has zero tolerance for criminal behavior and takes legal action against all violations. Whistleblowers' identities, the information they provide, and subsequent progress are kept strictly confidential so that whistleblowers may communicate with the management free of concern for retaliation, threat, and harassment.

### Investigation Procedures:

- 1 Misconduct reports that involve general employees are escalated to the heads of departments, whereas misconduct reports that involve directors or senior managers are escalated to independent directors.
- 2 Upon receiving a report, the responsible unit and the head or staff of the appropriate department shall proceed to investigate the facts immediately, and they may seek help from compliance or other departments if necessary.
- 3 If the reported misconduct is verified to constitute a violation of the law or the Company's business integrity policy or rules, the violator will be ordered to cease and desist such conduct and subjected to disciplinary action and claims through legal proceedings if necessary to protect the Company's interests and reputation.
- 4 Details including the misconduct report, investigation process, and findings must be maintained in written or electronic form and retained for five years. Should any litigation arise in relation to the reported misconduct before expiry of the retention period, the above documents will have to be retained until the litigation is concluded.
- 5 For every verified misconduct report, the department concerned is required to examine the internal control system and operating procedures and propose improvement measures to prevent similar occurrences in the future.
- 6 The responsible unit shall report to the Board of directors the reported misconduct along with details on how they are handled and the improvement measures undertaken. Violators may also be reported to the competent authority or judicial institutions if necessary.



### Enhancing Integrity Awareness Across the Value Chain and Among Suppliers

Kaori exerts ESG influence by requiring all key (Grade A) suppliers to sign a "Supplier Code of Conduct" that outlines the integrity principles as well as the environmental, labor, human rights, and occupational safety regulations that suppliers are bound to comply with during production activities. 100% of suppliers have signed the commitment to the clause to date.

#### Ethical Behavior Guidelines

- |   |  |
|---|--|
| 1.Offering and acceptance of bribes.                                    | 5.Infringement on business secrets, trademarks, patents, copyrights, and other intellectual property rights.   |
| 2.Offering of illegal political donations.                              |  |
| 3.Inappropriate donation or sponsorship.                                | 6.Engagement in unfair competition.  |
| 4.Offering or acceptance of inappropriate gifts, treatment or benefits. | 7.Direct or indirect damage to consumers' or stakeholders' interests, health or safety during research, development, procurement, manufacturing, offering, or sale of products and services. |

### Reporting and Grievance Mechanism and Its Implementation Results

Kaori focuses on respecting human rights, protecting intellectual property, and preventing the improper transfer of benefits that could harm the interests of the company, customers, and suppliers. To ensure the implementation of business integrity, we have established an independently operated Audit Office. This department conducts regular or ad-hoc internal audits each year and provides convenient and accessible grievance channels for internal and external stakeholders to report issues and receive appropriate responses. These measures help reduce operational risks and foster a positive interaction model with stakeholders. In 2024, there were no violations of integrity principles by any managers or employees.

## 2.4 Business Philosophy and Legal Compliance

### 2.4.1 Management Philosophy

The Company's business philosophy is guided by four core principles: innovation, quality, responsibility, and honor. With the primary goal of pursuing profit and surplus, we are committed to ensuring the creation of new products, increasing added value and profitability, and continuously improving our team's professionalism and leadership skills to enhance operational performance.

#### Anti-bribery and anti-corruption

Kaori has established an "Employee Code of Conduct" to ensure the normal operation of the enterprise and maintain fair competition. The code regulates commercial purchase and sales behaviors and prohibits any form of improper gains, such as corruption, extortion, and embezzlement. Kaori strictly regulates all business activities and external interactions, including contact with government departments, negotiations with customer representatives, customer QC inspections, and impartial execution of product testing, inspections, and audits. In these activities, any improper practices, such as offering or accepting kickbacks, promotional fees, advertising expenses, service fees, expense reimbursements, or providing domestic or international travel under any guise, are prohibited. These rules are in place to prevent the direct or indirect exchange of cash, goods, or other benefits outside of the transaction.

Kaori complies with the RBA Code of Conduct and accepts relevant audits and self-evaluation activities from customers. In areas such as labor, health and safety, environment, ethics, and management systems, there have been no major non-compliance issues. Additionally, the Company continuously implements relevant training and awareness activities each year.

### 2.4.2 Compliance

Kaori complies with regulations by regularly collecting and compiling relevant business-related laws and regulations for identification. If there are any new or revised regulations, the responsible departments immediately review whether the current business practices and operations are in compliance. Additionally, they assist in communicating and promoting these regulations to all departments. To protect the legal rights and interests of the Company, the Company periodically holds legal courses and produce legal materials to enhance employees' legal knowledge.

The Company's compliance with corporate governance, environmental, economic, and social regulations, including relevant important legal sources, internal policies, or procedures, as well as any violations in the past two years (2023–2024), are detailed in the table below:

Category	Important legal sources in Taiwan	Corresponding measures or procedures of the Company	Whether there was any violation in 2023-2024
Corporate governance	Company Act, Corporate Governance Best Practice Principles, Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, Audit Committee Charter, Remuneration Committee Charter	Articles of Incorporation, Corporate Governance Best Practice Principles, Ethical Corporate Management Best Practice Principles, Audit Committee Charter, Remuneration Committee Charter	<ul style="list-style-type: none"><li>The Company complies with laws and regulations, and has not been penalized for violating laws and regulations</li></ul>
Employee labor rights and conditions	Labor Standards Act, Employment Service Act, Gender Equality in Employment Act, Labor Insurance Act, Labor Pension Act, National Health Insurance Act, Employee Welfare Fund Act, Regulations of Leave-Taking of Workers, Regulations for Implementing Labor-Management Meeting, etc.	Employee Code of Conduct, Labor-Management Meeting Election Measures, Personal Data Protection Management Measures	
Health and safety	Occupational Safety and Health Act, Enforcement Rules of the Occupational Safety and Health Act, Labor Health Protection Rules, Labor Safety and Health Facilities Rules, Occupational Safety and Health Education and Training Rules, etc.	Occupational Safety and Health Work Principles Verification and Backup Occupational Safety and Health Organization and Personnel Verification and Backup ISO 45001 Occupational Health Management System and related procedures	
Environmental	The Basic Environment Act, Climate Change Response Act, Waste Disposal Act, Resource Recycling Act, Air Pollution Control Act, Noise Control Act, Drinking Water Management Act, Effluent Standards, Water Pollution Control Act and its Enforcement Rules, etc.	ISO 14001 Environmental Management System and related procedures, SOPs, and forms, including waste disposal procedures, noise control procedures, drinking water management procedures, wastewater management procedures, etc. Introduce the ISO 14064-1 greenhouse gas inventory operation system and issue the greenhouse gas inventory report	
Economic	Fair Trade Act, Patent Act, Copyright Act, Intellectual Property Act, Trade Secrets Protection Act, Computer Processing and Personal Data Protection Act, etc.	Labor contract, code of ethics for employees below the section level, code of ethics for managers and senior professionals, personnel-related management system	
Social	Civil Code, Communicable Disease Control Act, Sexual Harassment Prevention Act		
Product	Fair Trade Act, Computer Processing and Personal Data Protection Act, QC 080000 Hazardous Substance Process Management System	ISO 9001 Quality Management System and related procedures, SOPs, and forms Introduce the ISO 14067 carbon footprint criteria to comply with the international carbon reduction trend	

Kaori has several effective controls in place to ensure compliance. The Company checks new regulatory amendments on a monthly basis and conducts compliance audits on all plant sites on a yearly basis. In 2024, there was no record of violation of safety and health, environmental protection, fire safety, and other laws and regulations. Aside from the above, no major compensations or losses were reported in annual internal audits.



2.5 Cybersecurity

2.5.1 Cybersecurity risk management framework

In accordance with international cybersecurity management practices, personal data protection standards, and legal regulations, and in consideration of the "concerns of internal and external stakeholders," the Company has established the "Cybersecurity Management System" to ensure that our IT infrastructure and information systems meet the requirements for confidentiality, integrity, availability, and legality.

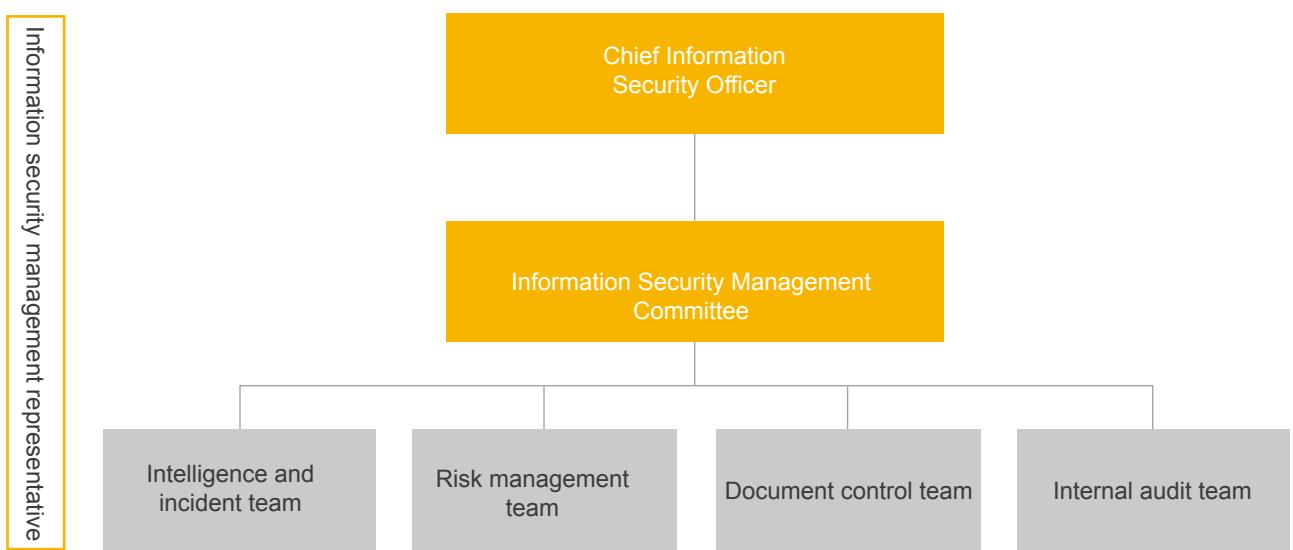
We also integrated and strengthened the cybersecurity management system based on the continuous improvement of the PDCA cycle process management model. In March 2024, the Company obtained certification for the latest and highest international standard for information security management, ISO/IEC 27001:2022, demonstrating our commitment to the highest standards of information security. We actively strive to establish a secure system environment to ensure the safety and stability of all operations, thereby supporting the Company's long-term sustainable development.

2.5.2 General Policy for Cybersecurity Management

The Chairman of the Company has appointed an Assistant Manager of the IT Department to set up an internal Cybersecurity Management Committee to be responsible for formulating the Company's cybersecurity management policy. A dedicated unit, managers, and personnel are set up to plan and implement cybersecurity operations. Based on the principles of simplicity, easy-to-remember, and compliance with cybersecurity management objectives, the Company has formulated the cybersecurity policy statement: "Cybersecurity is everyone's responsibility."

2.5.3 Cybersecurity Management Organization

In order to ensure that the operation of the Company's cybersecurity management system can meet the Company's policies and goals, and to confirm its continuous application and the effectiveness of its operation, the Company has established the "Cybersecurity Organization and Management Review Procedures" to regulate the Company's information and serve as the basis for the management's regular evaluation of the cybersecurity management system. Below is the organization chart:



- Scope of application: The Company's headquarters and plants in Taiwan.
- Goals:
  - The Company's cybersecurity goal is to ensure the confidentiality, integrity, availability, and compliance of important and core systems.
  - Quantitative metrics of cybersecurity performance are defined and measured according to each hierarchy and function to confirm the implementation status of the cybersecurity management system and whether the cybersecurity goals are achieved.


Confidentiality	Avoid leaking any sensitive information about the Company to the internet.
Completeness	Ensure the accuracy of the Company's sensitive data (e.g. financial information, personnel data, system information)
Usability	Ensure that important data held by the Company are backed up.
Compliance	The Company shall ensure that it does not violate the cybersecurity requirements of laws, regulations, or contractual obligations.

2.5.4 Cybersecurity management measures and implementation effectiveness

Management items	Scope of operation	Implementation measures	Execution Progress
1. Network security protection	1. Prevent hacker intrusions and damage 2. Ensure smooth network operation	1. Network infrastructure has been established in the plants, separating IT and OT networks 2. Introduced zero-trust network architecture 3. Continue to refine the management strategy of network protection equipment and optimize the control operation process	No incidents of hacking occurred in 2024
2. Email security control	1. Protect the Company's sensitive data from being leaked 2. Reduce the risk of external cybersecurity threats entering employee mailboxes	1. Established advanced email defense management system 2. An email audit system has been established	No abnormal event occurred in 2024
3. Device safety protection	1. Protect the Company's internal information equipment from virus attacks or malicious intrusion 2. Protect the Company's sensitive data from being leaked	1. Anti-virus software and endpoint protection software protection devices (PC/NB, machine computers) are in place 2. Controlled the use of NB/PC external devices and cloud space 3. The privileged account management system has been introduced to strengthen the security of system account management. 4. Continue to improve system cybersecurity vulnerability control items	No abnormal event occurred in 2024
4. System/measure education and promotion	1. Optimize cybersecurity policies and information security operating regulations 2. Cybersecurity policy/regulation promotion and education training	1. The ISO27001 cybersecurity management system has been introduced, and management measures, specifications, and operating guidelines have been continuously updated 2. Provide training for new recruits 3. Regularly promote cybersecurity-related topics through email	100% achieved by 2024
5. Disaster recovery and response	1. Data backup integrity and compliance 2. System backup and activation capability	1. Build a cloud backup system to enhance the emergency response capability 2. Regularly implement disaster recovery system drills 3. Optimize the efficiency of backup system switching operations and shorten the operation time for emergency activation	No abnormal event occurred in 2024

## 2.6 Risk management

### 2.6.1 Risk management policies and approach



Material topic	Management Approach
 Risk management	<b>Policy</b> Comply with laws and regulations related to finance, environment, labor, and safety and health to ensure the normal operation of the Company and the interests of shareholders.
	<b>Goal</b> Effectively monitor and manage various risks to reduce the impact in the event they occur.
	<b>Commitment</b> Utilize due diligence and early warning communication methods to implement the Company's established codes, ensuring the protection of stakeholders' interests.
	<b>Management Measures</b> <ol style="list-style-type: none"> <li>1. We implemented the Risk Assessment Procedures in accordance with the ISO 9001 Quality Management System, ISO 14001 Environmental Management System, and ISO 27001 Cybersecurity Management System.</li> <li>2. In response to the possible impact of climate change on the business environment, we have formulated management measures to reduce corporate risks.</li> </ol>

Kaori is well-aware of the challenges that risks may pose to business operations. To minimize the influence of the external environment, managers of various business segments within the Company have identified and defined risks that are relevant to operations, so that they can be properly managed to ensure continuity. By taking risk identification, risk assessment, risk management, and risk response measures, Kaori aims to minimize potential risks and even turn them into opportunities. The PDCA cycle has been incorporated into risk management to facilitate real-time corrections and improvements and thereby protect the interests of the Company, employees, shareholders, customers, and suppliers.

### 2.6.2 Risk management process and countermeasures



### Risk analysis outcome and response/management measures for 2024

Risk Type	Risk Description	Management Measures
 Financial risk	Interest rate changes	<ul style="list-style-type: none"> <li>The Company actively manages interest rate risks by constantly monitoring market rate movements, gathering interest rate quotes, evaluating borrowing rates, and maintaining positive relationship with banks. We pay particular attention to maintaining good credit records with banks, which entitles us to more privileged borrowing rates. If a financing requirement arises, the Company will evaluate capital requirements and credit history with banks to borrow at a preferential rate.</li> <li>The Company will undertake short-term or long-term borrowing in such a way that minimizes the risks of interest rate fluctuations and funding costs on the Company's operations.</li> <li>With regards to financial investment, the Company mainly invests in fixed income bond funds or equity funds of high liquidity and strong rating for capital security and marketability. However, this hedging practice only mitigates part of the risks and cannot fully eliminate the financial impacts of interest rate fluctuations.</li> </ul>
	Exchange rate changes	<ul style="list-style-type: none"> <li>The Company's interest rate risks arise mainly from operation-related liabilities and treasury investments. Interest income and expenses of the Company are mainly affected by fluctuations of TWD and USD interest rates. To minimize interest rate risk, the Company mainly depends on cash receipt from operations and short-/medium-/long-term bank borrowings for working capital requirements. With regards to financial investment, the Company mainly invests in fixed income bond funds or equity funds of high liquidity and strong rating for capital security and marketability.</li> <li>More than 80% the Company's raw material purchases are paid in currencies other than TWD, such as USD and EUR. Considering that the Company exports most of its products and that more than 80% of its revenue is also denominated in USD and EUR, much of the risk exposure is mitigated through natural hedging, but a significant change in exchange rates may still have an adverse impact on the Company's financial position.</li> <li>The financial department constantly monitors exchange rate information and maintains close communication with our main banking partners to keep track of exchange rate fluctuations, so that managers are adequately informed of exchange rate changes to make adjustments at appropriate times.</li> </ul>
 Legal risk	Change of key policies and laws	<ul style="list-style-type: none"> <li>Kaori supports the government's sustainability policies, such as the FSC's 2020 "Corporate Governance 3.0 - Sustainability Blueprint," the 2022 "Sustainability Development Roadmap for TWSE/TPEX-Listed companies," the National Development Council's "Taiwan 2050 Net Zero Roadmap and Strategy," and the Environmental Protection Administration's "Greenhouse Gas Reduction and Management Act (Climate Change Response Act)," and continues adopting practices that enhance the transparency of sustainability information and promote sustainability in line with global trends.</li> <li>A broad diversity of legal awareness campaigns is being organized to promote employees' compliance awareness.</li> <li>Information such as compliance requirements, guidelines, tips, and FAQs has been made available on the Intranet, whereas educational documents are sent via e-mail to keep employees up-to-date on the latest laws.</li> <li>Training courses of different attributes: The Company offers training courses on important regulations and policies; each course is tailored to the needs and duties of different employees to ensure proper understanding of applicable regulations and policies.</li> <li>Kaori invites outside experts to host seminars or assigns employees to participate in external training courses from time to time to keep up-to-date on regulatory developments.</li> </ul>
	Heat Exchanger Business	<ul style="list-style-type: none"> <li>Changes in heat pump policies in Europe have slowed down product demand.</li> <li>Dilemma whether to replicate successful experiences for quick expansion or to adopt cost-effective production methods that take time to implement.</li> <li>Sign long-term contracts with customers, and confirm volume forecasts with customers on a regular basis.</li> <li>For short-term expansion projects, the Company will take into consideration the potential of market saturation and adopt next-generation technologies.</li> </ul>
 Business risk	Fuel Cell Business	<ul style="list-style-type: none"> <li>The Company runs the risk of suffering losses if it cannot generate additional revenue from increased customer demand to support the additional depreciation and overhead incurred on plant expansion.</li> <li>Kaori confirms with customers and obtains reliable estimates on the potential increases in demand for assurance.</li> <li>Kaori avoids dependency on the demand of any single major customer and takes into consideration the demand of other external as well as internal customers to maximize utilization of equipment and personnel capacity.</li> </ul>
	New Business Development - Hydrogen Power	<ul style="list-style-type: none"> <li>Increased operating costs</li> <li>Develop validation sites at the customer end.</li> </ul>
	New Business Development - Thermal Energy	<ul style="list-style-type: none"> <li>Increased operating costs</li> <li>Adopt the use of multi-functional and multi-purpose production equipment in response to the fast-changing industry.</li> <li>Progressively develop automated and semi-automated production lines.</li> </ul>



Risk Type	Risk Description	Management Measures
 <p>Supply chain and raw materials risk</p>	<ul style="list-style-type: none"> <li>The Company uses large volumes of raw materials in its production, such as stainless steel plates, special steel plates, copper foil, and stainless steel bars.</li> <li>Some raw materials are overly concentrated in few suppliers, which poses the risk of being unable to source adequate supplies. The Company may encounter a decline in revenue and profit if it is unable to source the needed materials in a timely manner or if it cannot transfer the additional costs associated with rising raw material prices directly to customers.</li> </ul>	<ul style="list-style-type: none"> <li>Diversify supply sources and secure the supply of raw materials by making purchases from suppliers in different regions.</li> <li>Sign long-term supply contracts with suppliers to control cost, given the volatility of raw material prices.</li> <li>Make localized purchases of raw material where possible to shorten the supply chain and minimize risk of shipment delay caused by logistics shortage.</li> </ul>
 <p>Climate change</p>	<p>Cost of transition to low-carbon technology</p> <p>Changes in domestic/ foreign regulations</p> <p>Increasing severity of typhoons, floods, and extreme events</p> <ul style="list-style-type: none"> <li>Uncertain access to raw materials: Kaori has plans to make use of low-carbon materials, but there are limitations associated with the development and access to low-carbon materials such as eco-friendly steel and copper. Any uncertainty in the supply would make product delivery timelines more difficult to control</li> <li>Low-carbon transformation increases costs: In an attempt to conform to low-carbon requirements, the Company will have to commit R&amp;D personnel and capital to low-carbon products, which in turn increases the costs and compromises the competitiveness of the Company's products</li> <li>Domestic and foreign carbon taxes: Carbon pricing systems are taking shape at increasing rates at home and abroad. The Company may incur additional carbon taxes and see costs rise over time</li> <li>Delayed delivery: Extreme weathers affect factory operations and cause disruptions to production activities, raw materials supply, and transportation. Delivery may be delayed by several days to one week</li> </ul>	<ul style="list-style-type: none"> <li>Supplier Diversification: Kaori maintains relationships with several suppliers to reduce uncertainties associated with the cost of and access to low-carbon materials</li> <li>Monitoring of regulations and trends: A dedicated team will be assembled to keep track of new product regulations and trends on a regular basis. Regular training will be organized to discuss current trends and to evaluate the needs for product re-modification and re-certification</li> <li>Compensating production capacity with efficiency: If work is suspended due to typhoons, Kaori will evaluate the extent of the delay and ask suppliers to increase production efficiency to make up for capacity shortfall, thereby averting production halt due to supply disruption.</li> </ul>

### 2.6.3 Identification, assessment, and management of emerging risks

Kaori continuously monitors trends in the economic environment, identifies long-term risks and opportunities, and appropriately adjusts its business strategies to achieve sustainable operations and long-term performance. Therefore, each risk management team collects relevant domestic and foreign information to evaluate the Company's long-term operating risks. Through methods such as surveys, meetings with senior management, or discussions within the ESG Steering Committee, the topics with the highest potential impact are identified. The strategies for mitigating these impacts and response measures are then reviewed and submitted to the senior management meeting for decision-making, serving as important references for future business strategy development.

#### Identification of material emerging risks for the year



#### Assessment of material emerging risks



#### Management of material emerging risks



## 2.7 Internal audit and management verification system

### 2.7.1 Internal audit

Kaori's Audit Office is an independent internal audit unit directly reporting to the Board of Directors. Its purpose is to thoroughly review and assess the effectiveness of internal controls, measure the effectiveness and efficiency of operations, reliability, timeliness, and transparency of reports, and ensure legal compliance.

#### Audit process

1. Formulate an annual audit plan based on the risk assessment results and execute audit operations according to the plan.
2. Implement project audits as needed and let the management understand the existing deficiencies or potential risks in a timely manner.
3. Issue an audit report after the implementation of the audit work, and propose suggestions and improvement methods.
4. Continuously track the improvement of auditing deficiency items, and produce a quarterly follow-up report until the completion of the improvement is confirmed.
5. After the audit report and follow-up report are submitted, they shall be submitted to the independent directors for review by the end of the month following the completion of the audit item.

Audit work is conducted based on risk assessment results, with an annual audit plan developed and approved by the Board of Directors. The audits are carried out to provide management with information on the operation of internal controls. Additionally, special audits are conducted as needed. Any findings are thoroughly communicated with the audited units to help management understand current deficiencies or potential risks.

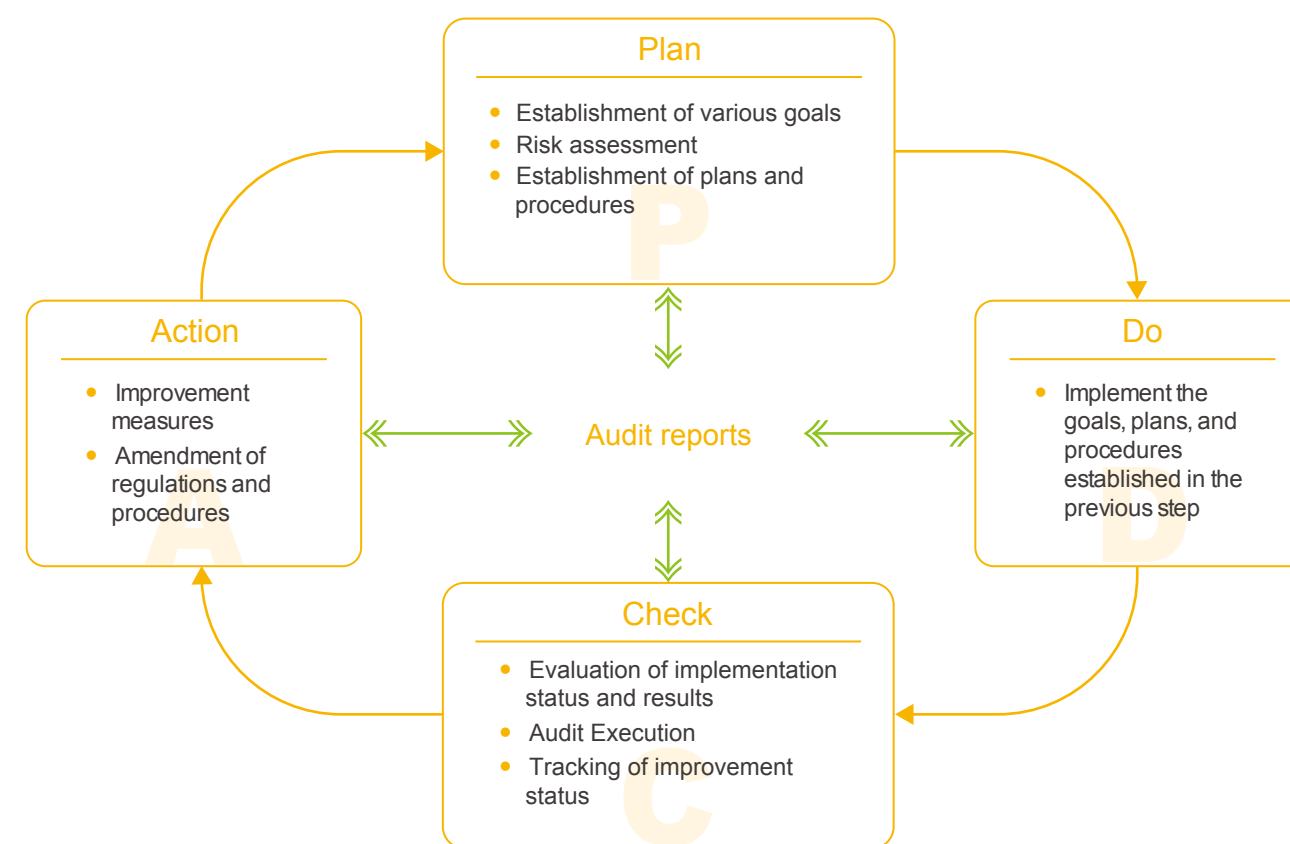
The internal audit unit issues a written audit report and follow-up report after the audit, which is reported to the Chairman and the Audit Committee on a monthly basis or when necessary, in addition to reporting at the regular board meeting every quarter.

#### Internal Audit and Correction

Kaori has implemented internal controls in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and the competent authority's instructions, and taken steps to ensure that they remain effective at supporting the operational goals of the Company. Annual audit plans and special audits are organized as requested by the competent authority or the Board of directors or as suggested by the management.

The Company has an Audit Office that carries out audit tasks according to the annual audit plan and on specific issues. Findings are compiled into official reports and distributed to the respective auditees. According to the proposed 2024 audit plan, the Company issued 87 audit reports, and the reports issued are communicated to the audited units. All audit reports were presented to the Audit Committee for review and reported in Board of directors' meetings. For any defects or abnormalities discovered during the audit, the auditee will be instructed to rectify or make improvement plans, and progress will be tracked on a quarterly basis until improvements have been made.

Audit operations management follows the PDCA management cycle as illustrated in the figure below:



### 2.7.2 Internal management system

The Company's Board of Directors and managers have established an internal management system in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and related laws and regulations to improve business management effectiveness and product quality.

The internal management system is mainly divided into the following three items:

#### 1. Internal control system

The internal control system covers the entire operation of the Company, including the "management" functions in terms of planning, organization, and control, as well as the scope of business related to sales, production, procurement, financing, salary, fixed assets, computer information, investment, and R&D. The nine major cycle procedures and standard measures adopted are the scope of the internal control system.

Its main purpose is to "promote the effective operation of the enterprise organization and identify problems and solve them immediately."



## 2. ISO management system

Establish the ISO management system for production, quality, and environmental issues. The relevant ISO certifications that have been passed are as follows:



ISO 14001:2015  
Environmental Management  
System

ISO 9001:2015  
Quality Management System

AS9100:D  
Quality Management System  
Standard for Aviation and Space

ISO 14064-1:2018  
Greenhouse Gas Inventory



ISO 14067:2018  
Product Carbon Footprint  
Inspection

ISO 45001:2018  
Occupational Safety and Health  
System

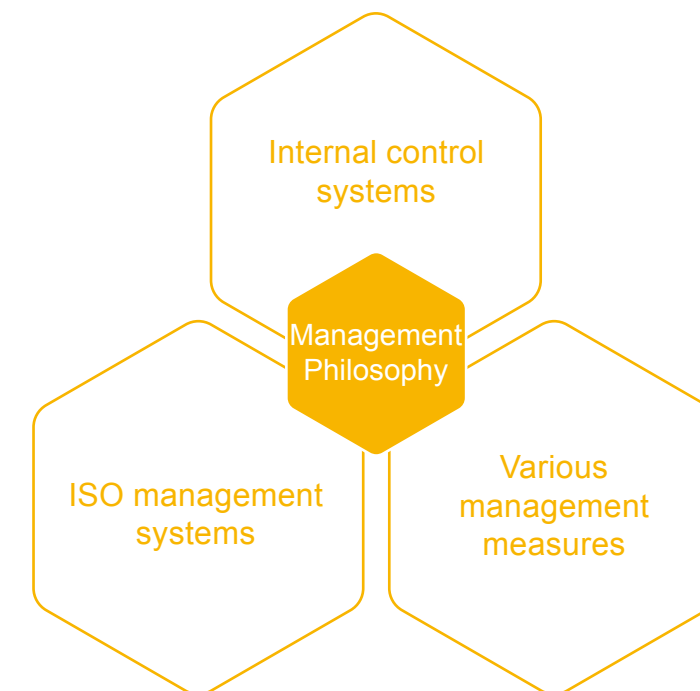
ISO 27001:2022  
Cybersecurity Management  
System

## 3. Management measures

Relevant management regulations have been established to reduce operational risks for special control items with high operational risk, such as the personnel management system, credit management operations, and the authority to approve various expenses.

These three internal control management systems are built on the principles of regulatory compliance, business integrity, ethics, corporate culture, and our business philosophy. By ensuring their effective operation and continuous improvement, we align with Kaori's sustainable business philosophy, thereby enhancing operational management effectiveness, product quality, and added value and ultimately achieving our vision and mission of sustainable corporate growth.

Below is a diagram of the internal control management system:

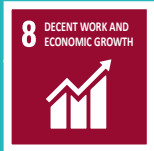


Legal Compliance, Ethical Corporate Management, and Corporate Culture



# 3

## Operating Strategies, Performance, and Customer Relation



### Achievement of Short-, Medium-, and Long-term Plans and Goals for Material Topics Related to Operating Performance

For the pursuit of innovative breakthroughs and competitiveness, Kaori actively explores opportunities to cooperate and exchange with counterparts from within and outside the industry. Through diverse interactions and sharing, Kaori hopes to advance its know-how and foster positive development across the entire industry. The short-term, medium-term, and long-term plans for business performance and customer service related to material issues are as follows:

Timeline	Short-term metrics (2024 - 2025)	Medium-term metrics (2026 - 2029)	Long-term metrics (after 2030)
Operating performance	Customer satisfaction maintained above 80 points	Customer satisfaction maintained above 85 points	Customer satisfaction maintained above 85 points
Legal Compliance	<ul style="list-style-type: none"><li>Violation of product or fair trade laws and regulations: 0</li><li>Violation of customer privacy or cybersecurity laws and regulations: 0</li></ul>	<ul style="list-style-type: none"><li>Violation of product or fair trade laws and regulations: 0</li><li>Violation of customer privacy or cybersecurity laws and regulations: 0</li></ul>	<ul style="list-style-type: none"><li>Violation of product or fair trade laws and regulations: 0</li><li>Violation of customer privacy or cybersecurity laws and regulations: 0</li></ul>

### Material issue objectives and performance

In order to achieve steady growth in operational performance, and provide customers with excellent service and high satisfaction, we have established the following material issues, goals, and performance:

- Customer satisfaction


	2024 Goals	2024 Performance Achievement Level	2025 Goals
Brazed Plate Heat Exchangers Operations Management Department	80 points and above	80.8 points → Achieved	Customer satisfaction maintained above 80 points
Fuel Cell Business	80 points and above	98 points → Achieved	Customer satisfaction maintained above 80 points
New Business Development - Hydrogen Power	80 points and above	98 points → Achieved	Customer satisfaction maintained above 80 points
New Business Development - Thermal Energy	The department currently has less than 5 main customers, and it convenes weekly meetings to keep customers up-to-date on project progress. A platform has also been created to facilitate real-time interaction. The Company is expected to complete external ISO 9001 certification in 2025.		

- Compliance

	2024 Goals	2024 Performance Achievement Level	2025 Goals
Violation of product or fair trade laws and regulations: 0		0 cases → Achieved	Violation of product or fair trade laws and regulations: 0
Violation of customer privacy or cybersecurity laws and regulations: 0		0 cases → Achieved	Violation of customer privacy or cybersecurity laws and regulations: 0



3.1 Policies and strategies for operating performance

Material issues	Management Approach
 Operating performance	<b>Policies</b> Profitable operations, protecting shareholder interests.
	<b>Goal</b> Strong and stable financial performance ensures profitability. By focusing on corporate governance, reducing waste, balancing cost expenditures, and improving quality, the Company enhances profitability.
	<b>Commitment</b> Utilizing due diligence and early warning communication methods, the Company adheres to the Company Act and applicable business regulations, consistently generating economic value.
	<b>Measures</b> <ol style="list-style-type: none"><li>Maintain a sound financial structure and provide strong backing in sales, manufacturing, and R&amp;D.</li><li>Continue our efforts to focus on providing next-generation green low-carbon solutions that drive industrial upgrading, align with international net-zero goals, and foster the company's growth and progress, thereby solidifying Kaori's leading position in the industry.</li><li>Plan the use of short-, medium- and long-term funds to maximize capital returns while adhering to principles of stability.</li></ol>

Kaori's headquarters is located in Zhongli District, Taoyuan City. In Taiwan, the Company operates five factories: Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Zhongli Ziqiang Plant, and Kaohsiung Benzhou Plant. Kaori's key products include brazed plate heat exchangers, gasket plate heat exchangers, key components for SOFC fuel cells, immersion cooling tanks, and elements, single/two-phase immersion cooling tanks, liquid cooling cabinet modules, methanol fuel cell systems, methanol hydrogen generators, methanol-based thermal technology, organic solvent hydrocracking, and industrial waste hydrogen purification solutions, all of which are manufactured and sold by the Company.

Since its establishment, the Company has adhered to the concept of "Innovation, Quality, Responsibility, and Honor," focusing on a research and development approach that leads the market through technology. By surpassing competitors through technological and product innovation, the Company aims to increase profitability and develop next-generation products in line with market trends.

Kaori's operating strategies, organized by function, are as follows:

Production strategy	<ul style="list-style-type: none"><li>Kaori upholds the principles of "providing a safe working environment, effectively preventing occupational hazards, and protecting the green Earth."</li><li>The Company aims to provide next-generation green, low-carbon solutions that align with international net-zero carbon emission goals as its business objective.</li><li>Existing production equipment will be improved to enhance process technology and production efficiency.</li><li>Master the management of raw materials and finished products.</li><li>Thoroughly implement ISO 9001 &amp; ISO 14001 to achieve quality goals.</li></ul>
Sales strategy	<ul style="list-style-type: none"><li>Existing customers → Provide products and services that are competitive in the market.</li><li>Potential new customers → Active development of potential customers for related applications of existing new technologies.</li><li>Product end customers → directly connect with end customers, and manufacturers specify the introduction of products.</li></ul>
R&D strategy	<ul style="list-style-type: none"><li>Explore new application areas and develop low-carbon green energy solutions based on the Company's core technologies.</li><li>Invest in the R&amp;D of immature concepts and prototype technologies with carbon reduction potential, such as developing high-efficiency/modern catalysts, carbon fixation, etc.</li></ul>
Operating strategies	<ul style="list-style-type: none"><li>Flatten the organizational structure and strengthen project-based organizational structures.</li><li>Strengthen employee on-the-job training internally and actively recruit outstanding talents externally to enhance the Company's competitive advantage.</li></ul>
Financial strategies	<ul style="list-style-type: none"><li>Maintain a sound financial structure and provide strong backing in sales, production, and R&amp;D.</li><li>Plan the use of short-, medium- and long-term funds to maximize capital returns.</li></ul>

3.2 Operating performance

Sustainability is one aspect that businesses have to commit attention to given the highly competitive environment today. For this reason, Kaori constantly examines its strategies and plans and makes adjustments where appropriate to align with sustainable development goals. The Company remains dedicated to its core business activities and pays particular attention to product quality as well as workplace health and safety as a way to uphold the Company's brand reputation.

In 2024, Kaori recorded significant revenue growth in thermal dissipation products; however, the growth was not sufficient to offset the decline in revenue from heat exchanger products. Although total revenue and gross profit in 2024 decreased compared to 2023, the overall gross margin improved by 1% due to the higher profitability of thermal energy products. Earnings per share (EPS) in 2024 reached NTD 6.56, an increase of NTD 0.11 from 2023, marking the highest EPS since the Company's listing. See the financial statements or the latest annual report for the financial data of the Company.

- The operational results of the generation and distribution of direct economic value over the past three years are presented in the table below:

Unit: NT\$ thousands			
Item/Year	2022	2023	2024
Operating revenue	2,843,540	4,325,671	4,003,440
Gross profit	785,630	1,223,949	1,194,850
Operating expenses	439,494	512,511	548,293
Operating profit	346,136	711,438	646,557
Non-operating income (expenses)	43,717	18,208	103,352
Pre-tax profit (loss)	389,853	729,646	749,909
Net income (loss)	301,020	576,526	593,044

- The revenue contribution of main products over the past three years is as follows:

Unit: NT\$ thousands							
Product	Year	2022		2023		2024	
		Amount	Percentage	Amount	Percentage	Amount	Percentage
Heat exchanger products		1,560,881	55	2,309,941	53	1,642,009	41
Thermal energy products		1,282,659	45	2,015,730	47	2,361,431	59
Total		2,843,540	100	4,325,671	100	4,003,440	100

- Sales amount and proportion of main products by region in the last three years

Unit: NT\$ thousands

Location \ Year	2022		2023		2024	
	Amount	Percentage %	Amount	Percentage %	Amount	Percentage
Asia	983,155	35	1,193,779	28	1,519,871	38
America	1,328,684	47	1,984,185	46	1,915,897	48
Europe	524,378	18	1,133,184	26	559,890	14
Others	7,323	-	14,523	-	7,782	-
Total	2,843,540	100	4,325,671	100	4,003,440	100

- Economic value of distribution of employee salaries and benefits, and payments to investors

Unit: NT\$ thousands


Item \ Year	2022	2023	2024
Operating cost	2,057,910	3,101,722	2,808,590
Employee salary and benefits expenses(Note)	627,719	835,317	841,719
Payment of income tax	27,716	95,414	183,505
Dividends paid	134,076	134,076	357,536
Interest paid on bank borrowings	12,893	32,382	8,069

Note: It refers to salary and benefits expenses, labor and health insurance expenses, pension expenses, and other employee benefit expenses.

## 2024 Performance and Future Prospects

Strategy	Execution Progress
I. Improve production procedures and enhance product design capacity II. Expand the portfolio of profitable products III. Expand the distribution and sales network and increase global market share	I. To enhance competitiveness, the Company is increasing the proportion of plate components sourced from its Ningbo facility and optimizing stamping equipment to improve efficiency. At the same time, it continues to invest in R&D resources to actively develop new products and technologies. II. Products for special industry applications are being developed for entry into niche markets III. Kaori continues to increase brand visibility through overseas exhibitions and social networks and strives to collaborate with foreign equipment manufacturers and major distributors
Future Prospects	
I. Enforce sustainable supply chain governance, relationship management, and resilience enhancement measures to ensure the timeliness and stability of supply II. Expand the distribution and sales network for heat exchangers, and diversify business activities and the categories of steel materials sold to increase global market share III. Strengthen customer relations, improve the value chain and strive for mutual growth IV. Engage in strategic integrations and make medium/long-term plans to cooperate with world-class steel makers through joint ventures, thereby expanding overseas business	

## 3.3 Customer relations management

Material issues	Management Approach
 Customer Relations Management	<b>Policy</b> Manage customer relationships with heart and improve service satisfaction
	<b>Goal</b> Regularly and irregularly manage customer relations and services to ensure that customer orders are not lost and improve satisfaction.
	<b>Commitment</b> Utilizing due diligence and early warning communication methods, the Company complies with applicable business regulations and ethical standards while protecting customer privacy
<b>Measures</b> <ol style="list-style-type: none"> <li>To achieve the goal of sustainable operation and growth, customer satisfaction surveys are conducted on a regular basis, and the results are recorded.</li> <li>Customer satisfaction survey and improvement results are included in the management review for immediate improvement and handling.</li> <li>Plan short-, medium- and long-term customer satisfaction improvement plans to ensure continuous customer orders.</li> </ol>	

Kaori adopts a “customer-centric” business approach and maintains strong relationships with customers in order to learn their needs and make appropriate adjustments. The Company also cooperates in customers' audits and makes improvements where necessary to ensure that customers' needs are satisfied, which in turn enables profit maximization and mutual benefit. We pay particular attention to product quality and after-sales service to achieve the above goals. In terms of marketing and promotion, we comply with relevant regulations and refrain from selling disputable products that do not meet environmental protection standards.

Kaori values every one of its customers. To ensure the quality of service to customers, the Company frequently gathers customers' opinions through satisfaction surveys and makes adjustments accordingly.

### 3.3.1 Customer Satisfaction Survey Process and Results

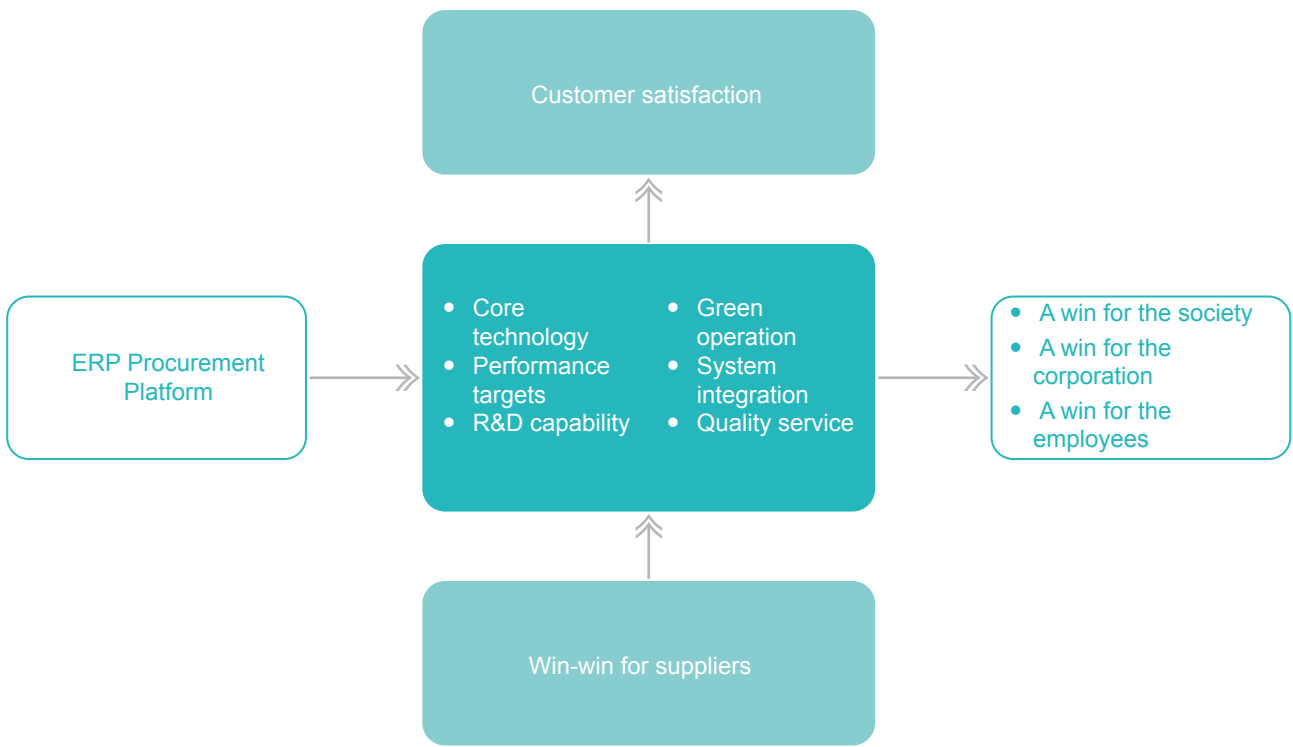
We have placed our focus on offering top-quality products and services to key customers and working with their strategic partners to develop high-end, specialized materials. This is why Kaori pays particular attention to customers' satisfaction and organizes satisfaction surveys on product quality, product delivery, service quality, and professionalism in the fourth quarter of each year. A dedicated unit has been assigned to gather and analyze satisfaction scores and present them for discussion during meetings. For aspects that do not meet the required scores, the Company conducts in-depth discussions with customers and has the Quality Assurance Center provide relevant information such as customers' monthly supplier evaluation sheets, complaints, or records of returned goods to help identify the causes of dissatisfaction and verify the survey results.





**Customer Satisfaction Survey** In order to achieve the long-term goal of continuous operation and growth, we have unlocked the key to market success: customer satisfaction.

Based on the concept of strengthening customer satisfaction, we make good use of two management systems: enterprise resource management (ERP) and procurement platform, and actively provide customers, suppliers, and Kaori with a triple-wins philosophy so that cost, quality, and service optimization. This mutually beneficial process fosters better performance and secures more future orders. The triple-wins philosophy is shown in the figure below:



Results of the Customer Satisfaction Survey for 2024

Kaori observes the customer satisfaction clause of ISO 9001 Quality Management System and conducts a customer satisfaction survey in the 4th quarter of each year (to be completed before the end of year) to ensure that data is not skewed due to the timing of the survey. The survey can be carried out via e-mail, phone interview, fax, and other channels, and respondents' responses are recorded in the "Customer Satisfaction Survey Form". The survey questions are designed based on the characteristics of the products offered by the respective business department. Using a scale of 1 to 5, satisfaction is rated with 5 being most satisfactory and 1 being least satisfactory, whereas importance is rated with 5 being most important and 1 being least important. Employees have been instructed to determine accountability immediately for any unsatisfactory response or any score of 2 and lower indicated in the survey. The accountable employees then have to analyze the underlying causes and explore improvements according to the "Company's Correction and Prevention Procedures".

Brazed Plate Heat Exchanger Department

**Survey subjects:**  
Based on the amount of sales accumulated from January to September, the Company shortlists its top 20% customers and picks the top 20 customers to survey.

**Survey results:**  
In 2024, the rating for items scoring 2 points or below was "Delivery Satisfaction." The Company has since followed up, analyzed the underlying causes, and provided feedback to customers about the improvement measures that have been taken.

New Business Development - Hydrogen Power

**Survey subjects:**  
Customers ranking top 3 or top 20% in the amount of goods delivered

**Investigated anomalies:**  
No aspects rated 2 or lower in 2024

Fuel Cell Business

**Survey subjects:**  
Customers ranking top 3 or top 20% in the amount of goods delivered

**Investigated anomalies:**  
No aspects rated 2 or lower in 2024

New Business Development - Thermal Energy

The department currently has less than 5 main customers, and it convenes weekly meetings to keep customers up-to-date on project progress. A platform has also been created to facilitate real-time interaction.

The results of the customer satisfaction survey by business unit in the last two years are shown in the table below:

Business unit	Item/Year	Survey category	2023		2024	
			Questionnaire recovery rate	Customer satisfaction average	Questionnaire recovery rate	Customer satisfaction average
Brazed Plate Heat Exchanger Department		Product quality, delivery timing, service, professionalism, competitiveness	100%	4.35 minutes	90%	4.04 minutes
Fuel Cell Business		Product quality, product delivery, service quality, professionalism	100%	4.55 minutes	100%	4.93 minutes
New Business Development - Hydrogen Power		Product quality, delivery timing, service, professionalism, engineering capability	100%	4.50 minutes	100%	4.89 minutes

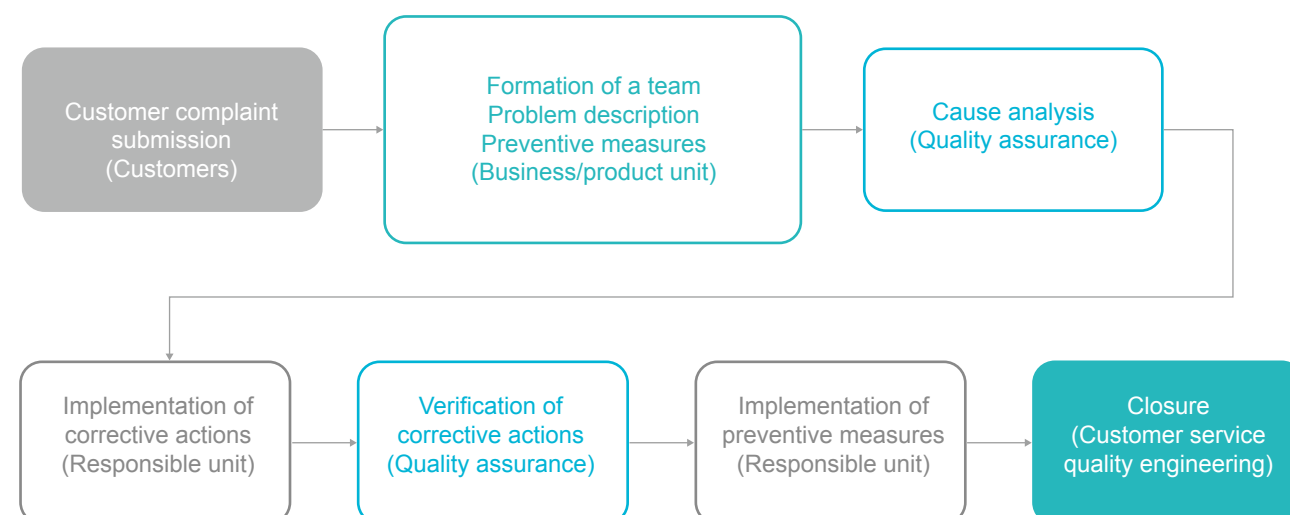
### 3.3.2 Customer Complaints and Subsequent Improvement Measures

The speed at which customers' complaints are addressed is key to raising customers' satisfaction. In addition to implementing customer sales policies and complaint procedures, Kaori also assigns dedicated personnel to maintain communication with customers and to investigate the underlying causes and accountability of all complaints raised. All complaints received are followed up quickly with effective solutions and improvement measures to prevent recurrence. Through productive communication, the Company is able to maintain good customer relations and ensure the quality of products delivered. Furthermore, transparent and efficient consumer grievance channels have been implemented to cater to customers' requirements for the products and services offered.

Customers are able to raise complaints to various departments using the contact number or e-mail disclosed in the Stakeholders section of Kaori's portal. We have made the number of customer complaints one of our key performance indicators (KPI). Complaints are analyzed by cause and customer type and discussed during annual management review meetings to serve as a reference for next year's quality improvement goals.

#### Customer Complaint Handling Mechanism Flowchart

1. When customers complain or give feedback, the customer complaint handling procedure is activated. The sales representative is responsible for confirming the abnormal content of the customer's feedback and handling it immediately to reduce the recurrence rate of the same incident and the generation of customer complaints.
2. When abnormal customer complaints occur, a problem analysis and resolution method is used to form a correction team as appropriate to find out the true cause of the problem, short-term and long-term countermeasures are implemented for improvement, and the effectiveness of the implementation is reviewed at the end. At the same time, a culture of internal continuous improvement activities has been established through personnel re-education to continuously improve the quality level of Kaori's products.



#### Brazed Plate Heat Exchanger Department

A total of 37 customer complaints and 19 customer service cases (including 1 voided case) were recorded in 2024. Follow-up improvements and preventive measures have been implemented for all cases.

#### Fuel Cell Business

A total of 2 customer complaints and 0 customer service requests were received in 2024; all of which have been improved upon with preventive measures taken.

#### New Business Development - Hydrogen Power

A total of 0 customer complaints and 0 customer service cases were recorded in 2024. The Company will continue to maintain this performance and pursue further improvement.

### 3.4 Customer Data Confidentiality

#### Material issues

#### Management Approach

**Policy** Compliance with policies and regulations to protect customer privacy.

**Goal** Understand customers' requirements and standards for the Company and draw up purchase orders and contracts to protect customer privacy.



**Commitment** Utilizing due diligence and early warning communication methods, the Company complies with applicable business regulations and ethical standards while protecting customer privacy.

#### Measures

1. Obtained the ISO 27001 - Cybersecurity Management System certification
2. In accordance with international cybersecurity management practices, personal data protection standards, and legal regulations, the Company has established the "Cybersecurity Management System" to ensure that our IT infrastructure and information systems meet the requirements for confidentiality, integrity, availability, and legality.

Privacy has become an important issue at a time when technology plays a dominant role in our lives. Due to our relationships with business partners, department employees often come into contact with product secrets and customers' personal information. Kaori received no complaints concerning violations of customers' privacy or secrets in 2024. Kaori has restricted access to its document management system by project relevance. For example,

- I. Only the system administrator may create and modify customer profiles, and sales representatives may make requests to create or change profiles only after submitting application forms and seeking proper approval.
- II. Documents furnished by customers are managed according to the "Document and Record Management Procedures." Schematics furnished by customers are placed on the server inside department-exclusive folders and made accessible only to authorized personnel.
- III. Supplies provided by customers are stored in a dedicated warehouse; all placements and withdrawals are controlled using the ERP system and forms.
- IV. Confidentiality agreements are signed as required by customers or the Company. Parties that the Company discloses confidential information to for the performance of duties are prohibited from revealing such information to others or using it for purposes outside of work. The same applies after employees resign.

The Company values intellectual property rights and is committed to protecting its intellectual properties and those of others (including patents, trademarks, copyrights, and business secrets), particularly during the transfer of know-how and production experience.



## Achievement of Short-, Medium-, and Long-term Plans and Goals for Material Topics Related to Product Innovation

Kaori is committed to product development and quality improvement and continues to create profitable growth with important goals: product R&D and innovation, ensuring patent R&D results, protecting trade secrets and legal compliance, product quality management, and assessing the market future of products. Short-, medium- and long-term metrics are as follows:

Timeline	Short-term metrics (2024 - 2025)	Medium-term metrics (2026 - 2029)	Long-term metrics (after 2030)
Product quality	<ul style="list-style-type: none"> <li>Pass the ISO 9001 Quality Management System certification every year</li> <li>No violation of EU Restriction of Hazardous Substances Directive (RoHS)</li> <li>No violation of REACH SVHC prohibition</li> </ul>	<ul style="list-style-type: none"> <li>Pass the ISO 9001 Quality Management System certification every year</li> <li>No violation of EU Restriction of Hazardous Substances Directive (RoHS)</li> <li>No violation of REACH SVHC prohibition</li> </ul>	<ul style="list-style-type: none"> <li>Pass the ISO 9001 Quality Management System certification every year</li> <li>No violation of EU Restriction of Hazardous Substances Directive (RoHS)</li> <li>No violation of REACH SVHC prohibition</li> </ul>
Legal Compliance	0 cases of non-compliance with product laws or patent regulations	0 cases of non-compliance with product laws or patent regulations	0 cases of non-compliance with product laws or patent regulations

### Material issue objectives and performance

Kaori is committed to product R&D and innovation, R&D patent achievements, product quality management, legal compliance, etc. The following table shows the degree of achievement of important goals and performance in the past two years:

#### • Product Quality Management

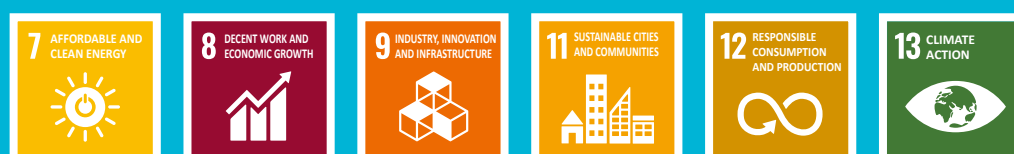
	2024 Performance Targets	Achieved in 2024	2025 Performance Targets
Brazed Plate Heat Exchanger Department	Pass the ISO 9001 Quality Management System certification every year	Pass the ISO 9001 Quality Management System certification every year → Achieved	Pass the ISO 9001 Quality Management System certification every year
Fuel Cell Business	<ul style="list-style-type: none"> <li>Pass the ISO 9001 Quality Management System certification every year</li> <li>Pass the Aerospace Quality Management System AS9100 every year</li> </ul>	<ul style="list-style-type: none"> <li>Pass the ISO 9001 Quality Management System certification every year → Achieved</li> <li>Pass the Aerospace Quality Management System AS9100 every year → Achieved</li> </ul>	<ul style="list-style-type: none"> <li>Pass the ISO 9001 Quality Management System certification every year</li> <li>Pass the Aerospace Quality Management System AS9100 every year</li> </ul>
New Business Development - Hydrogen Power	Pass the ISO 9001 Quality Management System certification every year	Pass the ISO 9001 Quality Management System certification every year → Achieved	Pass the ISO 9001 Quality Management System certification every year
New Business Development - Thermal Energy	The Ziqiang Plant began operations in July 2023 and is expected to implement the ISO 9001 Quality Management System in 2025.		

#### • Compliance

2024 Performance Targets	Achieved in 2024	2025 Performance Targets
0 cases of non-compliance with product-labeling laws or patent regulations	0 cases → Achieved	0 cases of non-compliance with product-labeling laws or patent regulations

# 4

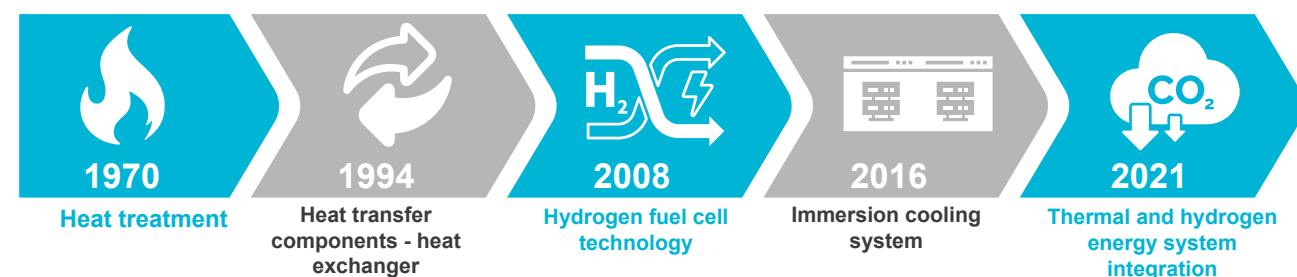
## Product Innovation and Quality Management



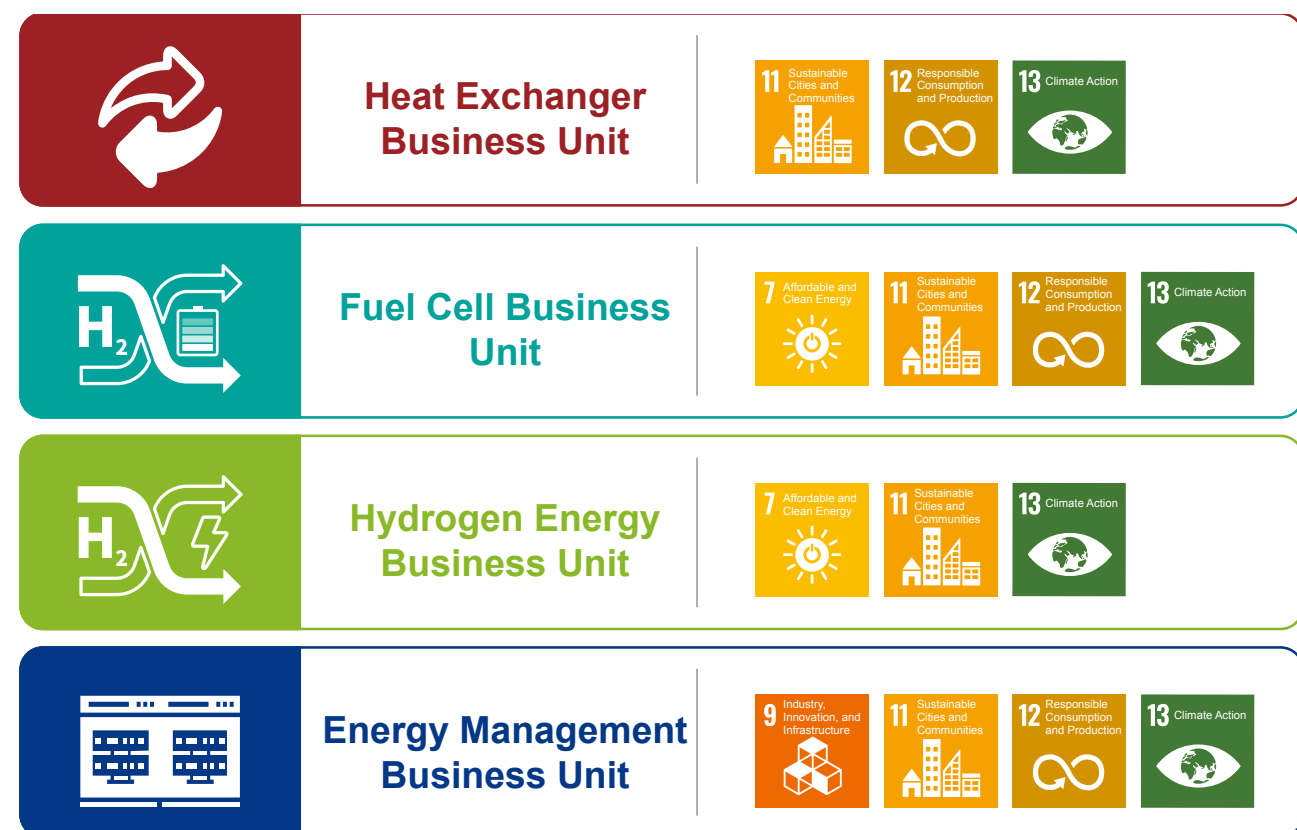
## 4.1 Development of innovative products

Material issues	Management Approach
<b>Policy</b> Explore new application areas and develop low-carbon green energy solutions based on the Company's core technologies.	
<b>Goal</b> To protect the Company's intellectual property, enhance product competitiveness, enhance the quality of patents, and optimize the Company's intellectual property management and operations.	
<b>Commitment</b> Actively improve production technology and production capacity scale, maintain the Company's manufacturing cost advantage, and enhance overall production and marketing competitiveness.	
<b>Measures</b>	
 <p>Innovative R&amp;D</p>	1. Established a "Patent Review Committee" composed of R&D managers, business unit managers, and legal/intellectual property managers.
	2. Develop a "Patent Application and Incentive Policy" to encourage employees to focus on innovation and research.
	3. Explore energy-saving solutions for the vacuum furnace, a key piece of production equipment, to reduce the production process's carbon emissions.
	4. Introduce ISO 14067 for product carbon footprint to grasp the status of life cycle carbon emissions and formulate reduction plans.
	5. Strengthen employee on-the-job training and actively recruit outstanding talents externally.

Kaori prides itself for being able to persistently innovate and support the industry's transition to net zero emissions.



Four core business units: Fulfill the United Nations Sustainable Development Goals (SDGs)



## 4.1.1 Sustainable products and services



### Brazed Plate Heat Exchangers

Featuring wave patterns stamped on 304 or 316 stainless steel materials, Kaori's brazed plate heat exchangers are made through multi-point brazing of stainless steel with copper or nickel in a vacuum furnace, thereby allowing them to operate under extreme pressure in a very small chassis while making them especially suitable for refrigeration and air conditioning systems. Meanwhile, the wave patterns stack on top of each other to form conduits that create a turbulent flow of the coolant even at low flow speeds. This enables the heat exchangers to achieve high thermal conduction efficiency in a small heat transfer area. In systems that require high efficiency, the use of brazed plate heat exchangers may further increase the coefficient of performance (COP) and reduce the overall space needed to install the modules, which in turn lessens the need for fluorinated greenhouse gases (F-GHG) and is a more efficient and environment-friendly design.

### Industry Applications

- Air conditioning • Semiconductors and electronics • Refrigeration • Energy and utilities • Machinery • Transportation
- Medical equipment • Data centers

### Sustainable Development Highlights

- The first heat exchanger manufacturer in Taiwan to pass ISO 14067 carbon footprint third-party inspection. (The certificate is shown on the right)
- Digitalization of product manuals.
- Continue to develop low-carbon stainless steel in a diversified manner, which can reduce carbon emissions by 95%.
- Assist overseas customers in obtaining local quality certification.







### Gasket Plate Heat Exchangers

Offers better heat conduction in a smaller size compared to spiral type or shell and tube type heat exchangers. With proper design, gasket plate heat exchangers can be more efficient at transferring heat and easier to clean, maintain, disassemble, and install while retaining the potential for capacity expansion.

### Industry Applications

- Petrochemical plants
- Oil refineries
- Steel
- Power generation
- Freight
- Semiconductors
- Metal processing
- Food
- Refrigeration

### Sustainable Development Highlights

- Energy efficiency and conservation:  
The special pattern design enables a high level of turbulent flow even at low flow speeds, therefore delivering a number of advantages including efficient heat transfer, reusability, and a longer lifespan of at least 10 years.
- Heat recycling:  
Data centers, for example, may use a combination of immersion liquid cooling and gasket plate heat exchangers to recycle heat and increase overall energy efficiency by more than 40%.



### Critical SOFC Components High-efficiency Fuel Cell Recuperators

Heat-resistant nickel-base superalloys are assembled using Kaori's proprietary brazing technology in conjunction with advanced TIG welding to allow heat transfer under high temperatures. The material achieves a thermal cycle efficiency of 60%. This demonstration of exceptional brazing and TIG welding techniques has gained recognition from green manufacturers worldwide and made Kaori a long-term strategic partner.

### Industry Applications

A solid oxide fuel cell (SOFC) is a form of distributed energy system which involves generating and supplying power directly to local users based on their requirements. Kaori's solutions offer a high degree of versatility that make them suitable for medium- and small-size energy conversion systems of various purposes. Ships, for example, may install fuel cell power systems to replace diesel power.

### Sustainable Development Highlights

- Advantages such as high performance, stability, low emissions, zero pollution, waterless, and long lifespan have been validated through commercial operation by reputable customers for more than 10 years.
- Thermal reactors for high capacity SOFCs increase power generation efficiency to 65% from the previous generation.
- Thermal reactors have been developed for hydrogen generation and energy storage.
- Application in vessels helps the shipping industry achieve energy and carbon reduction goals.



### Reformed methanol/hydrogen PSA system

The hydrogen generator takes in a methanol solution and applies a process called pressure swing absorption (PSA) to purify and generate high-purity hydrogen (99.999%). It is widely used in industrial processes that make use of the gases generated, such as hydrogen reduction furnaces, heat treatment furnaces, semiconductors, and optoelectronics.

- 30-4.5 m<sup>3</sup>/hour
- Generates hydrogen at low pressure (<5 kg/cm<sup>2</sup>) with rigorous safety protection
- Uses methanol (<59%) as the raw material; the hydrogen produced can be used immediately and does not require a hydrogen storage tank
- Replaces pressurized hydrogen canisters; equipment investments can be recovered in as little as six months



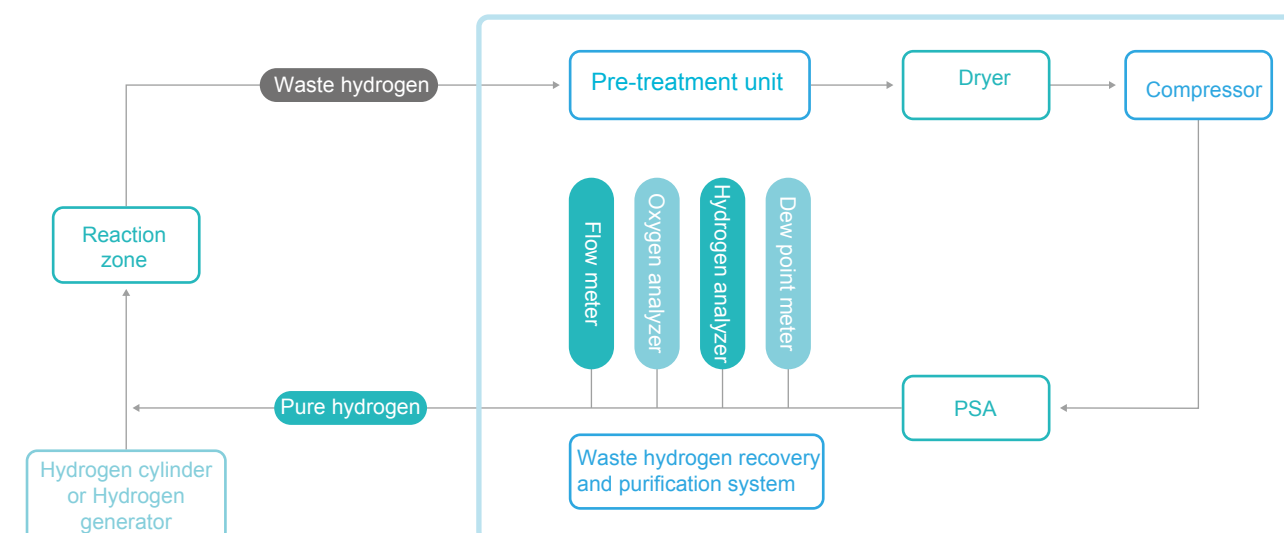
### Reformed Methanol/Proton Exchange Membrane (PEM) Fuel Cell System/Ammonia Fuel Cell (AFC) System

- System size is 30-50% smaller compared to products of equivalent grade
- Energy consumption ≤ 0.5 kW and noise ≤ 65 dB (at 5 kW output)
- CO emission ≤ 20 ppm (low exhaust; no NOx and SOx)
- Safe and stable: Overall power and thermal efficiency >85%; continuous operation for >72hr
- Applications: Backup power for remote areas or disaster sites; reserve power for critical facilities



### Industrial Waste Hydrogen Purification/Recycling System

- Recycling and reuse: Eliminates the need to remove hydrogen or transport hydrogen in pressurized form; approximately 70% is recycled, which lowers carbon emissions
- Greatly reduces the need to supply hydrogen through tankers/canisters; can be replaced with Kaori's methanol hydrogen generators
- Recovery period of equipment investment is about 2.5 years





### Organic Solvent Hydrocracking System

By treating organic solvent waste, hydrogen can be recycled and reused to generate base load power. Waste silicon from semiconductors and solar panels can be processed to produce hydrogen at 99.9% purity; using Kaori's purification system, the level of purity can be increased to 99.999%, which makes the hydrogen usable for industrial and power generation applications.

### Industry Applications

- Supports hydrogen-based production procedures or by-product hydrogen: For example, hydrogen reduction furnaces, heat treatment furnaces, semiconductors, optoelectronics, powder metallurgy, metal wires, and steel industries.
- Organic solvent waste fluids of the electronics industry (semiconductors, circuitry, LCD panel, etc.) can be pre-processed and cracked at high temperature to separate hydrogen for power or heat.

### Sustainable Development Highlights

Ammonia cracking and hydro power: Clean energy research involving the use of ammonia as hydrogen fuel carrier has gained popularity around the world in recent years due to the ease of storage, ease of transportation, and better economic viability of ammonia compared to hydrogen.



### Liquid Cooling System

The Thermal Energy Business Unit focuses on AI data centers and has introduced a new generation of server liquid cooling products targeting "server thermal management". These solutions align with current trends in AI development and provide more sustainable cooling solutions for data centers and high-performance computing.

### Industry Applications


Cloud services/5G communication, Edge computing, Data centers, Semiconductor EDA, Artificial intelligence, Blockchain, Cryptocurrency (mining), Electric vehicle battery cooling

### Sustainable Development Highlights

- Power usage effectiveness (PUE) is an internationally accepted metric for measuring the power efficiency of data centers. PUE is calculated by dividing the total data center power draw by the total IT equipment power draw. A low PUE indicates that the data center requires less power for cooling, which suggests lower power consumption and greater environmental friendliness.
- China's first data center with 5A green rating uses single-phase immersion cooling technology with insulated coolant to achieve high-efficiency cooling without the need for fans, air conditioners, or chillers. The solution reduces power used in cooling by 70% and lowers the PUE to 1.09.

## 4.2 Strategic Goals for New Products and Technologies

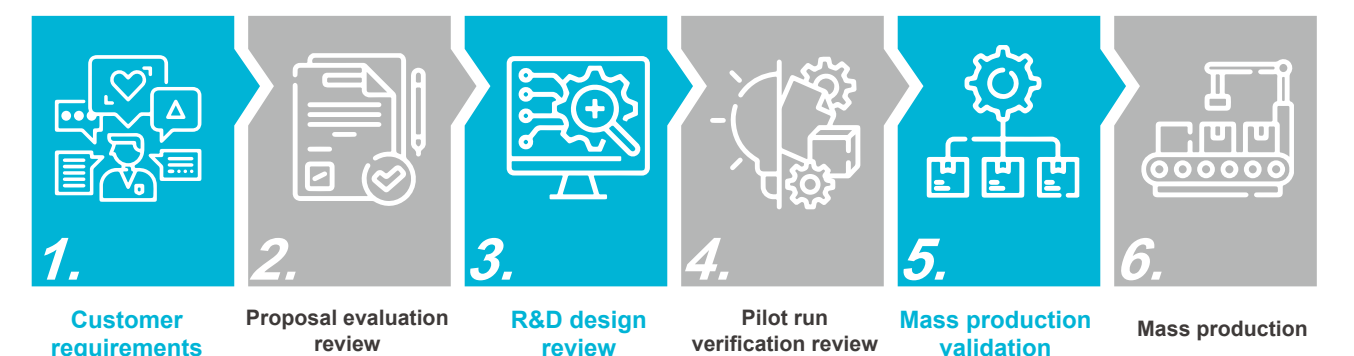
Kaori has implemented several strategies to address global climate change and align with corporate transformation efforts. The Company continues to research and develop green, sustainable products. The policies and management approaches for related products are as follows:

Material issues	Management Approach
	<b>Policy</b> Research and develop low-carbon, green energy sustainable products in the field of innovative technology applications to meet future customer needs
	<b>Goal</b> Leverage collaboration with customers and suppliers to effectively utilize external resources and establish industry-academia partnerships. This diverse approach will guide the future planning of sustainable products and enhance the added value of the Company's products
 Sustainable Products	<b>Commitment</b> Plan and enhance the added value of products through due diligence and early warning communication methods, effectively increasing the Company's profitability and enhancing the overall competitiveness of production and sales
	<b>Measures</b> <ol style="list-style-type: none"><li>1. Established a "Patent Review Committee" composed of R&amp;D managers, business unit managers, and legal/intellectual property managers.</li><li>2. Develop a "Patent Application and Incentive Policy" to encourage employees to focus on innovation and research.</li><li>3. Introduce the ISO 14064-1:2018 for greenhouse gas inventory to identify high carbon-emitting equipment or processes and effectively reduce carbon emissions.</li><li>4. Introduce ISO 14067:2018 for product carbon footprint to grasp the status of life cycle carbon emissions and formulate reduction plans.</li><li>5. Strengthen employee on-the-job training and actively recruit outstanding talents externally.</li></ol>

### Collaborative Development

- Technology Development Procedures:

Kaori actively gathers the voices of customers and involves customers in the early stage of product development as a way to continually improve product creativity, design, and technological capacity. These involvements are useful for gaining insights into customers' core requirements, so that the Company can focus its development efforts on solving customers' problems. It has been a key factor to the success of the Company's product and technology development efforts. Customized solutions currently take up the majority of Kaori's development resources. As national policies and industry standards evolve, the Company will be able to introduce standardized product development processes and automated production lines.
- Standard product development procedures:





Brazed Plate Heat Exchangers

- 1. For the growing heat pump market, Kaori will introduce asymmetric flow design into different models to support a greater range of heat pump applications, thereby reducing the use of both natural and HFO coolants while increasing equipment COP.
- 2. More attention will be directed to improving the plate pattern design for optimal flow resistance, which increases heat exchange efficiency in less surface to achieve better performance.

Hydrogen Power Clean Energy

- 1. Kaori cooperates with customers on various projects to increase product performance and is committed to promoting hydrogen power circular economy, so that customers may realize the energy and carbon reduction potential of SOFCs.
- 2. Hydrogen application is an important step to reducing carbon. Kaori hopes to first demonstrate the viability of the technology within the domestic market, and then export whole systems over the medium and long term while placing emphasis on the development of the hydrogen supply chain and potential applications on a global scale to create a new industry altogether.
- 3. Kaori is exploring ways to use hydrogen power for carbon reduction using existing resources and the foundation of the industry. Attention will be paid to using zero/low-carbon fuel and scaling the production of green hydrogen and blue hydrogen as means to achieve carbon reduction goals.
- 4. Fuel cells are the mainstream solution of the future. They will grow in popularity in household use and backup power over the short term and make their way into cogeneration over the long term.

Liquid Cooling Technology

- 1. Engage critical CPU/GPU partners in more in-depth collaboration
- 2. Seek technology certifications with server manufacturers

Industry-Academia Partnerships

- Industry-academia collaboration:
  - 1. Kaori cooperates with National Central University and National Yang Ming Chiao Tung University to simulate and optimize the flow field and heat transfer within plate heat exchangers. A simulation model was developed in 2021 based on research data, and simulations on single-phase flow field were completed and validated in 2022. Kaori expects to progress into the simulation and validation of vaporization and condensation in two-phase heat transfer between 2023 and 2024.
  - 2. In 2022, Kaori cooperated with National Yang Ming Chiao Tung University on a study commissioned by the Ministry of Science and Technology titled “Experiment and analysis of two-phase flow data in brazed plate heat exchangers”, in which the researchers simulated and validated heat transfer in a two-phase flow setup in an attempt to improve the accuracy of measurements.
  - 3. In 2022, Kaori cooperated with National Central University on the study of boiling heat transfer in hybrid pattern plate heat exchangers, in which the researchers used different methods of flow resistance to increase the evenness of the boil.
  - 4. With regards to the optimization of new coolant systems, Kaori expects to test and determine a segregation design that achieves optimal distribution using different flow resistance in 2023, which will help improve the efficiency of plate heat exchangers.

- Professional talent:  
Development of liquid CDUs for vertical-type and horizontal-type cloud data server cabinets requires professional knowledge in heat flows, mechanical engineering, and system control. Kaori was able to acquire seven R&D employees possessing the above expertise in 2021, two in heat flows, three in mechanical engineering, and two in system control.

- Intensive training:  
Kaori invites professors from National Yang Ming Chiao Tung University and National Central University to organize professional courses according to product development needs.
- Professional associations:  
Kaori assigns R&D personnel to take part in forums organized by the Taiwan Thermal Management Association and the Cloud Computing & IoT Association on a regular basis, so that they can keep up-to-date with industry trends and obtain the latest information.

Future Development Plans

Plate heat exchangers

- Heat exchangers for fuel cell-related applications
- Heat exchangers for fresh water supply
- Heat exchangers for heat pumps
- Electric vehicle battery cooling modules and heat pumps/exchangers

For some of the above projects, the department will work with suppliers to develop materials and brazing alloys, and it will take advantage of the special characteristics of new materials to resolve issues when used in certain industries. For one of the projects above, the department will cooperate with a customer on a special design to improve heat pump efficiency, increase COP, and lower coolant requirements.

Hydrogen Power Clean Energy

- Thermal reactors for high-capacity SOFCs
- Thermal reactors for hydrogen generation
- Development and validation of pre-processing, cracking, and purification systems for hydrogen generation from industrial organic solvent waste
- Clean energy research involving the use of ammonia as hydrogen fuel carrier

Immersion liquid cooling systems

Cooperate with server manufacturers and upstream parts suppliers for product validation

4.3 Research and development of professional technology

2024 R&D Program Development Status

Program Name: Development of hydrogen production and carbon capture equipment from natural gas pyrolysis	
R&D Period	• From Q4 2023
Research Purpose	• Develop pyrolysis reactors and corresponding systems. • Reduce energy consumption
Research Content	• Develop an appropriate 4 Pyrolysis method to precipitate and concentrate solid carbon during the hydrogen production process to prevent the formation of CO or CO <sub>2</sub>
Current progress (research results)	• Established testing system for catalysts • Forms of basic reactors already built
Whether a patent name has been obtained	• In 2024, the Company was granted R.O.C. Patent No. I858788 for a “Carbon Dioxide Fixation Device”

Program Name:  
Development of Inspection Technology for Brazed Joints in SOFC Recuperator Fin Structures

Awarded the Outstanding Achievement Award at the 2024 Industry-Academia Collaboration Project Presentation by the Department of Engineering and Technologies, National Science and Technology Council






## 4.4 Achievements in trade secret protection

Kaori understands that trade secrets are the key to the industry's sustainable development. In addition to taking protective measures to actively defend trade secrets, Kaori complies with the ISO 9001 "Technical Secrets Documentation Management Method" and "Document and Record Management Procedures" to implement the management system's responsibilities and maintain industrial competitiveness.

## 4.5 Quality management

Material issues	Management Approach
	<p><b>Policy</b> Quality excellence at reduced costs. Timely delivery and satisfied customers</p>
	<p><b>Goal</b> Offer safe and reliable products and services in conformity with customers' needs and the requirements of applicable laws</p>
	<p><b>Commitment</b> To establish preventive control, minimize negative impacts, and use a process-oriented approach to enhance the effectiveness and efficiency of departmental processes</p>
 <p>Product quality</p>	<p><b>Measures</b></p> <ol style="list-style-type: none"> <li>1. Comply with ISO 9001:2015 quality management system and pass certification every year</li> <li>2. Comply with AS9100:D Aerospace Quality Management System and pass the certification every year</li> <li>3. No violation of EU Restriction of Hazardous Substances Directive (RoHS)</li> <li>4. No violation of REACH SVHC prohibition</li> </ol>

Kaori has developed its own quality management system in accordance with ISO 9001:2015 Quality Management System and implemented a series of management procedures and operational guidelines to guide quality management practices throughout the Company. Furthermore, Kaori has open communication channels in place to gather customers' opinions, quality feedback, audit findings, etc., for ongoing improvements. The Company will continue listening to customers' voices and adopting total quality management to satisfy customers' needs.

All of the Company's business units were certified under the latest international quality management system, ISO 9001:2015, in 2020. In addition, the Fuel Cell Division obtained certification for the latest aerospace quality management standard, AS9100:D, in February 2022. These certifications guide the Company in its continuous improvement efforts, enabling the delivery of the most reliable quality and services to customers. Kaori remains committed to its customer-centric service philosophy and refrains from all actions that compromise product quality or endanger customers' safety. By making quality a part of our corporate culture and employees' conviction, we strive to become customers' trusted partner and work with customers and suppliers toward sustainability.

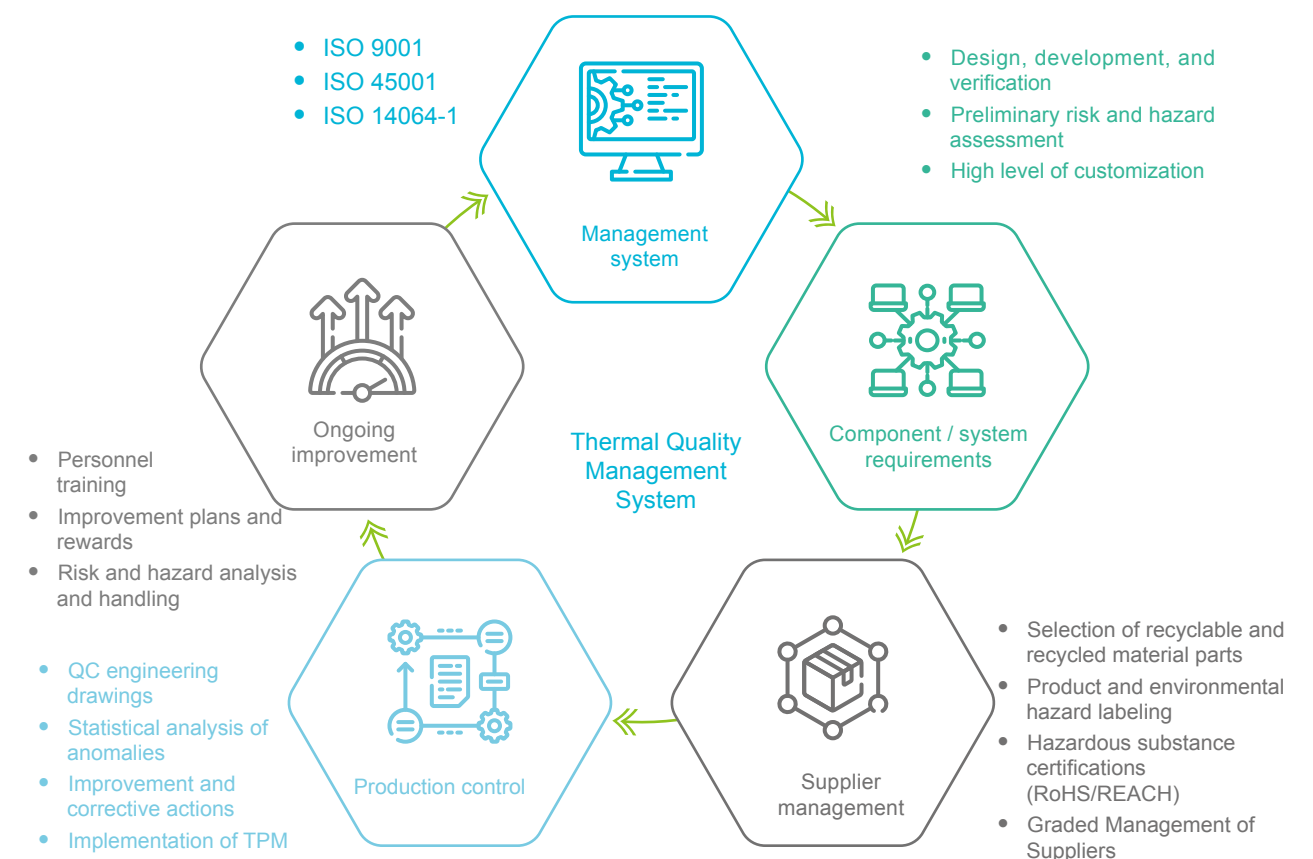
The Company encountered zero instances of product recalls due to safety concerns or otherwise in 2024 and suffered no financial losses from lawsuits concerning product safety.

## Quality Management Procedures

To ensure the quality of its products and services, Kaori adopts the process-oriented approach of the International Organization for Standardization (ISO) to improve the quality performance of various departments. By implementing the Plan, Do, Check, and Act (PDCA) cycle, the Company continues to optimize its processes and enforce preventive control with a risk focus.

- **Process-oriented approach:**  
From order taking, production, inspection, and shipment, Kaori applies standardized procedures and delivers products and services to customers' satisfaction.
- **PDCA:**  
Ensure that every process is supported with adequate resources and is properly managed and improved upon on an ongoing basis.
- **Risk perspective:**  
Adapt to changes in the internal and external environments, minimize probability of decision errors, and prevent possible losses; aim for total anticipation of opportunities and risks, and perform effective damage control after the occurrence of risk events for business continuity.

## New Business Development - Thermal Energy Quality Management System



## Fuel Cell Business - Quality Management System



## Promotion of Quality Awareness

Quality awareness is defined as how the employees, leaders, and managers of a business perceive and act in relation to the quality of their offerings. It is a common language that employees use to communicate in daily work activities, a value that inspires our behavior to the outside world, and a standard by which we measure our performance. By changing how employees perceive the work they do from within, we help them develop proper habits, which in turn contributes to the further strengthening of the quality culture.

Quality is key to the continuity of a business. It requires contribution from all employees and takes persistence in making improvements in order to satisfy customers' needs and accomplish corporate targets. There are also many aspects to quality, and under-performance in any aspect will compromise customer satisfaction and threaten business survival.

The Company holds the conviction that workforce competence is critical to the quality of products and services offered. Through education and training, the Company aims to develop strong quality awareness and consistent quality goals across employees. Kaori organizes a variety of training courses to improve the quality of products and services provided; progress for 2024 is summarized below:

- 100% of new recruits passed general knowledge training
- 100% of employees completed training for ISO 9001, AS9100, and ISO 14001 quality systems
- 100% of employees completed specialist training; training courses were organized to educate employees on instrument calibration, ionizing radiation protection, legal requirements, etc., and to qualify those that require professional certification.

## Quality Assurance

To bring traceability into the products manufactured, Kaori has adopted an enterprise resource planning (ERP) system and a manufacturing execution system (MES) that digitally integrates all processes from material purchase, storage, production, and quality management to financial management. These systems record the details of every production stage and ensure that accurate data can be generated quickly to support Kaori's commitment to quality assurance.

1. Site Management
2. Safety management: 5S activities



## Operations management

1. Standardized operations: standard operating procedures.
2. Skill training: skill training and evaluation; skill evaluation standards, skill development program, and skill training standards.
3. Improvements: A suggestion system has been implemented to encourage improvement plans for accomplishing business goals.

## Quality management

1. Management during normal circumstances: Quality assurance standards have been implemented for operational staff and managers.
2. Responses in the event of abnormal occurrences (whether discovered internally or externally): The Company has standard responses in place to respond to abnormal occurrences of which all employees have been made aware.

## Equipment management

Total productive maintenance (TPM): includes equipment inspection standards, inspection charts, inspection cycles, responses to equipment malfunction, and training materials for operators (work commencement checks, inspection standards, training data, etc.).

## On-Site Education and Training

1. On-site education: Kaori highlights and discusses abnormal issues in daily morning meetings and takes improvement measures and follows up on progress afterwards
2. Special-purpose training: abnormal occurrences are analyzed and shared internally as case studies
3. Specialist training: instrument calibration, internal audit, pre-brazing preparations, post-brazing test, incoming quality control (IQC), final quality control (FQC), etc.



Quality Improvement Highlights for 2024

Kaori encourages all employees to participate in making persistent improvements and promotes quality awareness as a way to unite and motivate employees. An incentive program called “Quality Improvement Proposal” has been implemented to guide and encourage employees toward innovative thinking. The program invites all employees to contribute new ideas on ways to improve quality and business management, whether in terms of processes, products, or the organization, so that the organization can strive toward excellence and ensure continuity.

Brazed Plate Heat Exchanger Department

In 2024, a total of 9 improvements were made.

Improvement Highlight (1): Automatic Oil Spraying System for Stamping Machines

**Purpose** Process optimization to reduce motion waste, which is one of the seven wastes in production, and to standardize operations for improved quality.

The status before improvement

Manual oil spraying using a hand-pressed oil can

- Inconsistent oil spray position and volume tolerance, resulting in longer operation time
- Oil spray position is limited due to single-side operation by personnel at the stamping machine



The result after improvement

Automatic oil spraying by equipment

- Oil spray position and volume are both quantifiable and controllable, improving quality.
- Shorter operation time, enhancing equipment utilization rate.

Ongoing improvement

Added oil mist recovery device

- Oil mist is generated during the spraying process; therefore, an optimized recovery mechanism was added.
- The addition of a protective cover helps reduce dust contamination on the stamping machine. (Complies with 5S cleaning standards and prevents contamination)
- Recovered oil mist can be reused, promoting environmental friendliness and contributing to energy saving and carbon reduction.



↓ Ongoing improvement ↓



Improvement Highlight (2): Load Limit Alarm for Vacuum Furnace Pressing Machine

**Purpose** Error-proofing, labor-saving, and quality enhancement.

The status before improvement

Manual visual inspection used to determine total furnace load,

- Different equipment has different weight limits, previously judged manually by visual inspection to determine whether overweight.



The result after improvement

Warning lights indicate when the load exceeds the limit

- Reduces the risk of human error
- Easy to read and ergonomically designed, eliminating the need to bend over.







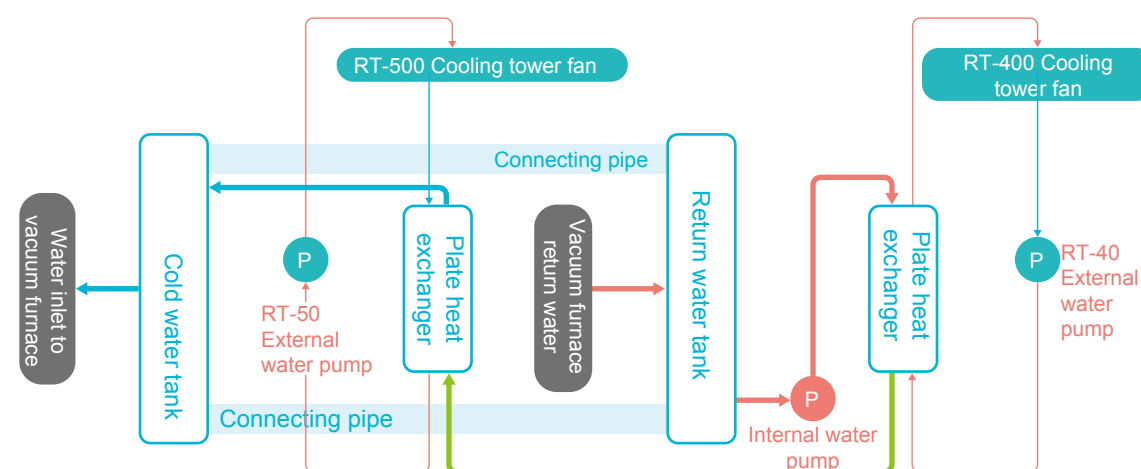
### Improvement Highlight (3): Energy Optimization Proposal for the New Water System of Vacuum Furnace VA16-23

**Purpose** Environmentally friendly, energy-saving, and carbon-reducing measures to lower costs and enhance competitiveness.

#### The status before improvement

Continuous operation upon startup

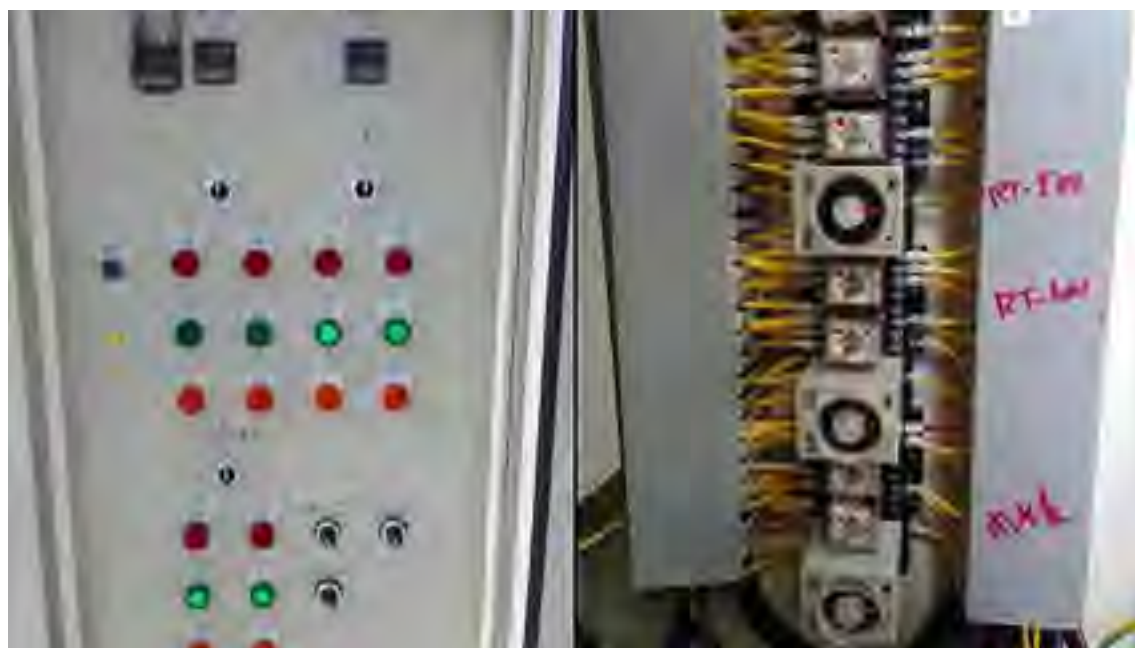
- The water circulation system for the auxiliary equipment of the vacuum furnaces was originally triggered as long as any one of VA16 to VA23 was activated.
  - Pumps began running immediately upon system startup
    - Internal water pump 75HP 55KW\*1
    - External water pump 75HP 55KW\*1
    - Cooling tower circulation fan 15HP\*222KW\*1



#### The result after improvement

Automatically operates only when the temperature reaches 38°C

- Uses water tank temperature to control the start and stop of internal and external water pumps.
- Non-continuous operation enables power saving and reduces equipment wear.



### Fuel Cell Business

In 2024, a total of 25 improvements were made.



### Improvement Highlight: Automated Assembly Machine - Desoldering Issue Improvement

- Purpose**
- To reduce defect rates and improve production efficiency.
  - To address two of the seven major production wastes: 1. Motion waste and 2. Waiting waste.

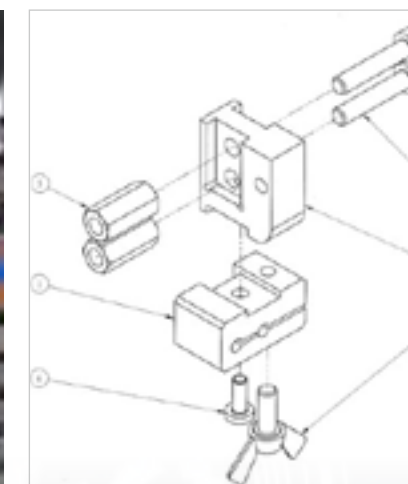
#### The status before improvement

- The clamping arm of the copper rod fixture was too short to secure the rod effectively, resulting in a welding defect rate of approximately 10% to 30%.
- Copper rods required frequent replacement and calibration, approximately every 200 pieces produced, with each replacement taking about one hour.



#### The result after improvement

- Improved fixture design by extending the lever arm to effectively secure the copper rods. Among nearly 70,000 products, the defect rate due to abnormal desoldering dropped to 0.76%.
- Replaced the original fastener with a butterfly screw tightened from bottom to top. This allows for quick replacement of worn copper rods in confined spaces without the use of tools.





In order to establish a sustainable supply chain, in addition to complying with laws and regulations and ethical procurement, Kaori assists in sustainable management of the supply chain, and has short-, medium- and long-term sustainable management goals and work plans as follows:

Timeline	Short-term metrics (2024 - 2025)	Medium-term metrics (2026-2029)	Long-term metrics (after 2030)
Sustainable supply chain	The average rating of qualified suppliers is 80 points and above.	The average rating of qualified suppliers is 85 points and above.	The average rating of qualified suppliers is 90 points and above.
	<ul style="list-style-type: none"><li>Suppliers are required to conduct self-assessment through the "Supplier Sustainability Self-Assessment Questionnaire."</li><li>The goal is to have 11 suppliers complete the questionnaire.</li></ul>	<ul style="list-style-type: none"><li>Suppliers are required to conduct self-assessment through the "Supplier Sustainability Self-Assessment Questionnaire."</li><li>The goal is to have 15 suppliers complete the questionnaire.</li></ul>	<ul style="list-style-type: none"><li>Suppliers are required to conduct self-assessment through the "Supplier Sustainability Self-Assessment Questionnaire."</li><li>The goal is to have 20 suppliers complete the questionnaire.</li></ul>
	<ul style="list-style-type: none"><li>Compliance with the RBA Code of Conduct</li><li>Request suppliers to sign the "Supplier Code of Conduct" as the basis for implementation, and achieve the goal of 100%</li></ul>	<ul style="list-style-type: none"><li>Compliance with the RBA Code of Conduct</li><li>Request suppliers to sign the "Supplier Code of Conduct" as the basis for implementation, and achieve the goal of 100%</li></ul>	<ul style="list-style-type: none"><li>Compliance with the RBA Code of Conduct</li><li>Request suppliers to sign the "Supplier Code of Conduct" as the basis for implementation, and achieve the goal of 100%</li></ul>

Material issue objectives and performance:

In addition to achieving regulatory compliance and ethical procurement, Kaori has defined the material issues and performance as follows:

2024 Goals	2024 Performance Achievement Level	2025 Goals
The average rating of qualified suppliers is 80 points and above.	Average score of 86 → Achieved	The average rating of qualified suppliers is 80 points.
All suppliers have signed the code of conduct, achieving a 100% completion rate.	All suppliers have signed the code of conduct, achieving a 100% completion rate. → Achieved	All suppliers have signed the code of conduct, achieving a 100% completion rate.

5.1 Supplier Management Policy and Overview

As the general public and global partners have become increasingly aware of corporate social responsibilities, they now require suppliers/contractors to exert social influence and act in the interest of social issues, environmental protection, and social responsibilities, in addition to meeting conventional performance measurements such as product quality, technological capacity, delivery, collaboration, and other factors directly associated with service and production. Kaori requires new suppliers/contractors and existing suppliers to comply with social, environmental, economic, and ethical regulations, thereby responding to the public's expectations.

Suppliers are important partners in Kaori's operations, and in order to promote green products, it is especially critical for the Company to manage the supply chain at the source. In addition to quality, delivery, and collaboration, Kaori has also begun assessing suppliers for issues such as worker rights and socioeconomic contributions. By exerting influence over suppliers, the Company hopes to promote the sustainable growth of the entire supply chain and enforce sustainability to the benefit of all parties involved.



5

Sustainable Supply Chain Management





## Supplier Management Policy

- Procurement policy:  
Select business partners primarily based on the quality, timeliness, and consistency of goods/services supplied and their willingness to commit to long-term relationships.
- Supplier selection system:  
Kaori conducts annual supply audits for effective management and maintenance of relationships with qualified suppliers. Suppliers are evaluated on product quality, delivery timing, service, technological background, and the quality management system. Furthermore, Kaori requires suppliers to present quality system certificates issued by independent third parties, and to complete questionnaires on the management of hazardous substances. All raw material suppliers are required to sign a commitment to ethical conduct and anti-bribery.  
  
Suppliers are evaluated not only for the prices they offer, but also for their overall contribution to Taiwan as well as their ability to complement the Company's role and position. With the introduction of the sustainable supply chain management system in 2022, Kaori will gradually replace suppliers that are found to be incompetent, thereby creating a more resilient and sustainable supply chain.

## Overview of Supply Chain Partners

Kaori had a total of 845 supply chain partners in 2024, with total purchases amounting to NTD 2.2 billion. Among the top 80% of procurement spending, 51.8% was allocated to components, followed by raw materials and outsourced processing. The percentage of localized purchases (from local suppliers in Taiwan) was 50.8%. Suppliers are categorized based on procurement types: raw material suppliers, equipment suppliers, component suppliers, engineering service providers, gas suppliers, and outsourced processing suppliers. Qualified suppliers in 2024 (top 80% in annual procurement amount) included 36 domestic suppliers, accounting for 71%, and 15 foreign suppliers, accounting for 29%, totaling 51 suppliers.

Type of supplier	Raw materials	Equipment	Parts and accessories	Engineering	Gas	Outsourced manufacturing	Total
Total number of suppliers	12	2	26	2	1	8	51
Percentage	23.5%	3.9%	51.0%	3.9%	2.0%	15.7%	100%

Kaori's suppliers include steel mills and foreign providers of advanced technologies and products, all of which are capital-intensive businesses and have imposed high standards on environmental protection, green energy, and public interest. Kaori operates in the midstream of the industry and provides end customers with products that are processed and assembled from the above-mentioned materials.

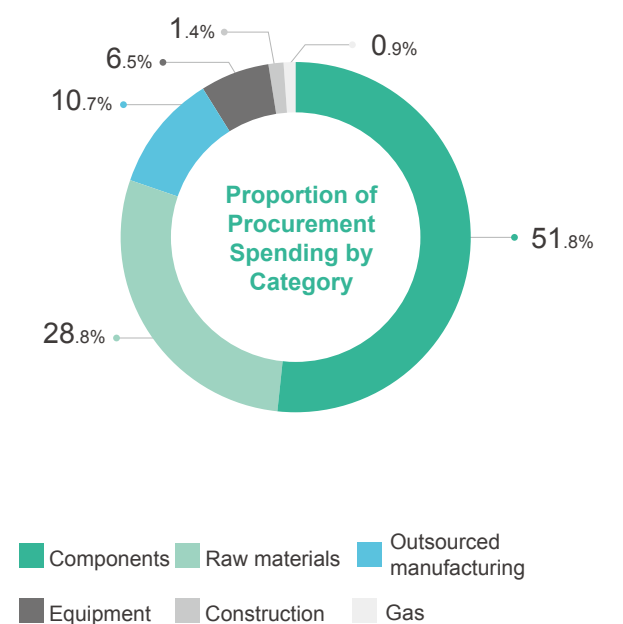
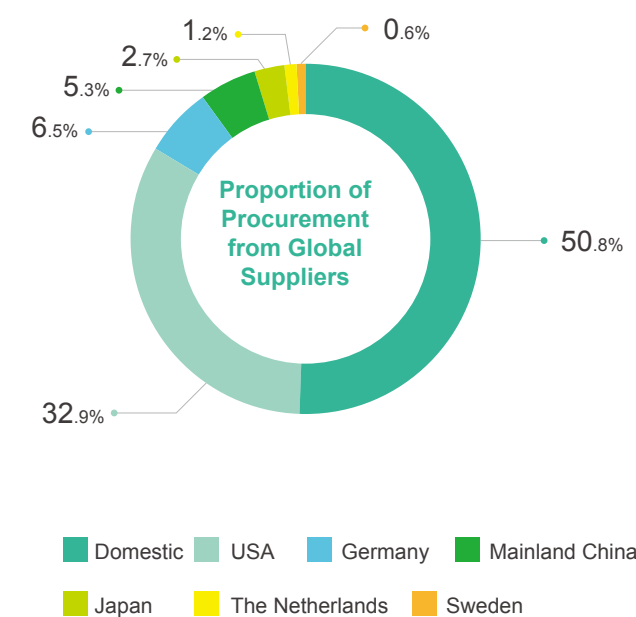
## Local Procurement

In terms of local procurement strategy, Kaori selects excellent local manufacturers. Refers to suppliers whose manufacturing plants are located in the same country as Kaori's production sites (Zhongli Plant/ Kaohsiung Plant), and to support Taiwan's local economy and employment opportunities, local suppliers are preferred in procurement efforts over the years. This strategy effectively implements material localization, reduces unnecessary air or sea freight costs, and lowers the carbon footprint generated during material transportation. This approach fulfills our environmental responsibility of energy conservation and carbon reduction and directly reduces procurement costs.

## 5.2 Supplier Distribution

In 2024, the distribution of suppliers and procurement spending showed an increase in the purchase of domestic goods compared to 2023, primarily due to expenditures on product components by the Thermal Energy Business Group.

Region	Category	Purchase amount (NTD)	Percentage
Domestic	Outsourced processing	190,955,523	10.7%
	Raw materials	188,181,211	10.5%
	Gas	15,710,708	0.9%
	Equipment	20,249,450	1.1%
	Components	466,692,111	26.1%
	Construction	25,424,000	1.4%
USA	Raw materials	96,012,431	5.4%
	Equipment	95,390,930	5.3%
	Components	396,887,174	22.2%
Germany	Raw materials	115,313,822	6.5%
Mainland China	Raw materials	44,546,836	2.5%
	Components	50,202,838	2.8%
Japan	Raw materials	48,643,756	2.7%
The Netherlands	Raw materials	20,718,643	1.2%
Sweden	Components	10,852,470	0.6%



### 5.3 Graded Management of Suppliers

Kaori cooperates with suppliers and divides suppliers according to the type of procurement: raw material suppliers, equipment suppliers, component suppliers, engineering service providers, gas suppliers, and outsourced processing suppliers.

Ratings of qualified suppliers:

Preface	Evaluation category	Direct material proportion	Evaluation unit
1	Quality evaluation	50%	Quality control
2	Delivery time evaluation	50%	Procurement

Judgment and disposal of the evaluation results:

Evaluation Grades	Scoring	Judgment and Disposition
A	Score $\geq 70$	<ul style="list-style-type: none"> <li>Qualified suppliers</li> </ul>
B	70 > Score $\geq 60$	<ul style="list-style-type: none"> <li>Monitored suppliers Implement simulated improvements for lower-scoring items.</li> </ul>
C	Score < 60	<ul style="list-style-type: none"> <li>Improvement is required within a set deadline for the first time, and the Company may consider reducing the order volume. And take supporting measures.</li> <li>Transactions are ceased for receiving consecutive low scores.</li> </ul>

2024 Raw materials/parts supplier delivery count and grades:

Grade A	Grade B	Grade C	Grade D	Total
20	0	0	0	20

Qualified Supplier Audit:

Audit frequency is determined based on supplier evaluation performance, with an audit plan for the following year.

Number of audits conducted:	Major deficiencies	Minor deficiencies	Recommendations	Number of outstanding cases	Case closure rate
6	0	0	11	0	100%

### 5.4 Establishment of a sustainable supply chain

Steps of Sustainable Supply Chain Management



Sustainable Supply Chain Management System

1. Establishment of a supplier management system:

Conduct a thorough inventory of existing procurement policies and documents, strengthen the "Supplier Control Procedures", and explicitly add a "New Supplier Sustainability Evaluation Form" to evaluate suppliers who can better comply with the sustainable policy and grow together. For existing suppliers, we have also explicitly signed the "Supplier Code of Conduct" to move towards better corporate governance together with suppliers.





2. Supplier Sustainability Review

To ensure that suppliers continue to comply with regulations and the Company’s sustainability requirements in areas such as environmental protection, social responsibility, and corporate governance (ESG), Kaori conducts regular sustainability audits of its suppliers every two years. The audit covers indicators such as labor rights, environmental management, business ethics, and risk control, aiming to assess the suppliers’ sustainability performance and compliance status. Through this regular audit mechanism, we aim to establish long-term, stable, and sustainable partnerships with our suppliers, thereby promoting responsibility and transparency throughout the supply chain.

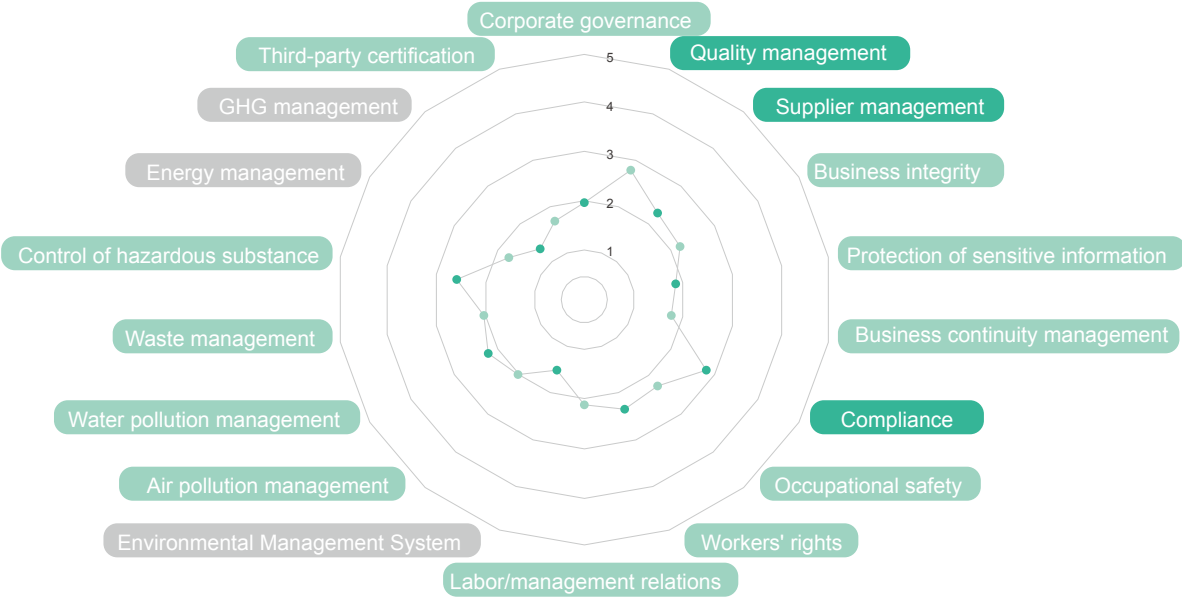
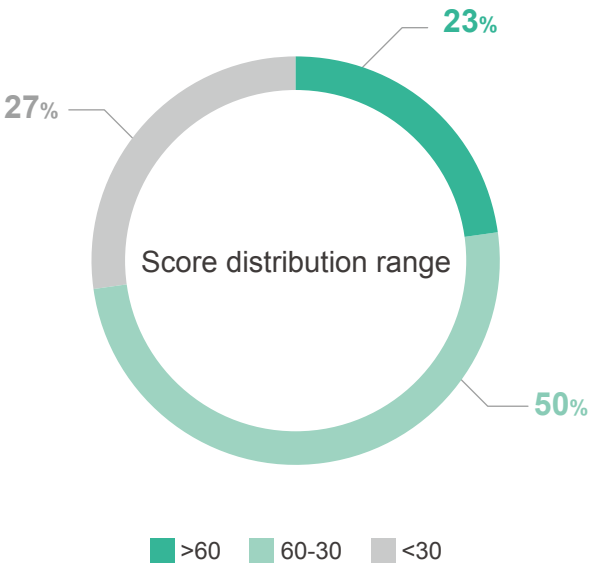
Status of ESG Engagement with Suppliers

In September 2022, Kaori held its first supplier communication meeting, achieving a 100% attendance rate. The event conveyed the Company’s vision for sustainable governance and guided suppliers in completing the Sustainability Self-Assessment Questionnaire. In October, two internal training sessions were conducted for procurement staff, followed by a documentation review of 30 supplier self-assessments and one on-site sustainability audit.



Overview of 2023 Supplier Sustainability Audits:

- A total of 30 suppliers filled out the supplier sustainability evaluation form, and the return review rate was 100%.
- Averaged a score of 44.7; a total of 7 suppliers (23%) scored above 60.
- Governance, social, and environmental issues: Suppliers scored highest in the governance aspect and lowest in the environmental aspect
- Distribution of Scores by Section: “Compliance,” “Quality management,” and “Supplier management” were the categories that suppliers scored the highest in, indicating that suppliers have undertaken robust management practices with regards to compliance, quality, and supplier management. “Greenhouse gas management,” “Energy management,” and “Environmental management system” were the categories that suppliers scored the lowest in. Many scores in the environmental aspect were lower than average, indicating room for improvement; occupational safety is an issue that all suppliers must pay attention to, and it will be at the top of Kaori’s requirements.



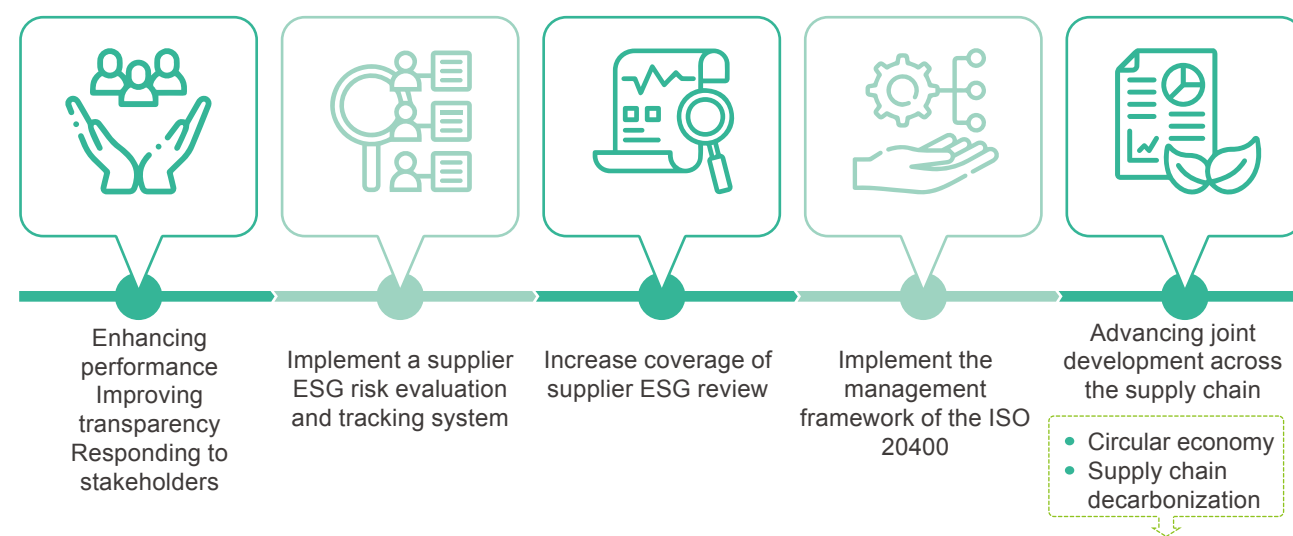
3. Future Improvement Plans

Low score group (40 and below)	<ul style="list-style-type: none"><li>• Kaori will help respondents understand the content of the questionnaire and guide them through the instructions while answering whatever queries they may have.</li><li>• Respondents will be given more time to reply, as well as reminders and assistance to prepare supporting information.</li><li>• Provide additional resources (e.g.: external courses and materials) will be provided to help suppliers develop relevant systems.</li></ul>
Medium score group (40 and above)	<ul style="list-style-type: none"><li>• Prioritize the quantity allocated to orders.</li><li>• Suppliers will be offered suggestions to devise development plans over several stages and to improve documentation or practices in areas of weakness identified through the scoring exercise.</li></ul>

#### 4. Future Sustainability Supply Chain Management Roadmap

- I. Enhance sustainability performance, make transparent disclosures, and respond to stakeholders
- II. Implement a supplier ESG risk evaluation and tracking system
- III. Increase coverage of supplier ESG review
- IV. Implement the management framework of the ISO 20400 Sustainable Procurement Guidelines

V. Coordinate with suppliers to achieve the circular economy and supply chain carbon reduction. Draw product life cycle charts and identify emission hot spots through carbon footprint surveys, and make preparations for the circular economy and low-carbon products.



Draw product life cycle charts and identify emission hot spots through carbon footprint surveys, and make preparations for the circular economy and low-carbon products

### 5.5 Suppliers' implementation of social responsibilities (including Ethical Procurement)

The Company has established the Supplier CSR Code of Conduct in accordance with the Responsible Business Alliance (RBA) as the basic value for managing the supply chain. This Code covers labor, health and safety, environmental standards, business ethics, and management systems to ensure that suppliers work in a safe environment, employees are treated with respect and dignity, and business operations are environmentally friendly and ethical. The Company requires suppliers to avoid risks related to the environment, human rights/labor, corporate ethics, and labor standards, as well as prevent production stoppages caused by strikes in advance, and establish a relationship of co-existence and co-prosperity with suppliers.

Kaori requires new suppliers to follow the RBA Code of Conduct and sign the "Supplier Code of Conduct Declaration," pledging that all activities comply with relevant laws and ethical standards. We communicate Kaori's sustainability management policies to our suppliers and ensure they continuously meet our expectations through formal agreements. No new key suppliers were added in 2024, and therefore no further additions were made.

#### Supplier Code of Conduct Declaration

##### Highlights

Ensure the safety of the supply chain work environment, ensure that employees are respected, and implement business activities in compliance with environmental protection and ethical requirements, in terms of labor, health and safety, environment, business ethics, and management system. Ensure that all business activities comply with this Code, protect labor rights, and treat them with dignity and respect. Establish a healthy and safe work environment free of child labor (the minimum legal age for employment in the country/region).

#### Supplier Environmental and Social Responsibility Mechanism and Delivery Management

Suppliers who need to enter the Company's factories for construction and maintenance must comply with the relevant supplier specifications and requirements in the purchase contract and order. Environmental safety personnel manage the procurement operations according to the "Supplier Management Procedures" and "Contractor Environmental Protection and Safety and Health Management Guidance" and conduct environmental protection professional audits. New suppliers guarantee that the management of their production facilities, product manufacturing processes, and the products or services provided do not violate any relevant laws and regulations. In the procurement contract, they guarantee that all aspects of product production, manufacturing, labeling, packaging, storage, handling, transportation, import/export, delivery, installation, commissioning, or service provision are all in compliance with all applicable laws and regulations of the relevant applicable countries. During the social responsibility audit, new supplier employees are given reminders, guidance, and audits on working hours/safety/labor disputes.

#### Comply with Hazardous Substances Management Regulations

In order to maintain health and environmental safety, Kaori has adopted the ISO 9001 quality management system as the basis for managing the RoHS regulations and hazardous substances required by customers. At the same time, we are also committed to complying with the requirements of various countries and customers on chemical substances, and we also require suppliers to comply with regulations on restricted or prohibited hazardous chemical substances.





#### Responsible Mineral Procurement

Kaori complies with the Responsible Business Alliance (RBA) and is committed to not purchasing or using materials from conflict-affected and high-risk areas. The Company communicates its conflict minerals policy to suppliers, requiring their commitment and compliance. Suppliers are also required to trace the sources of tantalum, tungsten, tin, gold, and cobalt used in their products. At the same time, suppliers are required to communicate this policy to their upstream suppliers to fulfill corporate social responsibility. Kaori publicly discloses its conflict-free minerals policy on its website and integrates it into supplier management. Suppliers are required to sign a Non-use Conflict Minerals Guarantee, ensuring that all materials, products, or components delivered to Kaori do not directly or indirectly contain conflict metals.





Climate change is one of the environmental issues currently of concern to the United Nations, governments, society, and the business community. Kaori, in accordance with the 2019 Task Force on Climate-related Financial Disclosures (TCFD) Recommendations established by the International Financial Stability Board, has set the following governance, strategy, risk management, and metrics and targets for the company, as outlined in the table below:

Management level	Kaori's response measures
<div> Governance</div>	<ul style="list-style-type: none"><li>• The ESG Committee identifies and prioritizes risks and countermeasures, regularly reports to the senior management to review the effectiveness of risk control, and provides decision-making and guidance.</li><li>• Based on discussions or resolutions by senior management, the ESG Committee formulates policies and improvement goals. It assigns the relevant responsible units to adjust operations accordingly. The committee reports to the Board of Directors on the status of climate change issues periodically or as needed, ensuring the Board is aware of and understands the climate change risks the Company faces.</li></ul>
<div> Strategy</div>	<ul style="list-style-type: none"><li>• The Company evaluates, categorizes, and prioritizes the physical risks that climate change may pose to its assets. It establishes response strategies along with precise and rigorous preventive measures and emergency response plans. In the event of a crisis or disaster, the most appropriate response measures and recovery plans are promptly implemented to mitigate the potential impact of the disaster and instability.</li><li>• In terms of transition risks, we plan and purchase renewable energy and invest in green power certificates, following the trend of energy diversification and in line with the regulations and goals of the "Renewable Energy Development Act."</li></ul>
<div> Risk management</div>	<ul style="list-style-type: none"><li>• Based on the TCFD framework, climate risk issues are identified through reports from international institutions, peer industry analysis, and relevant regulatory research. By using weighted values for the financial or strategic impact and the likelihood of occurrence, the magnitude of risk is assessed, and the importance of each risk issue is prioritized.</li></ul>
<div> Indicators and targets</div>	<ul style="list-style-type: none"><li>• Reduction of GHG emissions</li><li>• Develop renewable energy (such as solar energy)</li><li>• Strengthen corporate resilience and performance in response to climate change</li></ul>

In response to climate change issues, Kaori has set the following short, medium, and long-term environmental management metrics, as outlined in the table below:

Timeline	Short-term goals: (2024 - 2025)	Medium-term metrics: (2026 - 2029)	Long-term metrics: (after 2030)
Climate change and energy conservation	Execute energy and carbon reduction strategy	Power saving 3%	Power saving 5%
	0 days of production disruption caused by the disaster	0 days of production disruption caused by the disaster	0 days of production disruption caused by the disaster
	Conduct greenhouse gas emissions inventory and verification	Set reduction targets	Internal carbon pricing
	Installation of renewable energy	Installation of renewable energy	Green energy certificate transaction
waste	0 cases of non-compliance with waste laws and regulations	0 cases of non-compliance with waste laws and regulations	0 cases of non-compliance with waste laws and regulations
	100% of waste is disposed of by legal operators	100% of waste is disposed of by legal operators	100% of waste is disposed of by legal operators
Air pollution	0 cases of non-compliance with air pollution regulations	0 cases of non-compliance with air pollution regulations	0 cases of non-compliance with air pollution regulations
Water resources	0 cases of non-compliance with wastewater discharge regulations	0 cases of non-compliance with wastewater discharge regulations	0 cases of non-compliance with wastewater discharge regulations
	0 cases of production loss due to water restrictions	0 cases of production loss due to water restrictions	0 cases of production loss due to water restrictions
Legal Compliance	0 cases of non-compliance with environmental laws and regulations	0 cases of non-compliance with environmental laws and regulations	0 cases of non-compliance with environmental laws and regulations

# 6 Sustainable Environment



## Material issue objectives and performance

Kaori is committed to fulfilling its environmental responsibility and becoming a sustainable business with continuous improvement. In line with the short-, medium-, and long-term energy-saving and carbon reduction metrics and related implementation plans mentioned above, we have set and achieved performance goals over the past two years (as shown in the table below) to reduce potential impacts on society and the environment.

	2024 Goals	2024 Performance Achievement Level	2025 Goals
Climate change and energy conservation	• Execute energy and carbon reduction strategy	• Achieved	• Execute energy and carbon reduction strategy
	• 0 days of production disruption caused by the disaster	• 0 days → Achieved	• 0 days of production disruption caused by the disaster
	• Carbon inventory and third-party verification passed	• Achieved	• Set GHG reduction targets
	• Kaohsiung Plant's solar energy system launched	• Achieved	• Installation of renewable energy (Zhongli Plant)
Waste management	• 0 violation of non-compliance with waste environmental protection laws and regulations	• 0 cases → Achieved	• 0 violation of non-compliance with waste environmental protection laws and regulations
	• 100% of waste is disposed of by legal operators	• Achieved	• Proper disposal: 100% of waste is disposed of by legal operators
Air pollution	• 0 violation of non-compliance with air pollution laws and regulations	• 0 cases → Achieved	• 0 violation of non-compliance with air pollution laws and regulations
Water resource management	• 0 cases of non-compliance with wastewater discharge regulations	• 0 cases → Achieved	• 0 cases of non-compliance with wastewater discharge regulations
	• Production loss due to water restrictions: 0 PCS	• 0 PCS → Achieved	• Production loss due to water restrictions: 0 PCS

## Management Measures for Key Environmental Risks

Significant risks	Climate change and energy conservation	Water resources	Waste management
Control methods	<ul style="list-style-type: none"> <li>Digitalization of process energy conservation, energy conservation measures, and digital transformation of key production equipment</li> <li>Green product development by using low-carbon raw materials and refining process technologies</li> <li>Use reusable eco-friendly tableware to reduce single-use items</li> <li>Replace old equipment and plan to procure energy-efficient equipment and implement various improvement projects</li> </ul>	<ul style="list-style-type: none"> <li>Maximize water resource efficiency through recycling, water separation, and pollution prevention</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of the "Waste Management Procedures" to regulate the procedures for the classification, collection, storage, and disposal of industrial waste</li> <li>Increase the proportion of recyclable waste and reduce the incineration volume of non-recyclable waste</li> <li>Strengthen waste reduction and recycling of product packaging materials</li> </ul>

## 6.1 Environmental Policy and Commitment

In terms of environmental policy, Kaori is committed to fulfilling its environmental protection responsibilities and becoming a sustainable enterprise through continuous improvement:

Regulatory compliance	Comply with relevant environmental regulations and strive to comply with relevant international environmental regulations.
Production waste reduction	Continue to promote waste reduction in production to achieve the commitment to pollution prevention.
Green energy production	Newly established plants comply with green building regulations and continue to improve energy conservation and carbon reduction measures.
Recycling strategy	Review and evaluate the recycling and reuse of water, metals, plastics, and chemicals used in various activities of the Company. Additionally, educate and promote the importance of resource recycling and environmental awareness among employees within the plant to enhance their environmental literacy.

Kaori has established an appropriate environmental management system in accordance with ISO 14001:2015 (Figure 1) and set up a dedicated unit to take charge of environmental management and maintenance. Evaluate the environmental pollution considerations across the product life cycle, and continuously improve the environmental system through internal management practices to reduce negative impacts, aiming to contribute to environmental protection. In response to climate change and energy supply risks, Kaori actively identifies climate change risks such as floods, droughts, typhoons, power outages, and water shortages.

In addition, the Company has implemented ISO 14064-1:2018 for greenhouse gas (GHG) inventory (Figure 2 shows the verification statement), which not only strengthens the foundation of sustainable governance but also establishes a scientific basis for future carbon footprint assessments, product carbon labeling, carbon cost evaluation, and carbon neutrality strategy planning.

In 2024, the Company did not violate environmental protection laws and regulations resulting in penalties from regulatory authorities.



Figure 1



Figure 2



## 6.2 Management of Climate Change Risks and Opportunities

According to the “Global Risks Report” that the World Economic Forum (WEF) has been publishing on a yearly basis since 2005, environmental risks have emerged to become the dominant risk category in the world, with Climate Action Failure and Extreme Weather ranking first in the top-10 list for an extended period of time. Following the enactment of the Paris Agreement, which aims to control the global temperature increase within 1.5°C, governments around the world have followed up with their net-zero targets and introduced new regulations in an attempt to mitigate the impact of climate change. As the challenge of climate change is increasing day by day, how to cope with the impact of global warming and extreme weather on business operations has become one of the most urgent issues that deserve our attention.

Since 2021, Kaori has voluntarily adopted the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD) and followed the four core elements: "governance," "strategy," "risk management," and "metrics and targets" recommended by TCFD to identify significant risks and opportunities that climate change may have on Kaori, followed by response strategies.

In addition to closely monitoring climate change, Kaori has made climate change one of the major issues for sustainable development and taken the initiative to disclose relevant information according to the requirements of the report preparation guidelines mentioned above. Through inter-departmental communication, discussions are made on the possible scenarios, the likely impacts, and the timing of impacts on Kaori. Each of the scenarios identified is further evaluated to facilitate proper control and response to the associated risks and opportunities. By adopting a more pro-active governance approach toward climate change, Kaori takes pragmatic steps to fulfill its sustainability vision.

### 6.2.1 Procedures for Identifying Climate Change-Related Risks and Opportunities

Kaori devotes ongoing attention to the climate policies and action plans of various industries at home and abroad and conducts thorough surveys on possible impacts from a number of perspectives including extreme weather, regulations, and market requirements. By analyzing past experience, the timing and possibility of future occurrences, and the degree of impact on business operations, reputation, personnel, financial position, etc., the Company requires all responsible units to propose their own response strategies and make corresponding adjustments internally while maintaining open and transparent communication with all stakeholders. Kaori identifies risks and opportunities of climate change by constructing at least two scenarios and hosts studies and discussions on climate change in the form of workshops. In accordance with the identification cycle, the results of the 2023 assessment report were adopted for this year. The identification process is conducted every three years, with the next assessment scheduled for 2026.

Procedures for identifying climate change-related risks and opportunities are shown below:

**A.**



Set climate change scenarios

Two climate change scenarios have been constructed:  
SSP5-8.5: temperature increased to 6°C  
SSP1-2.6: temperature increased to 2°C

**B.**



Evaluate impacts on the operating environment

Evaluate how climate change affects and impacts the operating environment and stakeholders

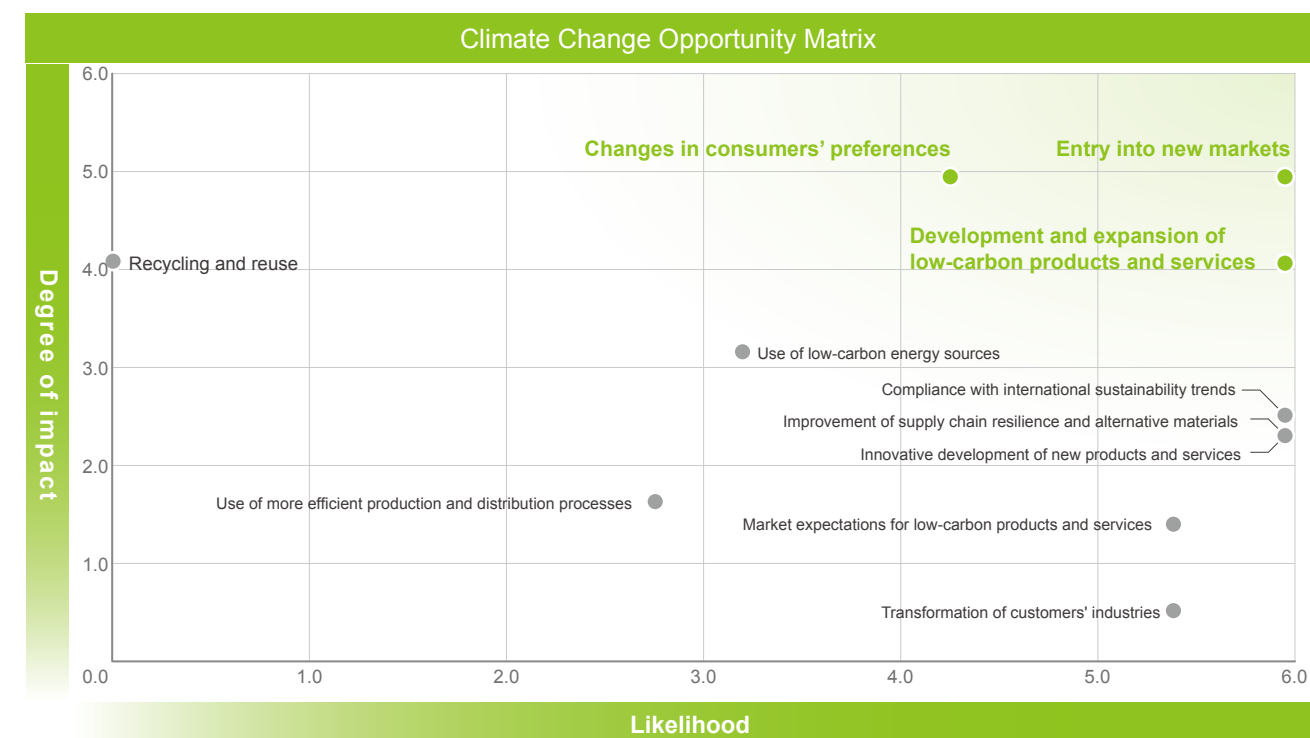
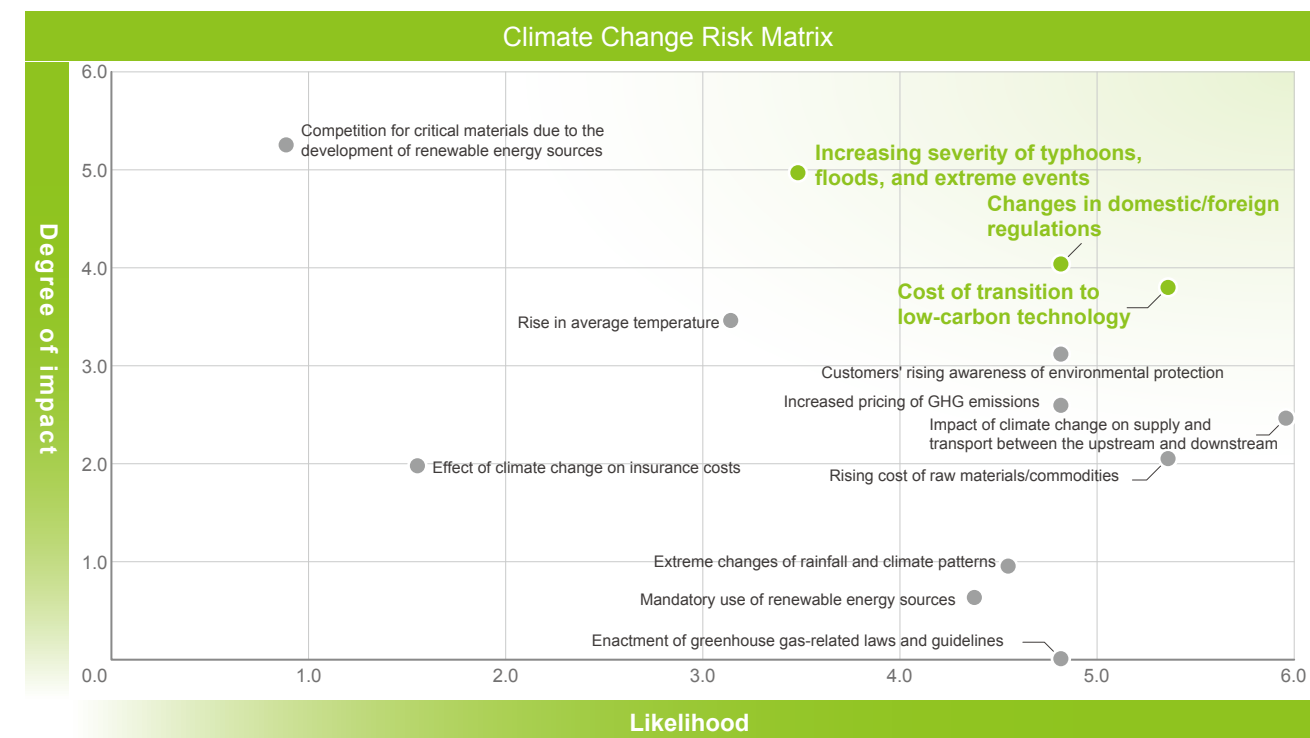
**C.**



Identify climate risks and opportunities

Establish a risk and opportunity matrix, and identify climate change risks and opportunities

From the climate change risks and opportunities identified, Kaori further analyzed the “Likelihood” and “Degree of impact” and shortlisted three high-risk factors and three high-opportunity factors for 2023. Kaori's climate change risk and opportunity matrix for 2023 is presented below:



## 6.2.2 Explanation of Climate Change-Related Risks and Opportunities

### List of identified climate change risks

Risk ranking	Risk No.	Risk category	Risk factor	Estimated time of occurrence
1	001	Transition risk - technology	Cost of transition to low-carbon technology	Medium-term
2	002	Transition risk - policies and regulations	Changes in domestic/foreign regulations	Medium-term
3	003	Physical risk - immediate	Increasing severity of typhoons, floods, and extreme events	Short-term

Note: Definition of timeframes: short-term: 2023-2024; medium-term: 2025-2028; long-term: after 2029

- Risk 001** - Cost of transition to low-carbon technology

Impact scenario:

The Company will be required to develop products that feature lower carbon footprints to meet the market's demand, and the transition to lower carbon materials, production procedures, and technologies would require more resources, manpower, and time to be committed to research and development. Any attempt to transition to low-carbon products would incur additional investments of R&D resources or capital or give rise to uncertainties that ultimately increase product costs and reduce revenue.

<b>Risk impact assessment</b>	<ol style="list-style-type: none"> <li>Uncertain access to raw materials: Kaori has plans to make use of low-carbon materials, but there are limitations associated with the development and access to low-carbon materials such as eco-friendly steel and copper. Any uncertainty in the supply would make product delivery timelines more difficult to control.</li> <li>Low-carbon transformation increases costs: In an attempt to conform to low-carbon requirements, the Company will have to commit R&amp;D personnel and capital to low-carbon products, which in turn increases the costs and compromises the competitiveness of the Company's products.</li> </ol>
<b>Evaluation of financial impact</b>	Increased operating costs and reduced revenue

- Risk 002** - Changes in domestic/foreign regulations

Impact scenario:

The Company is compelled to acquire new machinery and equipment that conforms with the low-carbon and environmental protection requirements that governments have enforced through policies and regulations, and it therefore has to renew existing equipment prematurely. A drastic change of policy or law would have to be met with additional capital expenditure and incur additional costs on equipment acquisition and employee training, thereby increasing the costs of the Company.

<b>Risk impact assessment</b>	<ol style="list-style-type: none"> <li>Domestic and foreign carbon taxes: Carbon pricing systems are taking shape at increasing rates at home and abroad. The Company may incur additional carbon taxes and see costs rise over time.</li> <li>Energy management requirements: New energy regulations demand higher energy efficiency from production equipment, for which the Company is required to invest in energy conservation and carbon reduction equipment, and the additional expenditures incurred on fixed assets, talent development, or certification will ultimately increase product costs.</li> </ol>
<b>Evaluation of financial impact</b>	Increase in operating costs

- Risk 003** - Increasing severity of typhoons, floods, and extreme events

Impact scenario:

Increasing severity of extreme weather causes weather conditions such as typhoons to occur at stronger intensities, which results in prolonged floods and power outages that affect factory operations. Bad weather has the potential to disrupt production activities, reduce capacity, damage equipment, hinder transportation, disrupt raw material supply, decrease revenue, and increase costs.

<b>Risk impact assessment</b>	<ol style="list-style-type: none"> <li>Delayed delivery: Extreme weathers affect factory operations and cause disruptions to production activities, raw materials supply, and transportation. Delivery may be delayed by several days to one week.</li> <li>Impacts to the upstream/downstream: Extreme weather affects the number of parts delivered by suppliers and causes Kaori to underdeliver and delay the shipment of goods to customers. Customers' production activities may be halted as a result.</li> </ol>
<b>Evaluation of financial impact</b>	Increased operating costs, reduced revenue, loss of credibility

### List of identified climate change opportunities

Opportunity ranking	Opportunity No.	Opportunity category	Opportunity factor	Estimated time of occurrence
1	001	Opportunities - Markets	Entry into new markets	Short-term
2	002	Opportunities - Products and services	Development and expansion of low-carbon products and services	Medium-term
3	003	Opportunities - Products and services	Changes in consumers' preferences	Short-term

- Opportunity 001**- Entry into new markets

Impact scenario:

The need to meet energy and carbon reduction requirements presents the Company with exposure to new markets and different customers, such as the application of fuel cells on ships, hydrogen generation and energy storage for thermal reactors, and recycling of residual hydrogen for power generation. Kaori will actively explore the potential of the new markets and expand the range of products offered as well as customers served for improved revenue and reputation.

<b>Opportunity impact assessment</b>	<ol style="list-style-type: none"> <li>Access to new opportunities: In light of the carbon reduction trends around the world, Kaori will engage customers in greater depth to expand the applications of plate heat exchangers, such as in heat pumps. Exposure to new customers and new markets offers the potential for increased revenue and improved reputation.</li> <li>Entry into the hydrogen power market: Kaori invests persistently into the development of hydrogen power products and has been assisting customers with their entry into the hydrogen power market. In light of customers' needs for hydrogen power products, the Company has assigned its Fuel Cell Business to work with customers on the development of production procedures for SOECs, hydrogen power solutions, and fuel cells for ships, and to make samples as deemed necessary. Given the significant increase in shipments and revenue, Kaori is optimistic about the prospect of hydrogen power.</li> <li>Development of immersion cooling modules/systems: As servers/data centers draw more power, liquid cooling presents a viable solution over the long term. Kaori's immersion cooling modules/systems offer the potential to increase energy efficiency, and their persistent development efforts have increased the level of sophistication of the products, bringing them closer to mass production, which will benefit new markets and customers.</li> </ol>
<b>Financial impact assessment</b>	Increased revenue and new collaborative opportunities



• **Opportunity 002** - Development and expansion of low-carbon products and services

Impact scenario:

The Company continues to expand its low-carbon product lines to include new products such as SOFCs, carbon capture solutions, and new fuel cells in line with global carbon reduction trends. This additional offering of low-carbon products will improve market competitiveness, increase market share, and raise revenue in the future.

<b>Opportunity impact assessment</b>	<ol style="list-style-type: none"> <li>1. Exploration of low-carbon opportunities: Kaori's heat exchanger and fuel cell businesses have begun introducing low-carbon products to the market, whereas other businesses are also actively developing new products and new green solutions for customers.</li> <li>2. Development of low-carbon technology: Introducing green design into production procedures and technologies helps lower carbon footprints and increase market competitiveness.</li> <li>3. New investment opportunities: Some of the hydrogen power technologies have matured and are ready for mass production. Given their high relevance to green energy and international trends, these technologies are very likely to attract capital from the banking sector and government agencies.</li> </ol>
<b>Financial impact assessment</b>	Cost reduction, increased revenue, and attraction of capital

• **Opportunity 003** - Changes in consumers' preferences

Impact scenario:

The escalating energy crisis and carbon reduction requirements have increased consumers' preference for energy conservation products, such as heat pumps.

This change in market trend and consumers' preference increases demand for the Company's products, which ultimately contributes to revenue and business growth.

<b>Opportunity impact assessment</b>	Increased product demand: Carbon reduction trends around the world have turned the market's attention to energy conservation solutions. Kaori is in a good position to capitalize on the increasing demand due to the energy and carbon reduction potential of the products offered and due to the early market advantage it has secured to date.
<b>Financial impact assessment</b>	Increased revenue

The types of climate change risks, potential operational impacts, and adaptation methods are as follows:

	Risk Type	Potential operational impacts	Adaptation methods
Substantial risks	Floods, typhoons, sewage discharge	<ul style="list-style-type: none"> <li>• Affect production capacity, increase in operating costs, and decrease in revenue</li> <li>• Unable or interrupted delivery, deducted by customer for non-delivery as scheduled</li> <li>• Fines for violation of laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Establish and improve water resource regulation</li> <li>• Increase water storage capacity to support 3-5 days (3 days during severe drought)</li> <li>• Water tankers to support plants experiencing water shortages</li> <li>• Inspect process equipment at each plant regularly</li> <li>• Wastewater management policy complies with environmental regulations</li> </ul>
	Drought or water shortages, power outages, water supply interruptions, power outage	<ul style="list-style-type: none"> <li>• Fines for violation of laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Water tankers to support plants experiencing water shortages</li> <li>• IT systems are supported by an Uninterruptible Power Supply (UPS)</li> <li>• Generators are automatically activated to supply emergency power for fire safety needs</li> </ul>
	Rising temperatures	<ul style="list-style-type: none"> <li>• Increased electricity consumption leads to an increase in GHG emissions</li> </ul>	<ul style="list-style-type: none"> <li>• Promote energy-saving practices and measures; replace lights with energy-efficient bulbs</li> </ul>
Transition risk	Emissions control	<ul style="list-style-type: none"> <li>• Increase in operating costs</li> <li>• Increase in emissions</li> </ul>	<ul style="list-style-type: none"> <li>• Replacement of outdated and high-energy-consuming equipment</li> <li>• Evaluate the production process to monitor and control gas emissions</li> </ul>
	Green product Distributed production	<ul style="list-style-type: none"> <li>• Develop trend-aligned green products and diversify production locations in response to customer concerns about earthquake and geopolitical risks.</li> </ul>	<ul style="list-style-type: none"> <li>• ESG Committee's decision-making to develop green products</li> <li>• Strengthen the implementation of green processes with energy-saving and water-conserving facilities</li> </ul>

## 6.3 Response Strategies to Climate Change Risks and Opportunities

Risk Response Strategies
<ul style="list-style-type: none"> <li>• Response strategies for the cost of transitioning to low-carbon technology: <ul style="list-style-type: none"> <li>▸ Diversity of suppliers: Kaori maintains relationships with several suppliers to reduce uncertainties associated with the cost of and access to low-carbon materials.</li> <li>▸ Acquisition of green loans/financing: Kaori will negotiate with banks and source green financing at preferential rates to lower costs.</li> <li>▸ Cover risky businesses with consistent product revenue: If Kaori's low-carbon products fail, other departments that generate consistent revenue from OEM services, such as the Fuel Cell Business, will try to increase revenue in an attempt to cover the potential loss of revenue associated with transition risks.</li> </ul> </li> <li>• Response strategies to changes in domestic/foreign regulations: <ul style="list-style-type: none"> <li>▸ Monitoring of regulations and trends: A dedicated team will be assembled to keep track of new product regulations and trends on a regular basis. Regular training will be organized to discuss current trends and to evaluate the needs for product re-modification and re-certification.</li> <li>▸ Introduction of energy-saving equipment: A comprehensive energy management system will be developed to monitor equipment energy efficiency, so as to facilitate the replacement of energy-intensive equipment. Additional investments will also be made for the installation of green power generation and storage equipment at plant sites and offices. Furthermore, the Company will introduce automated production equipment as a way to improve production and energy efficiency, which in turn will reduce the frequency of equipment renewal and allow digital solutions to be used for the optimization of production procedures.</li> <li>▸ Termination of high-carbon emission production processes and services: In the first quarter of 2023, two sets of high energy-consuming brazing processing production equipment were taken out of operation.</li> </ul> </li> <li>• Response and strategy to increasing severity of typhoons, floods, and extreme events: <ul style="list-style-type: none"> <li>▸ Reducing the risk of supply chain disruption: Kaori engages a diversified group of suppliers to secure the sources of its raw materials and the consistency of supply. Negotiations are made to have suppliers increase the level of inventory and turnover and store inventory near customers' locations to minimize the risk of transport disruption.</li> <li>▸ Compensating production capacity with efficiency: If work is suspended due to typhoons, Kaori will evaluate the extent of the delay and ask suppliers to increase production efficiency to make up for capacity shortfall, thereby averting production halt due to supply disruption.</li> </ul> </li> </ul>

Cost of Risk Response
<ol style="list-style-type: none"> <li>1. Increased operating costs</li> <li>2. Adjustment to capital expenditure and capital allocation</li> </ol>

## Execution Strategies for Opportunities

- Execution strategies for entry into new markets:
  - Development of exclusive products:  
Exclusive products will be developed for heat pumps to capitalize on the current market trend and increase market share, whereas exclusive heat exchangers for air dryers will be developed to expand product lines and engage customers in broader, more frequent interactions.
  - Development of hydrogen power:  
Kaori continues to develop hydrogen power products and engage technology partners in various innovations to bring technologies to broader applications, thereby satisfying the needs of customers and markets.
  - Ongoing development of immersion cooling modules/systems:  
Kaori continues to make modular designs and obtain technological certification for its liquid cooling and immersion products, while at the same time maintaining the flexibility needed to customize products according to the needs of different markets. By accumulating data on product design, the Company aims to stay competitive in the market.
- Execution strategies for development and expansion of low-carbon products and services:
  - Developing products with low carbon footprints:  
Kaori will improve production procedures by incorporating green designs such as the use of low-carbon materials, designs with low material requirements, adoption of product recycling mechanisms, reuse of raw materials or parts, and adoption of low-carbon transport and packaging materials to lower product carbon footprints.
  - Development of new low-carbon solutions:  
Hydrogen power technology will be incorporated into carbon neutral solutions and new forms of fuel will be developed to capitalize on new opportunities associated with climate mediation.
  - Investment into the circular economy:  
Technologies relating to the circular economy, such as treatment of waste organic solvents and reuse of waste/residual hydrogen from production activities, will be developed in the future.
- Execution strategies for changes in consumers' preferences:
  - Establishment of marketing plans:  
Plans will be made to have business units engage existing as well as new customers on a regular basis to ensure that product features do satisfy customers' requirements and are adjusted at appropriate times. Attention will also be directed toward exploring new markets and customers, such as tier-A customers in Europe.
  - Consistent supply in response to the market's needs:  
Kaori will increase the number of stamped plate and stainless steel suppliers for capacity expansion. An ERP system will be used to monitor all stages of the production process for improved product quality and delivery timing.

## Cost of Opportunity Response

1. Increased operating costs
2. Adjustment to capital expenditure and capital allocation


## Goals and Indicators

Kaori has implemented the ISO 14064-1:2018 Greenhouse Gas Inventory Standard for two consecutive years and has obtained third-party verification certificates. The inventory boundary covers all plants in Taiwan. The Company plans to conduct annual inventories to monitor emission levels and trends. For details on Kaori's greenhouse gas emissions over the past two years, please refer to Section 6.4.2 Greenhouse Gas Management. In 2024, the inventory process for the Ningbo subsidiary in China was completed, and the Company has now obtained a full picture of the Group's overall greenhouse gas emissions, enabling the review of emission volumes and the setting of short-, medium-, and long-term carbon reduction targets.

In 2023, Kaori completed its first product carbon footprint inventory verification under ISO 14067:2018 (as shown in the image on the right). In 2024, an additional 12 product carbon footprints were completed, allowing the Company to effectively monitor and manage emissions across all stages of the product life cycle. This initiative responds to growing market and international demands for carbon reduction. Kaori also plans to continue investing in R&D personnel and funding to develop lower-carbon products and emerging technologies, progressively increasing the share of low-carbon products in its portfolio to expand into new markets and enhance its competitiveness.

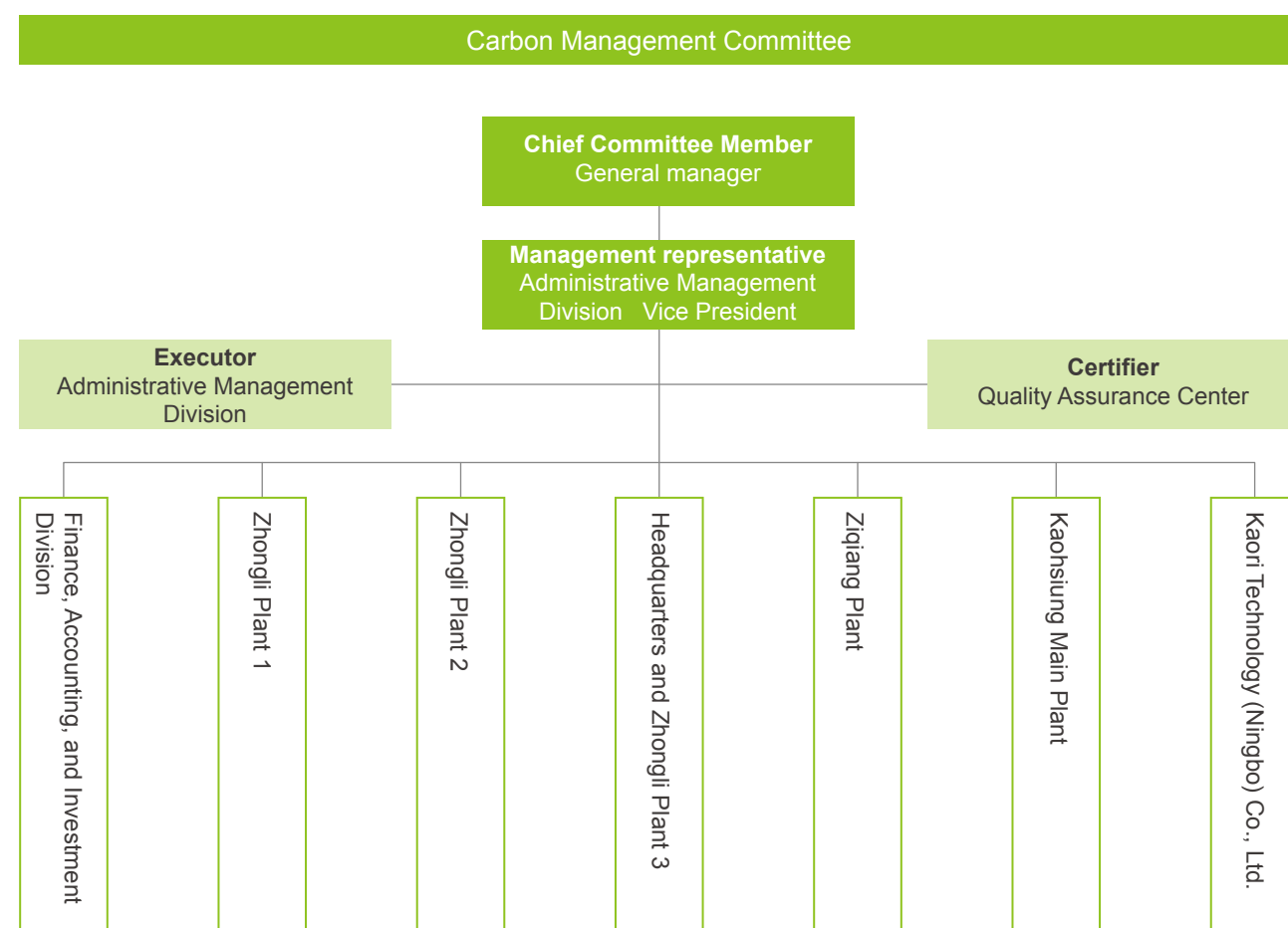


## 6.4 Environmental and Energy Management

Material topic	Management Approach
 Energy and GHG management	<b>Energy management policy</b> Regulatory compliance and development of renewable energy
	<b>Greenhouse gas management policy</b> Energy and waste reduction, pollution prevention, and ongoing improvements
	<b>Goal</b> Effectively monitor and manage energy consumption and GHG emissions
	<b>Commitment</b> Implement due diligence and early warning communication methods to implement the Company's energy management, energy conservation, and carbon reduction measures to reduce the financial impact of climate change on the environment
	<b>Measures</b> <ol style="list-style-type: none"> <li>1. Passed the "ISO 14001:2015 Environmental Management System" certification to effectively reduce electricity consumption and align with government policies to invest in green electricity</li> <li>2. Passed the ISO 14064-1:2018 Greenhouse Gas Inventory verification, established a "Carbon Management Committee," and implemented the "Energy Saving and Carbon Reduction Management Procedures" to effectively manage energy</li> </ol>



Climate change has emerged to become one of the most critical issues in the 21st century. Extreme weather, floods, and droughts in recent years have prompted government agencies, businesses, and private organizations to undertake more active mitigations of the risks. Meanwhile, Kaori contributes its part to environmental protection and social values by enforcing energy management throughout its operations and by investing into the research and development of new materials and production procedures. A Carbon Management Committee has also been assembled to oversee GHG reduction, energy/resource conservation, water conservation, waste recycling, and mitigation of environmental impact. At the same time, Kaori continues to invest into environmental protection facilities and incorporate green management and energy conservation practices into business activities for sustainable growth.



#### 6.4.1 Environmental Management and Energy Conservation

Kaori (Kaohsiung Benzhou Plant) passed certification for ISO 14001:2015 Environmental Management System in 2019. From greenhouse gases, air pollution, and effluent discharge to waste treatment, Kaori is fully committed to making improvements and minimizing environmental impact. As a result, no major violations of environmental regulations have occurred in the year of the report.

Through the introduction of ISO 14001:2015 Environmental Management System, Kaori has been able to implement environmental management policies along with effective management processes at plant sites to enforce environmental compliance, order, safety, training, and so on to lessen the impact of organizational activities on the environment, while at the same time ensuring the safety of products and services offered as well as employees' health and safety at work.

In the early stages of ISO 14001:2015 adoption, Kaori requested a series of reviews to ensure compliance with environmental protection laws (including air, water, waste, soil, and noise). After making improvements in accordance with the opinions of the Environmental Protection Bureau, Kaohsiung City Government, the Company was deemed to have fully complied with legal requirements.

#### Environmental Policy



- Execution of Environmental Tests, Methods of Environmental Risk Assessment, and Outcomes
  1. Drinking fountains in plant areas are tested for quality every 3 months
  2. Kaori reports effluent volume to Benzhou Service Center every 6 months, and engages a certified environmental protection service provider to conduct tests
  3. Effluent values and reporting
  4. The effluents meter is calibrated (by certified service providers) on a regular basis each year

In 2023 and 2024, all the above-mentioned items complied with regulations and are being continuously implemented.

#### Energy Management and Goals

- Energy management
 

The Company introduces new energy conservation measures on a yearly basis, such as purchasing energy-efficient models, replacing outdated machinery, and optimizing production schedules. Kaori draws on the wisdom of many to achieve energy and carbon reduction goals. In the future, more attention will be directed toward improving production procedures and reducing energy consumption and promoting Kaori as a green, sustainable business. Energy intensity was lowered by 13.71% in 2024 compared to 2023.

#### Energy Usage

Kaori persistently monitors the energy consumption of its equipment and makes appropriate adjustments to increase energy efficiency, reduce waste, and lower energy consumption. Renewable Energy Plan: The Kaohsiung Benzhou Plant has installed a 744.51 kW commercial rooftop solar power system, which became operational in September 2022. In 2024, the total electricity generated by the system reached 1,014,070.5 kWh. In the fourth quarter of the same year, the Company evaluated the feasibility of installing an additional 472.05 kW commercial rooftop solar power system at Zhongli Plant 3 and the Ziqiang Plant. The installation is expected to be completed and operational in 2025, further expanding the Company's renewable energy capacity. Additionally, we will gradually phase out diesel-based forklifts and is currently evaluating the feasibility of using electric forklifts as a way to reduce carbon emissions and air pollution to implement sound energy management.

• Energy Efficiency and Energy Intensity Performance Over the Past Three Years

Year		2022	2023	2024
Energy intensity (GJ/NTD million)		20.60	15.17	13.09
Energy efficiency value (NTD/GJ)		38,922.50	65,919.63	76,408.62

Year		2022	2023	2024
Types of Energy	Gasoline	27.9818	35.2504	33.3975
	Diesel	11.9468	11.6922	12.5457
Fuel Purchased for Stationary Sources (kL)		0.5487	0.2200	0.6703
Natural Gas (m³)		30.2660	1.2600	0.0000
Liquefied Petroleum Gas (kL)		0.2080	0.0960	1.0835
Purchased Electricity (kWh)		14,698,935.0000	17,677,480.0000	14,113,334.1200
Total Energy Consumption (GJ)		55,298.4686	65,625.3679	52,389.3834

- Descriptions:
- Types of Energy: Gasoline, diesel, natural gas, liquefied petroleum gas (LPG), and purchased electricity
  - Calorific Value Calculation: The calorific values for 2022 and 2023 were based on the "Energy Product Unit Calorific Value Table" published by the Bureau of Energy  
In 2024, the calorific values for gasoline, diesel, and natural gas were calculated based on the standards announced by the Ministry of Environment, while those for liquefied petroleum gas and purchased electricity were based on the "Energy Product Unit Calorific Value Table" published by the Bureau of Energy
  - Reporting Boundary: 2022: Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Kaohsiung Plant  
2023 and 2024: Zhongli Plant 1, Zhongli Plant 2, Zhongli Plant 3, Kaohsiung Plant, Ziqiang Plant, Kaori Technology (Ningbo) Co., Ltd.
  - Annual Revenue in Financial Reports:2022: Standalone revenue of NTD 2,684 million.  
2023: Consolidated revenue of NTD 4,326 million.  
2024: Consolidated revenue of NTD 4,003 million.

• 2024 Kaohsiung Plant Management Goals and Achievements:

- 1% energy conservation:  
The Company's vacuum furnace capacity enhancement project aims to increase the production capacity of each furnace by at least 50%, which has the potential to reduce excess vacuum furnace cycles and operating time by at least 50%, thereby lowering the cost of electricity and the volume of energy used in production.
- Saving of energy in lighting:  
Stair areas and motorcycle parking areas are installed with sensor tube lights; plant workers turn off lights during lunch hours and break times.
- Reduced waste by 1%:  
Kaori recycles and reuses 100% of its protective materials and containers.
- An environmental goal was set to reduce the total usage of gasoline and diesel by 5% compared to the previous year, and the target was fully achieved in 2024.

Energy usage	Unit	2022	2023	2024	YoY
Gasoline and diesel	Kiloliter (kL)	13.752	13.867	11.515	-16.98%
	Gigajoule (GJ)	491.427	494.375	410.826	

Energy Conservation Targets

Short-term  
(within 1 to 2 years)

Medium-term  
(3 to 5 years)

Long-term  
(over 5 years)

- Replace diesel forklifts with electric forklifts
- Replace mercury vapor lamps with LED lights at the Zhongli Plant 1
- Replace conventional air compressors with variable-frequency air compressors at the Zhongli Plant 1
- Replace air conditioners with variable-frequency models for heat pumps at the Zhongli Plant 2
- Progressively replace 7.5-horse power reciprocating air compressors with energy-saving, variable-frequency air compressors at plant sites
- Replace air conditioners with variable-frequency models at plant sites
- Implementation of solar power system
- Implementation of energy storage systems

Progress of Energy Conservation and Improvement Solutions in 2024

Kaori is actively engaged in energy-saving and carbon reduction initiatives, consistently promoting projects focused on electricity conservation, energy efficiency, and carbon reduction. In 2024, a total of three energy-saving measures were implemented, resulting in electricity savings of 528,692 kWh (equivalent to 1,903,291.2 MJ), with a financial benefit of NTD 2,533,148.

Item No.	Energy Saving Measures	Execution Outcome	Before improvement	After improvement	Power saved (MJ)	Energy Conservation Benefits (NTD)
I	Improvement of vacuum furnace scheduling	<ul style="list-style-type: none"><li>Zhongli Plant 1 - Brazing Production Line</li></ul>	<ul style="list-style-type: none"><li>16 units produced per furnace</li></ul>	<ul style="list-style-type: none"><li>24 units produced per furnace</li><li>Total power saved: 16,042 kWh</li></ul>	57,751.2 MJ	NT\$ 75,717
II	Improving Output of the Degreasing and Cleaning Process	<ul style="list-style-type: none"><li>Location: Zhongli Plant 2</li><li>Equipment: Water-Based Degreasing Tank</li><li>Practices: Redesigned the placement structure of the degreasing tank baskets to increase loading capacity</li></ul>	<ul style="list-style-type: none"><li>The original basket design accommodated four layers of degreasing trays</li></ul>	<ul style="list-style-type: none"><li>It was modified to accommodate six layers of degreasing trays</li><li>Total power saved: 12,650 kWh</li></ul>	45,540 MJ	NT\$ 57,431
III	Energy Efficiency Improvement of the Vacuum Furnace Water System	<ul style="list-style-type: none"><li>Location: Kaohsiung Plant 2</li><li>Equipment: Cooling Tower/New Water System for Vacuum Furnace</li><li>Practices: Uses the water tank temperature to control the start and stop of both the internal and external water pumps, as well as the cooling tower fan.</li></ul>	<ul style="list-style-type: none"><li>Annual Power Consumption Before Improvement 792,000 kWh</li></ul>	<ul style="list-style-type: none"><li>Total power saved: 500,000 kWh</li></ul>	1,800,000 MJ	NT\$ 2,400,000

Note: Data sourced from energy-saving declaration records.



### Power Conservation Rate by Plant

All plant sites comply with the laws of the Bureau of Energy, Ministry of Economic Affairs. As a major energy user that Taiwan Power Company has signed a contract with to supply at least 800 kW of power, the Company reports annual energy performance and improvement plans in accordance with Article 9 of the Energy Administration Act. The Company has set goals to achieve an "annual power conservation rate" or "average annual power conservation rate" of more than 1%. The Zhongli Plant 2 and Kaohsiung Benzhou Plant have appointed dedicated energy management officers to enforce energy conservation plans and achieve an average annual power conservation rate of more than 1%.

Plant/Year	Power conservation rate 2022 (%)	Power conservation rate 2023 (%)	Power conservation rate 2024 (%)	Average power conservation rate 2015 - 2024 (%)
Zhongli Plant 1	0.17	6.08	0.76	2.33
Zhongli Plant 2	3.03	1.42	0.54	1.68
Kaohsiung Plant	3.05	6.19	8.18	4.32

### 6.4.2 GHG management

Since 2021, Kaori has been implementing the ISO 14064-1:2018 greenhouse gas inventory standard. For the third consecutive year, Kaori has passed third-party inspection and verification with a 100% achievement rate. Furthermore, the subsidiary in Ningbo, China, completed its inventory and verification process in 2024, following the same procedures as the parent company.

- 2024 greenhouse gas inventory operation status

The inventory is conducted in accordance with the ISO 14064-1:2018 Greenhouse Gas Inventory Standard. The boundary scope covers all factories and subsidiaries in Taiwan, with a total of six sites. The internal verification was completed from April 23 to April 25, 2025, and the external verification will be completed in the third quarter of the same year. Driven by the internal Carbon Management Committee, preliminary calculations based on collected data show that total Scope 1 and Scope 2 emissions in 2024 amounted to 7,163.4911 tCO<sub>2</sub>e, representing a 15.14% reduction in carbon intensity compared to 2023.

Unit: tCO<sub>2</sub>e

Category\Year	2022		2023		2024 (Note)	
Scope 1 (A)	292.4936	1.10%	271.0538	0.95%	265.9905	1.49%
Scope 2 (B)	7,275.9728	27.32%	8,851.4510	31.12%	6,897.5006	38.57%
Scope 3	19,059.0917	71.58%	19,319.4109	67.93%	10,718.3007	59.94%
Total volume	26,627.5581	100.0%	28,441.9157	100%	17,881.7918	100%
Annual revenue (D)	2,684		4,326		4,003	
Greenhouse Gas Emission Intensity (A+ B) / D	2.82		2.11		1.79	

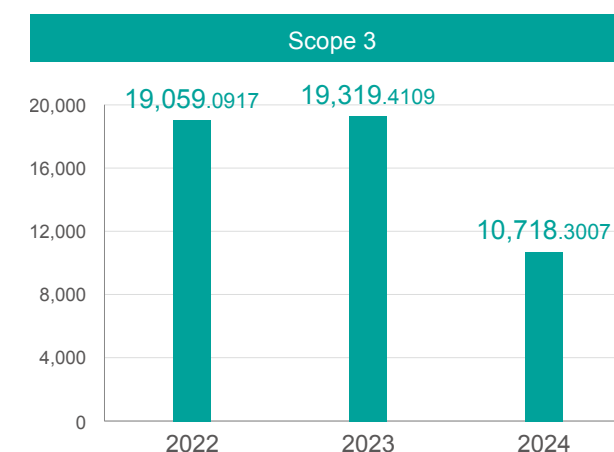
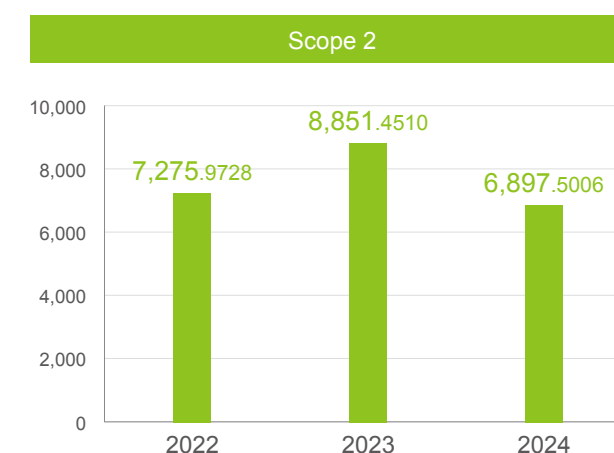
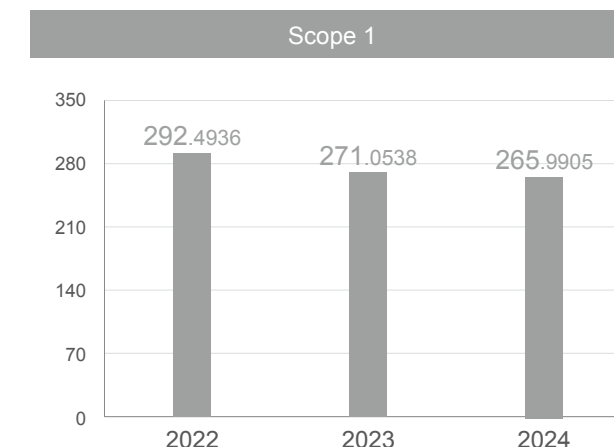
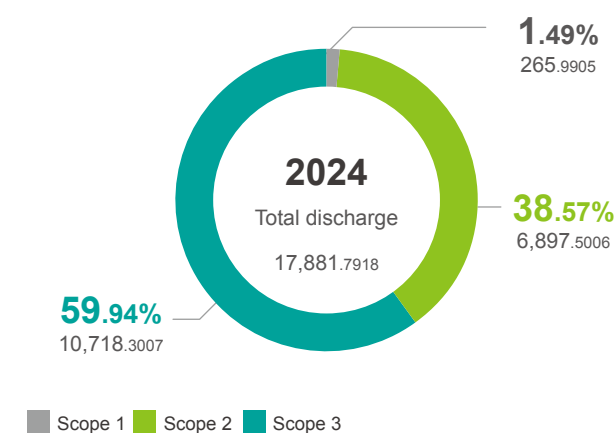
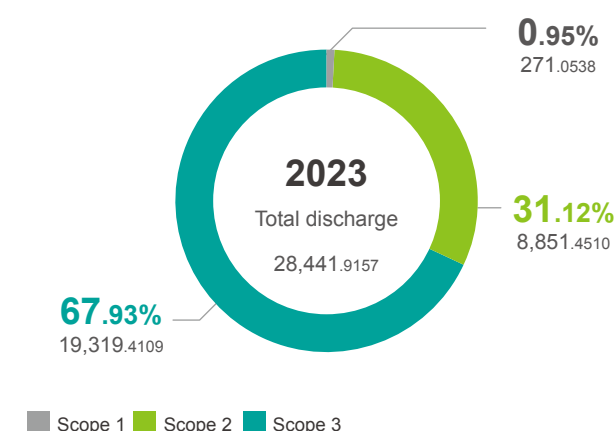
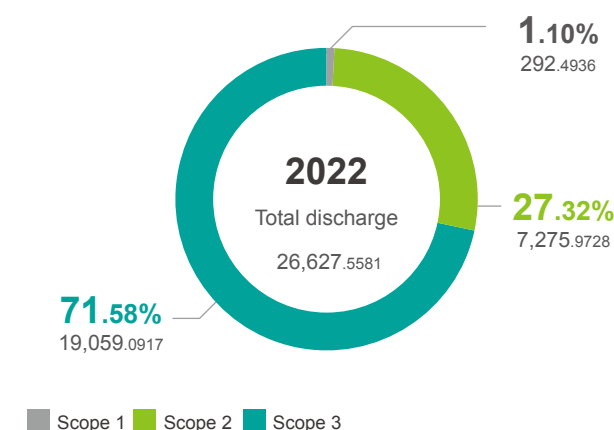
#### Restatement of Greenhouse Gas Information

The Company has restated previously disclosed greenhouse gas emissions data for 2022 and 2023. The primary reason for this restatement is that the verification process for each year was completed in the third quarter, requiring adjustments based on the final verification results. The restated data for 2022 and 2023 have been revised in accordance with the latest methodologies and standards, such as the GHG Protocol and ISO 14064-1. The updated information has been simultaneously incorporated into relevant reports and internal management systems to ensure data accuracy and consistency.

Note: 1. In accordance with ISO 14064-1:2018, the internal verification of the 2024 greenhouse gas inventory was completed from April 23 to April 25, 2025. Third-party external verification is scheduled for the third quarter. Unit of measurement (D) is defined as revenue (NTD million) in the current year.

2. Inventory Boundary: 2022: Headquarters and Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Kaohsiung Main Plant  
2023 and 2024: Headquarters and Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Kaohsiung Main Plant, Ziqiang Plant, Kaori Technology (Ningbo) Co., Ltd. (a group subsidiary)

3. Annual Revenue: 2022: Standalone revenue of NTD 2,684 million. 2023: Consolidated revenue of NTD 4,326 million. 2024: Consolidated revenue of NTD 4,003 million.



Carbon Management Planning in Response to International and Domestic Carbon Tariffs

International

The European Union's Carbon Border Adjustment Mechanism (CBAM) entered into a transitional phase from October 2023 through December 31, 2025, and is officially scheduled to take effect on January 1, 2026.

Kaori completed its first product carbon footprint inventory and verification under ISO 14067:2018 in 2023, and added 12 more product carbon footprints in 2024. Based on the carbon emissions across the product life cycle, the Company will establish carbon footprint reduction plans to comply with CBAM requirements.

Domestic

On August 29, 2024, the Ministry of Environment announced the “Carbon Fee Collection Regulations,” “Voluntary Emissions Reduction Plan Management Regulations,” and the “Designated Greenhouse Gas Reduction Targets for Entities Subject to Carbon Fee Collection.” In the initial phase, the carbon fee applies to entities in the power supply, gas supply, and manufacturing sectors with annual emissions of 25,000 metric tons of CO<sub>2</sub>e or more. Starting from the year following the implementation of the carbon fee, the payable amount will be calculated annually based on the previous year's greenhouse gas emissions and must be submitted by the end of May each year. In 2024, Kaori's total Scope 1 and Scope 2 emissions amounted to 7,163.4911 tCO<sub>2</sub>e, which falls below the domestic carbon fee threshold.

Plans for Green and Renewable Energy Sources

The net zero movement has become the world's most important issue today, and all leading businesses with strong sustainability awareness are starting to adopt green energy as the first step. Renewable Energy Plan: Kaori's Kaohsiung Benzhou Plant has installed a 744.51 kW commercial rooftop solar power system, which became operational in September 2022. Over a 20-year period, the system is expected to reduce carbon emissions by approximately 9,390 metric tons of CO<sub>2</sub>, which is equivalent to the carbon absorption capacity of about 23 Daan Forest Parks. In 2024, the system generated a total of 1,014,070.5 kWh of electricity. In the fourth quarter of the same year, the Company assessed the feasibility of installing an additional 472.05 kW commercial rooftop solar power system at Zhongli Plant 3 and the Ziqiang Plant. The installation is scheduled for completion and commercial operation in 2025, further increasing the share of renewable energy in the plants' overall electricity consumption.



Air Pollution Management

Kaori did not emit any nitrogen oxide (NO<sub>x</sub>), sulfur oxide (SO<sub>x</sub>), or other legally regulated hazardous gases.

6.5 Water resource management

Kaori has developed an environmental management system along with water resource management practices based on ISO 14001. Through data monitoring, the Company keeps track of water used as well as the water resource management practices adopted at various plant sites on a daily basis. Any abnormal change in water volume is met with appropriate inspection and response. Meanwhile, Kaori organizes campaigns from time to time to promote employees' awareness of the conservation and use of water.

All major operating sites draw water entirely from the municipal water supply system (i.e., tap water). Most of the water drawn is used for employees' living activities and kitchen equipment, and any effluents generated from living activities are either treated using appropriate treatment facilities or discharged into the municipal water treatment system, and therefore should have no significant impact on the local water body. Furthermore, Kaohsiung Benzhou Plant has installed its own water treatment facilities to treat wastewater in a legal manner. No incidents of illegal pollution occurred in 2023 and 2024, and the Company's business activities had no significant impact on water sources.

Risk Type	Category	Potential operational impacts	Adaptation methods
Water Resource Risks	Drought or water shortage	● Affect production capacity, increase in operating costs, and decrease in revenue ● Unscheduled or interrupted delivery	● Establish and improve water resource regulation ● Increase water storage capacity to support 3-5 days (3 days during severe drought) ● Water tankers to support plants experiencing water shortages ● Inspect process equipment at each plant regularly ● Wastewater management policy complies with environmental regulations
	Flood risk		
	Discharge of untreated wastewater		

Total water withdrawal:

The Company uses tap water without surface water or seawater.

		Unit: million liters			
Category	Year/Region	2023		2024	
		All locations	Locations prone to water stress	All locations	Locations prone to water stress
Water withdrawal by source	Surface water (total volume)	0	0	0	0
	Fresh water (total dissolved solids ≤ 1,000 mg/L)	0	0	0	0
	Other water sources (Total dissolved solids >1,000 mg/L)	0	0	0	0
	Water from third parties (total volume)	0	0	0	0
	Fresh water (total dissolved solids ≤ 1,000 mg/L)	32.67	0	28.33	0
	Other water sources (Total dissolved solids >1,000 mg/L)	0	0	0	0
Total water drawn	Surface water (total) + groundwater (total) + water from third parties (total)	32.67	0	28.33	0



Water Discharge

Unit: million liters

Category \ Year/Region		2023		2024	
		All locations	Locations prone to water stress	All locations	Locations prone to water stress
Water discharge by destination	Surface water	23.22	0	21.76	0
	Groundwater	0	0	0	0
	Seawater	0	0	0	0
	Water from third parties (total volume)	0	0	0	0
	Water from third parties supplied to other organizations	0	0	0	0
Total water discharge	Surface water + groundwater + seawater + water from third parties (total)	23.22	0	21.76	0
Water discharge by fresh water and others	Fresh water (total dissolved solids ≤ 1,000 mg/L)	23.22	0	21.76	0
	Other water sources (Total dissolved solids >1,000 mg/L)	0	0	0	0
Water discharge by level of treatment	Untreated	23.22	0	21.76	0
	Level 1 treatment	0	0	0	0
	Level 2 treatment	0	0	0	0
	Level 3 treatment	0	0	0	0

Water Consumption

Unit: million liters

Year	2023		2024	
Location	All locations	Locations prone to water stress	All locations	Locations prone to water stress
Total water consumption	9.449	N/A	6.57	N/A
Change in water storage	N/A	N/A	N/A	N/A

Note: The water consumption in the above table is for vacuum furnace cooling.

6.6 Waste management

Kaori observes the ISO 14001 standard and has created a dedicated unit to track the sources and volumes of waste. Adhering to the principles of maximizing resource use and minimizing waste generation, the Company promotes "Waste Management Measures." All departments are committed to minimizing waste volumes from production activities, increasing the life cycles of raw materials used, and promoting the circulation and reuse of resources and waste for total waste reduction. Kaori engages qualified service providers to dispose of waste and uses appropriate forms to audit waste handlers, thereby ensuring the appropriateness of waste treatment and that the waste generated does not pose a significant impact on the nearby environment.

Requirements for suppliers	Reusable packaging containers and non-reusable containers must be recyclable and reusable materials. Waste generated during the supply process must also be recyclable or declared as reusable waste items.
Production requirements	In the plant's production processes, materials are controlled at the source to avoid using raw materials and equipment materials that current environmental technologies cannot manage. Additionally, raw materials/waste from the production process are reviewed for potential recycling and reuse. Reduce the waste of necessary resources and increase recycling.
Requirements for employees	Environmental safety and health education and training are held for employees on their first day of employment to teach them how to classify waste, improve their environmental safety and health concepts and literacy, and enable them to independently classify recyclable waste. Each area maintains at least five categories of waste sorting categories, contributing to the planet's environmental sustainability and social responsibility.
Recycling requirements for waste disposal	Review the suitability of waste disposal channels every year and select waste disposal contractors with more environmentally friendly treatment methods, especially the legal disposal of hazardous waste, to avoid causing environmental impact. There were no violations of waste treatment laws in 2024.

Waste Reduction Measures

Kaori reduces the volume of waste by recycling waste iron, carton boxes, and waste glass and reusing waste pallets. Waste pallets are handed over to qualified service providers for reuse, thereby minimizing environmental impact. Upholding the principle of responsibility, Kaori duly reports how waste generated from plant sites is handled and retains complete documents to ensure that waste is properly treated.

1. Establishment of employee cafeterias and use of environment-friendly tableware
2. Total recycling of paper containers
3. Use of kitchen waste recycling bins
4. No hazardous waste; domestic wastes are disposed of in accordance with the law

Total Waste

Unit: tonnes

Waste composition	Year. Disposal	2023			2024		
		Waste Generated	Waste Diverted From Disposal	Waste Directed to Disposal	Waste generated	Waste Diverted From Disposal	Waste Directed to Disposal
General Waste		91.369	0	91.369	92.83	0	92.83
Scrap - Waste stainless steel		3.568	3.568	0	0	0	0
Scrap - Waste black steel		97.365	97.365	0	126.1	126.1	0
Scrap - Waste INCO601		1.996	1.996	0	0.522	0.522	0
Scrap - Waste INCO625		15.8478	15.8478	0	19.497	19.497	0
Scrap - Waste HS230		0.004	0.004	0	0	0	0
Scrap - Waste INCO800		66.943	66.943	0	20.17	20.17	0
Scrap - Waste mix		0.175	0.175	0	1.262	1.262	0
Scrap - Waste inco600		4.3463	4.3463	0	0.171	0.171	0
Scrap - Waste sus446		1.65	1.65	0	0	0	0
Scrap - Swarf from machining		2.016	2.016	0	0	0	0
Scrap - Waste 304 + copper		58.173	58.173	0	56.387	56.387	0
Scrap - Waste 316 + copper		210.462	210.462	0	148.79	148.79	0
Scrap - Waste aluminum		0.923	0.923	0	0.136	0.136	0
Scrap - Waste copper		14.472	14.472	0	13.91	13.91	0
Scrap - Pure 304		55.445	55.445	0	75.509	75.509	0
Scrap - Pure 316		70.324	70.324	0	73.206	73.206	0
Scrap - Waste 304 swarf		112.833	112.833	0	112.571	112.571	0
Scrap - Waste 316 swarf		24.564	24.564	0	32.88	32.88	0
Waste INCO800+SUS316		0.05	0.05	0	0.011	0.011	0
Waste INCO800+625 Scrap		1.321	1.321	0	0.023	0.023	0
Waste ceramic INCO800+625		0.225	0.225	0	0	0	0
Waste ceramics + INCO625		0.373	0.373	0	0.868	0.868	0
Waste heat exchangers		20.413	20.413	0	21.309	21.309	0
Scrap nickel foil		0.427	0.427	0	0	0	0
Waste ceramics		0.052	0.052	0	0	0	0
Blade waste		0.03	0.03	0	0	0	0
Waste cables		0.303	0.303	0	0	0	0
Waste paper		11.959	11.959	0	14.21	14.21	0
Waste wooden materials (R-0701)		84.24	84.24	0	79.98	79.98	0
Waste oil mixture (D-1799)		15.66	15.66	0	10.86	10.86	0
Night soil (D-0104)		0	0	0	0	0	0
Waste plastic (R-0201)		11.06	11.06	0	42.03	42.03	0
Total waste		1,122.589	1,031.22	91.369	943.232	850.402	92.83

Note: The waste materials listed in the table above can be sold externally.

Waste diverted from disposal

Unit: tonnes

Waste composition	Year	2023			2024		
		On-site	Off-site	Total volume	On-site	Off-site	Total volume
Hazardous waste	Preparation for reuse	0.00	0.00	0.00	0.00	0.00	0.00
	Recycling	0.00	0.00	0.00	0.00	0.00	0.00
	Other recovery	0.00	0.00	0.00	0.00	0.00	0.00
	Total volume	0.00	0.00	0.00	0.00	0.00	0.00
Non-hazardous waste	Preparation for reuse	0.00	0.00	0.00	0.00	0.00	0.00
	Recycling	0	1,031.22	1,031.22	0	850.402	850.402
	Other recovery	0	0	0	0	0	0
	Total volume	0	1,031.22	1,031.22	0	850.402	850.402

Waste directed to disposal

Unit: tonnes

Waste composition	Year	2023			2024		
		On-site	Off-site	Total volume	On-site	Off-site	Total volume
Hazardous waste	Incineration (including recycling of energy sources)	0.00	0.00	0.00	0.00	0.00	0.00
	Incineration (excluding recycling of energy sources)	0.00	0.00	0.00	0.00	0.00	0.00
	Landfill	0.00	0.00	0.00	0.00	0.00	0.00
	Other methods of disposal	0.00	0.00	0.00	0.00	0.00	0.00
	Total volume	0.00	0.00	0.00	0.00	0.00	0.00
Non-hazardous waste	Incineration (including recycling of energy sources)	0.00	91.369	91.369	0.00	92.83	92.83
	Incineration (excluding recycling of energy sources)	0.00	0.00	0.00	0.00	0.00	0.00
	Landfill	0.00	0.00	0.00	0.00	0.00	0.00
	Other methods of disposal	0.00	0.00	0.00	0.00	0.00	0.00
	Total volume	0.00	91.369	91.369	0.00	92.83	92.83





To establish a sustainable development enterprise, one of Kaori's sustainability missions is to create a friendly workplace. This includes talent attraction and retention (salary and benefits), employee training and development, labor-management relations, training and development, human rights protection. The short-, medium-, and long-term targets for managing these material issues are outlined in the table below:

Timeline	Short-term metrics (2024 - 2025)	Medium-term metrics (2026 - 2029)	Long-term metrics: (after 2030)
Labor/ management relations	Total attrition rate ≤ 5%	Total attrition rate ≤ 5%	Total attrition rate ≤ 5%
	Retention rate during unpaid leave ≥ 80%	Retention rate during unpaid leave ≥ 80%	Retention rate during unpaid leave ≥ 80%
Training and development	Retention rate of new Taiwanese employees (At least 3 months) ≥ 80%	Retention rate of new Taiwanese employees (At least 3 months) ≥ 80%	Retention rate of new Taiwanese employees (At least 3 months) ≥ 80%
	<ul style="list-style-type: none"> <li>Average training hours: 15H</li> <li>New employee training pass rate: 100%</li> </ul>	<ul style="list-style-type: none"> <li>Average training hours: 20H</li> <li>New employee training pass rate: 100%</li> </ul>	<ul style="list-style-type: none"> <li>Average training hours: 20H</li> <li>New employee training pass rate: 100%</li> </ul>
Human rights protection	0 cases of workplace abuse/bullying	0 cases of workplace abuse/bullying	0 cases of workplace abuse/bullying
	Employee complaint/Mediation cases: 1 case	Employee complaint/Mediation cases: 1 case	Employee complaint/Mediation cases: 1 case

Material issue objectives and performance

Kaori is committed to building a friendly workplace and complying with GRI standards: We are committed to creating a caring and nurturing environment for employees, fulfilling the responsibility of talent cultivation and retention as the driving force for the sustainable development and growth of the Company. Kaori has developed short-term targets and related implementation plans based on key areas such as labor relations, training and development, human rights protection, ethics, and health and safety. The performance goals and achievement levels over the past two years (as shown in the table below) aim to retain suitable and high-potential talent, thereby enhancing the Company's sustainable competitiveness.

	2024 Performance Targets	Achieved in 2024	2025 Performance Targets
Labor/ management relations	Total attrition rate ≤ 5%	6.19% → Not achieved	Total attrition rate ≤ 5%
	Retention rate during unpaid leave ≥ 80%	100% → Achieved	Retention rate during unpaid leave ≥ 80%

The annual target for total attrition rate was not met (6.19% > 5%), primarily due to new employees having difficulty adapting to the work environment. To improve employee retention, the Company has further optimized its onboarding program by introducing a mentorship system, enhancing general training for new hires, and strengthening employee care mechanisms.

	2024 Performance Targets	Achieved in 2024	2025 Performance Targets
Training and development	Retention rate of new Taiwanese employees (At least 3 months) ≥ 80%	Retention rate 93.6 % → Achieved	Retention rate of new Taiwanese employees (At least 3 months) ≥ 80%
	<ul style="list-style-type: none"> <li>Average training hours per person ≥ 15H</li> <li>New employee training pass rate: 100%</li> </ul>	<ul style="list-style-type: none"> <li>15.84 H→ Achieved</li> <li>100% → Achieved</li> </ul>	<ul style="list-style-type: none"> <li>Average training hours ≥ 15H</li> <li>New employee training pass rate: 100%</li> </ul>
Human rights protection	0 cases of workplace abuse/bullying	0 cases of workplace abuse/bullying → Achieved	0 cases of workplace abuse/bullying
	Employee complaint/Mediation cases: 1 case	Employee complaint/Mediation cases: 0 case → Achieved	Employee complaint/Mediation cases: 1 case

7

Friendly Workplace



7.1 Talent Management Policy and Commitment

Kaori complies with labor-related regulations by establishing the "Employee Work Rules" and the "Occupational Safety and Health Work Code, including the Safety and Health Organization and Personnel Structure," which have been submitted to the relevant government authorities for approval. These rules legally ensures labor conditions and protecting employees' safety and health rights. The Company provides a healthy and safe working environment, fosters diverse and open labor-management communication channels, and offers fair compensation and promotion opportunities. Additionally, a comprehensive training and development system is in place to cultivate employee professionalism and protect trade secrets. Kaori also ensures a robust benefits system and creates a warm and harmonious work atmosphere. Through a transparent incentive bonus and profit-sharing system, employees are encouraged to contribute their skills and performance confidently, growing and developing alongside the Company, thereby laying a strong foundation for sustainable operations.

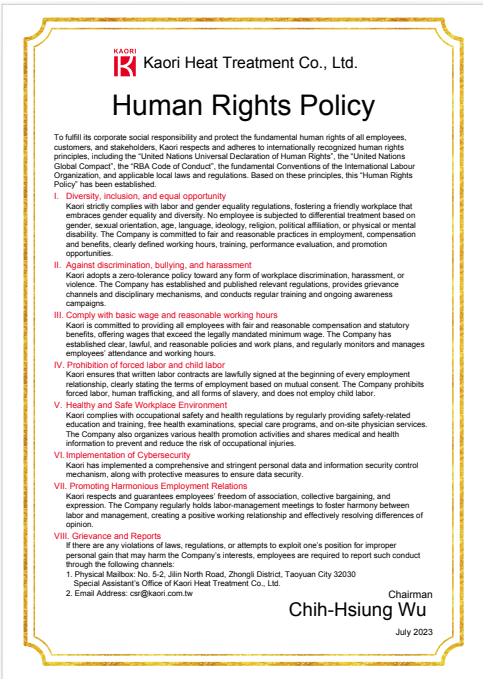
The Company's talent management policy is as follows:

Talent Selection Policy	<ul style="list-style-type: none"><li>Prohibit child labor and underage labor, provide mechanisms to attract and retain outstanding talents, hire suitable talents, diversify career development opportunities, and respect employees' freedom of employment.</li></ul>
Talent Education Policy	<ul style="list-style-type: none"><li>Establish a sound training and development system to cultivate professional or management talents in different fields, improve employees' engineering professionalism, communication and management skills, and strengthen teamwork performance.</li></ul>
Human Rights Policy	<ul style="list-style-type: none"><li>Comply with Taiwan's labor laws and regulations and prohibit any form of forced or compulsory labor; we will never discriminate against any employee based on gender, race, region, age, disability, nationality, etc.</li></ul>
Employment Policy	<ul style="list-style-type: none"><li>Provide a competitive remuneration and benefit system, fair evaluation, and reasonable opportunities for transfer and promotion, so that employees can actively contribute their abilities and performance.</li><li>Valuing Employee Feedback and Enhancing Labor Relations</li></ul>
Talent Retention Policy	<ul style="list-style-type: none"><li>Establish a healthy and safe work environment for employees, and diverse and open communication channels between labor and management; set up effective communication channels for employees to collect employees' opinions and improve the Company's internal operations.</li></ul>

Corporate Sustainable Development Policy

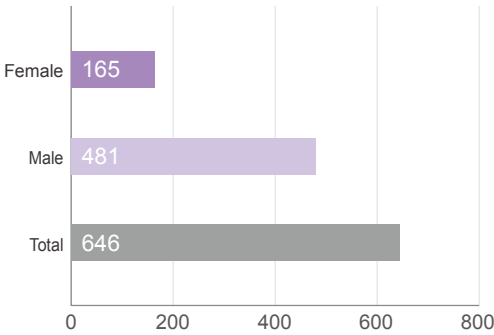
Kaori adheres to the principle of business integrity by providing reasonable working conditions and comprehensive employee benefits, ensuring the physical and mental well-being of employees so they can focus on their work and enjoy work. We strive to implement sustainable development policies that emphasize "environmental protection, employee care, a friendly workplace, co-prosperity in society, business integrity, and general participation."

To improve labor rights, in addition to complying with Taiwan's "Labor Standards Act" and related laws and regulations, we have also formulated internal regulations for the record of work rules, sexual harassment prevention, anti-corruption and bribery, and grievance procedures. A management mechanism has also been set up to protect employee rights. To allow employees to fully express their opinions, each plant has set up a "grievance mailbox and posted grievance hotline information" and established a personal data protection mechanism to comply with the principle of anti-retaliation to prevent unfair treatment of the parties concerned. The Company is committed to maintaining good labor-management relations and implementing various personnel management systems that promote a friendly workplace and employee care. In compliance with the employee-friendly and friendly workplace policies, we are committed to implementing the eight human rights policies (shown on the right).



7.2 Manpower structure

Kaori recognizes employees as important partners for building global first-rate organization and sustainable practice. We are committed to creating a friendly and healthy workplace, one that is free of discrimination and inequality. Kaori provides employees with comprehensive compensation and benefits and offers diverse training programs to help employees grow. By giving employees a safe and healthy place to work, we look forward to creating a sustainable corporate culture that is unique to Kaori. As of the end of 2024, Kaori had a total workforce of 688 employees, including 646 full-time employees. Among them, 481 were male (69.9%) and 165 were female (24.0%). In response to increased production capacity during certain months in 2024, and given the uncertainty of order stability, the Company hired 42 dispatch workers as front-line production personnel to maintain flexible staffing. Of these dispatch workers, 29 were female (4.2%) and 13 were male (1.9%). Kaori supports the requirements of the "People with Disabilities Rights Protection Act" and takes the initiative to offer equal employment opportunities for the underprivileged. By the end of 2024, the Company had employed a total of 6 individuals with disabilities.



7.2.1 Employee structure

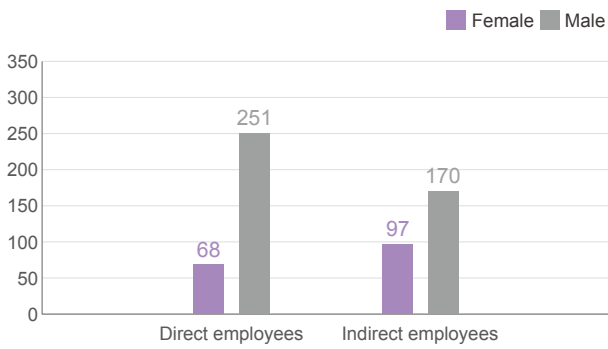
The distribution of the manpower structure in 2023 to 2024 is as follows:

Category	Item	2023				2024			
		Female		Male		Female		Male	
		Head count	Percentage	Head count	Percentage	Head count	Percentage	Head count	Percentage
Indefinite contract	Direct employees	64	10.00%	259	40.40%	68	9.9%	251	36.5%
	Indirect employees	95	14.80%	156	24.30%	97	14.1%	170	24.7%
Term contract	Foreign employees	0	0.00%	67	10.50%	0	0.0%	60	8.7%
	Trainees/contractors	0	0.00%	0	0.00%	0	0.0%	0	0.0%
Temporary workers		0	0.00%	0	0.00%	29	4.2%	13	1.9%
Total number of employees		159	24.80%	482	75.20%	194	28.2%	494	71.8%
Total		641				688			
Domestic (by age)	30 and below	17	3.00%	50	8.70%	14	2.4%	45	7.7%
	Aged 31 - 50	127	22.10%	314	54.70%	123	21.0%	316	53.9%
	51 and above	15	2.60%	51	8.90%	27	4.6%	61	10.4%
Job Rank distribution	Managerial role	36	6.27%	122	21.25%	20	3.4%	74	12.6%
	Non-managerial role	123	21.43%	293	51.05%	144	24.6%	348	59.4%
Total		574				586			

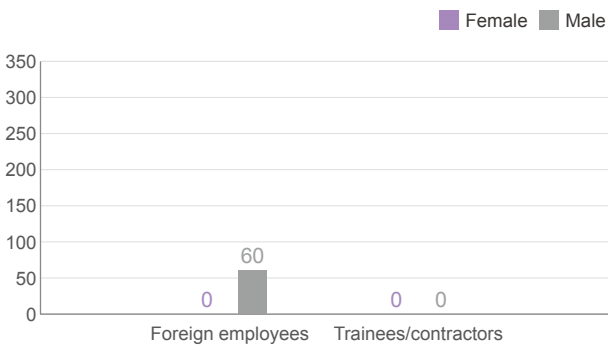
Remarks: 1. Direct personnel: production line or process personnel  
2. Indirect personnel: administrative or managerial personnel  
3. Trainees: refers to the students employed under a contractual relationship through school-industry cooperation or internships.  
4. Managers: Section chiefs and above



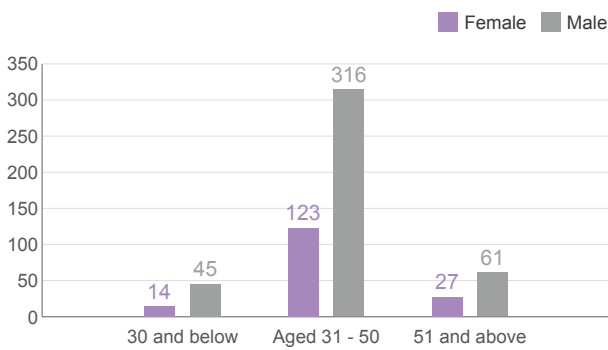
### 2024 - Indefinite contract



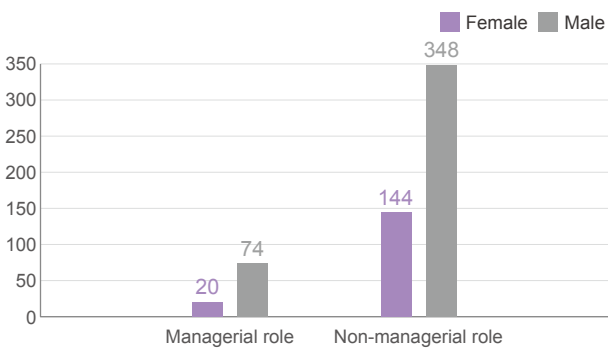
### 2024 - Term contract



### 2024 - Domestic (by age)



### 2024 - Job Rank distribution

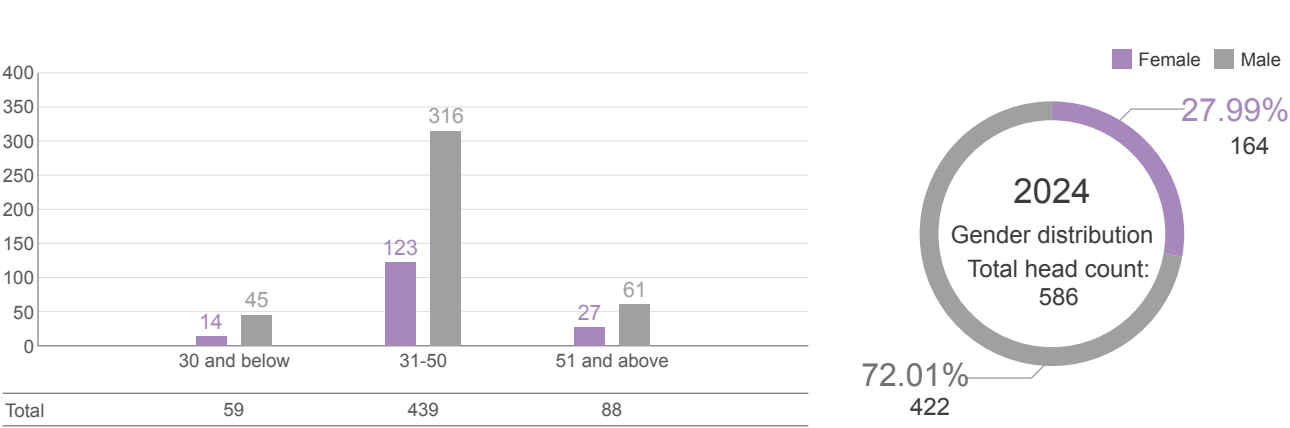


Distribution by age group and job level as shown in the table below:

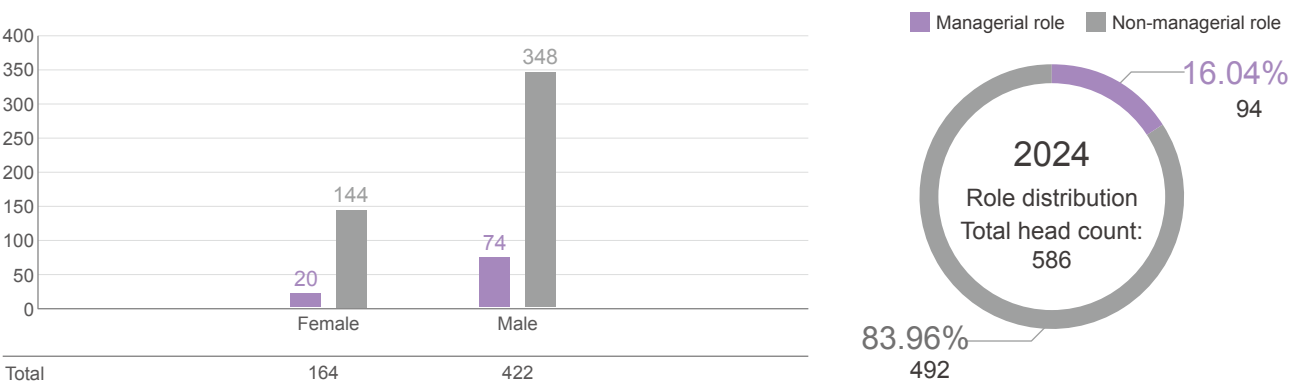
Statistical item	2023					2024				
	Managerial role		Non-managerial role		Total	Managerial role		Non-managerial role		Total
	Female	Male	Female	Male		Female	Male	Female	Male	
30 and below	0	1	49	17	67	0	0	14	45	59
Ratio	0.00%	0.82%	16.72%	13.82%	11.67%	0%	0%	2.39%	7.68%	10.07%
Aged 31 - 50	28	91	223	99	441	9	46	114	270	439
Ratio	77.78%	74.59%	76.11%	80.49%	76.83%	1.54%	7.85%	19.45%	46.08%	74.91%
51 and above	8	30	21	7	66	11	28	16	33	88
Percentage	22.22%	24.59%	7.17%	5.69%	11.50%	1.88%	4.78%	2.73%	5.63%	15.02%
Total head count	36	122	293	123	574	20	74	144	348	586

Remarks: 1. Statistics are primarily based on employees of local nationality  
 2. Managers: Section chiefs and above  
 3. Age ratio calculation method: Sum of male and female employees of a given job rank/total employees of that given job rank

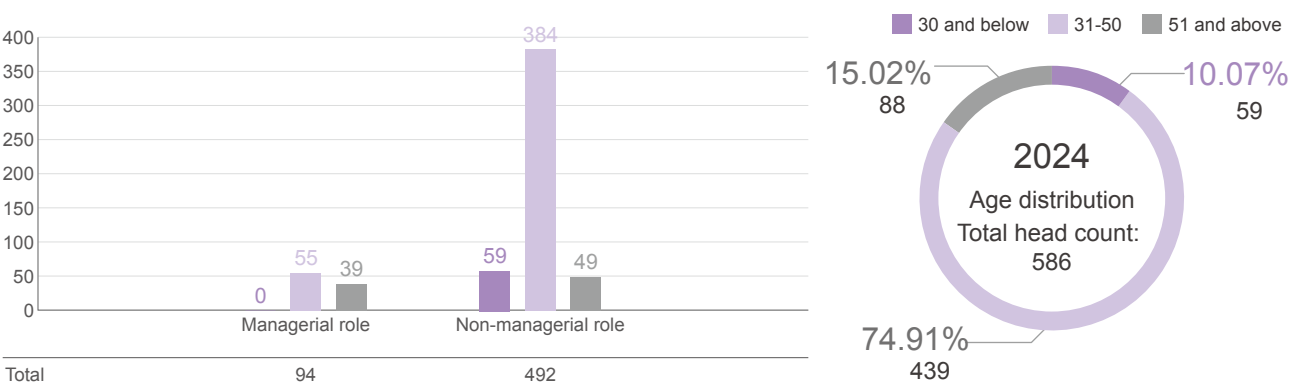
### 2024 - Employees' Age Distribution



### 2024 - Employee Counted by Grade and Gender



### 2024 - Employee Counted by Grade and Age



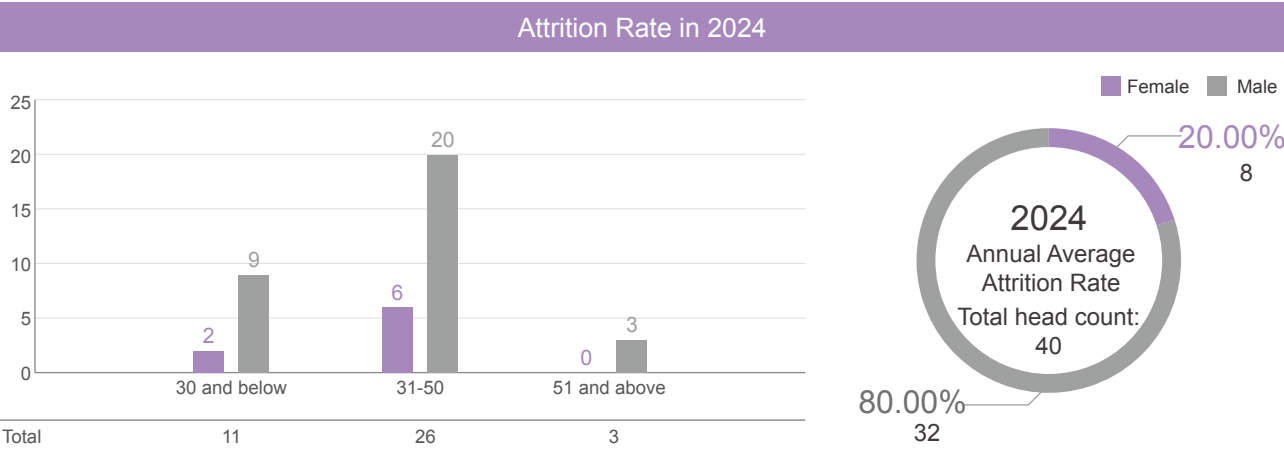
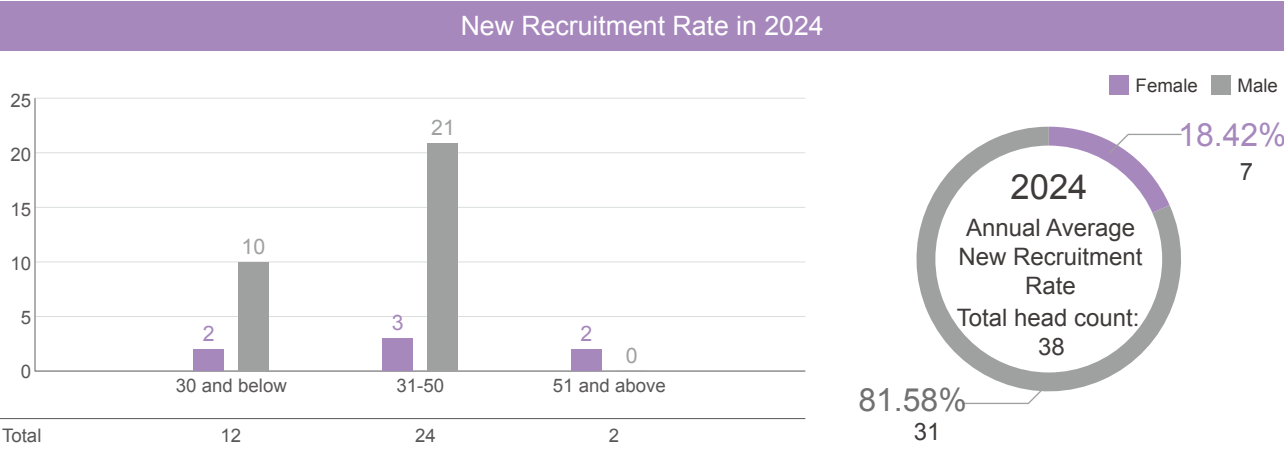
7.2.2 Percentage of New Permanent Employees and Attrition Rate

In 2024, Kaori had 38 new recruits, which represented 5.88% of the total workforce; 31 of the new recruits were male, and 7 were female. 40 employees resigned during the year, representing an annual attrition rate of 6.19%; 32 of the resigned employees were male and 8 were female. By analyzing data on new recruits and resignees, the Company evaluates the appropriateness of its existing salaries and benefits and determines whether it has met its goal of creating a friendly workplace. For resignees, the Company surveys the cause of resignation and take their responses into consideration for future improvements. Employees' resignation requests are handled strictly in accordance with the Labor Standards Act; employees who wish to terminate their employment contract are required to serve advance notice of no more than 30 days depending on seniority, which complies with prevailing laws.

The table below shows the ratios of male and female employees' new hires and resignations in 2023 to 2024:

Category	Year	2023				2024			
	Item	Male to Female Ratio				Male to Female Ratio			
		Female	Percentage	Male	Percentage	Female	Percentage	Male	Percentage
New hires	30 and below	9	7.20%	50	40.00%	2	5.26%	10	26.32%
	Aged 31 - 50	11	8.80%	53	42.40%	3	7.89%	21	55.26%
	51 and above	0	0.00%	2	1.60%	2	5.26%	0	0%
Rate of New Recruitment by Male or Female		16.00%		84.00%		18.42%		81.58%	
Total		125 people / 100%				38 people / 100%			
Annual Average New Recruitment Rate		19.50%				5.88%			
Resignations	30 and below	3	5.88%	17	33.3%	2	5.00%	9	22.50%
	Aged 31 - 50	8	15.69%	17	33.3%	6	15.00%	20	50.00%
	51 and above	3	5.88%	3	5.9%	0	0.00%	3	7.50%
Male or Female Attrition Rate		27.5%		72.5%		20.00%		80.00%	
Total		51 people / 100%				40 people / 100%			
Annual Average Attrition Rate		8.00%				6.19%			

- Remarks:
- 1. New employees are defined as those who arrived on the job in 2024 and have been on the job for at least 3 months
  - 2. Calculation of the percentage of new recruits by age: Take the proportion of employees under 30 years old as an example, it is calculated as the number of new employees under the age of 30 / the number of employees of the corresponding gender in the year
  - 3. Calculation of the percentage of resigned employees by age: Take the proportion of employees under 30 years old as an example, it is calculated as the number of resigned employees under the age of 30 / the number of employees of the corresponding gender in the year
  - 4. Calculation formula for subtotal ratio by gender: Take new employees as an example, the calculation method is the total number of new employees male or female in the year/the number of employees of the gender in the year
  - 5. Calculation formula for the new recruitment or attrition of women and men: Calculated as the number of new or resigned female or male employees in the year/number of the age of the female or male employees in the year
  - 6. Calculation formula for total ratio: Take new employees as an example, the calculation method is: total number of new employees in the year/total number of employees in the year.



7.2.3 Recruitment and Turnover

Kaori adopts a fair, open, just, and efficient recruitment system that emphasizes recruiting the best and most suitable talent. The recruitment system pays attention to basic human rights, including equal employment opportunities, and is supported by talent selection, education, and retention measures to ensure the quality of new recruits, the stability of the workforce, and that competent talent is assigned to suitable roles. Kaori places great emphasis on unity. Aside from recruiting people that share common values, the Company offers favorable compensation, comprehensive benefits, and open communication channels to create a friendly, harmonious, safe, and mutually beneficial work environment that attracts and retains talent.

Equal Employment Opportunities

The Company values workers' rights and assigns employees to suitable positions depending on their skill sets and competence. In terms of recruitment, salary, performance, promotion, training, and benefits, the Company does not discriminate by gender, religion, nationality, or ethnicity. In addition to prohibitions against child labor, Kaori adopts a fair recruitment principle that discourages all forms of unreasonable restriction (such as withholding ID cards/passports or collecting inappropriate gains). Furthermore, employment contracts are drafted in languages and texts that employees can easily understand.

Recruitment Channels

Kaori continued to recruit employees primarily using online platforms, and it empowered the heads of various recruiting departments to set up interviews with potential candidates as needed. Kaori also sourced talent through other channels such as employment service stations, campus recruitment programs, the Workforce Development Agency, and professional training institutions.



7.2.4 Employment of Persons with Disabilities

According to Taiwan's "People with Disabilities Rights Protection Act," the number of employees with disabilities who have employability in a company shall not be less than 1% of the total number of employees. If the weighted total value does not meet the standard, the Company shall pay the shortfall allowance to the Employment Foundation for Persons with Disabilities of the labor authority on a regular basis.

We provide full-time employment opportunities to people with disabilities. As of the end of 2024, we have hired six people with disabilities: two with mild disabilities, three with moderate disabilities, and one with severe or very severe disabilities, which legally counts as 2 individuals. This totals 7 employees, meeting the requirement of employing 1 person with a disability for every 100 employees. With a total workforce of 646 employees and 7 employees with disabilities, the Company is not required to pay any shortfall allowances.

The human resource policy review indicated that the low number of applicants with disabilities, the unique work environment, and other factors contribute to their decision to leave even after job adjustments. In the future, we will continue to open up job opportunities for people with disabilities. We also work with colleges and universities to prioritize the hiring of students with disabilities.

We prioritize the welfare of our employees and establish a win-win concept for co-existence between employees and employers to ensure harmonious labor-management relations. In 2024, there were no losses caused by labor disputes.

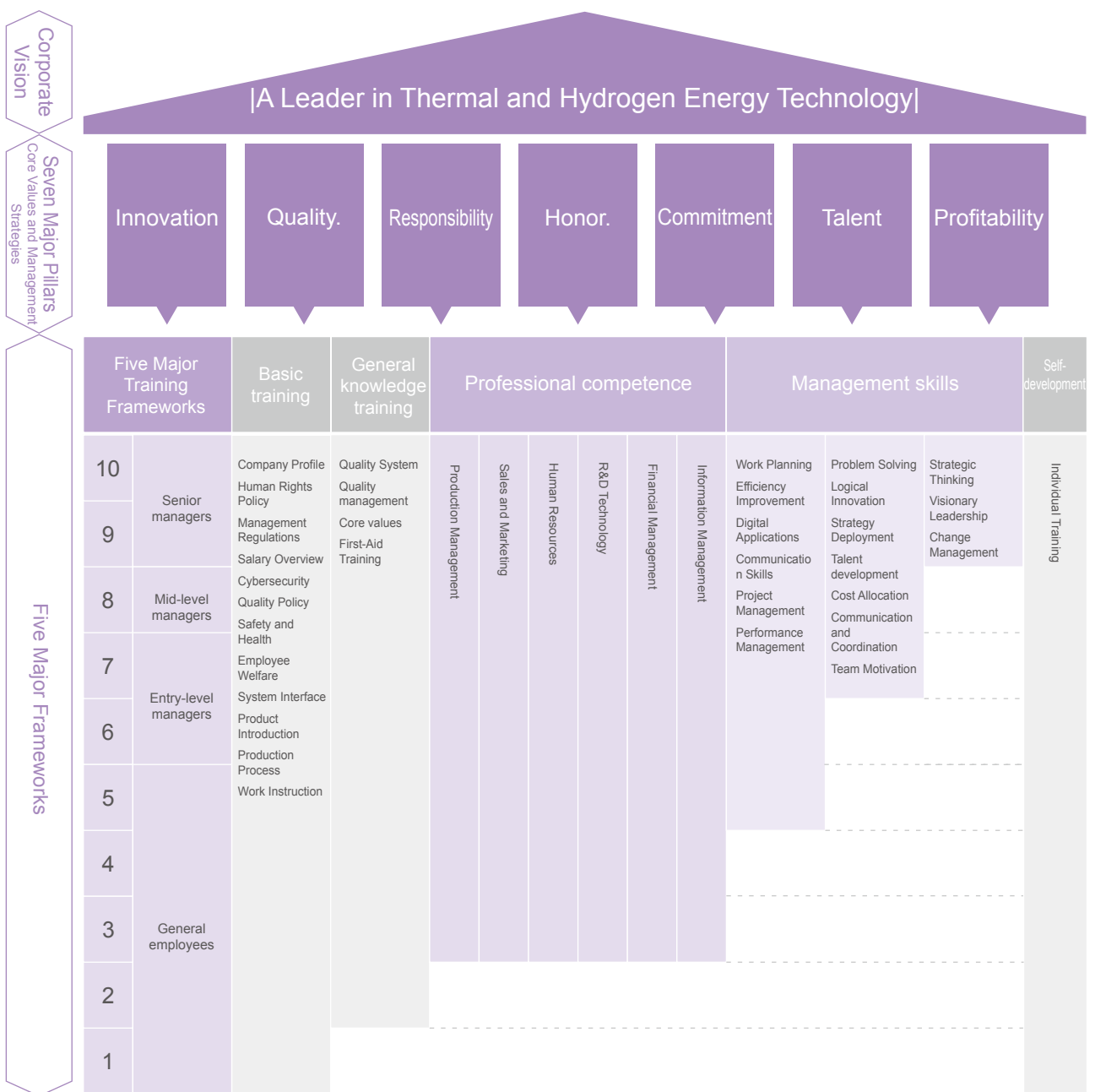
7.3 Talent cultivation and development

Material issues	Management Approach
	<p><b>Policy</b> Talent is the driving force of the Company's growth and strength, and we continuously nurture and develop employees' professional and management skills</p>
	<p><b>Goal</b> Established a training and development system and a performance evaluation mechanism to nurture and develop employees' personal capabilities and career competencies</p>
 <p>Talent development and cultivation</p>	<p><b>Commitment</b> Implement the education and training procedures and the annual professional and management training plan formulated by the Company, using due diligence and early warning communication to effectively improve the skills required for employees' work</p>
	<p><b>Measures</b></p> <ol style="list-style-type: none"><li>1. Established the "Education and Training Management Procedures" and "Annual Performance Evaluation Implementation Regulations" for managers at all levels to follow</li><li>2. Formulate and implement the "Annual Talent Cultivation and Development Plan" according to the strategic development and needs of the enterprise</li></ol>

The Company has "Training Management Procedures" in place to help employees expand knowledge and skills in ways that contribute to the organization's competitiveness. Kaori strongly believes knowledge and skills to be the key to improving work efficiency and quality, which in turn contributes to the Company's sustainable development goals.

The Company offers various ways and opportunities for further education based on core competencies. Training activities and talent development programs are promoted, starting from the Company's operational strategies and linking them to the professional skills training blueprint. Employees are subsidized for taking on-the-job training and external training to improve professional and language skills. It is the Company's intention to support employees with the training resources needed.

Department heads and employees have the opportunity to take part in company or department-level training courses and seminars to prepare themselves for future trends and projects. Employees are encouraged to take advantage of the complete range of training options the Company has to offer to grow their professional capacity and competitiveness. All new recruits are required to undergo complete general knowledge training and orientation when commencing duty. Through a combination of manuals, practices, and exams, new employees are quickly brought up to speed and readied for the tasks on hand. We provide all permanent employees with a training blueprint that they can follow to advance their careers within their respective departments and make persistent improvements to training resources within and outside the organization. By having managers participate in various meetings, we help them develop adequate understanding of how each department functions and applicable company policies, so that they may grow to undertake greater responsibilities in the future.

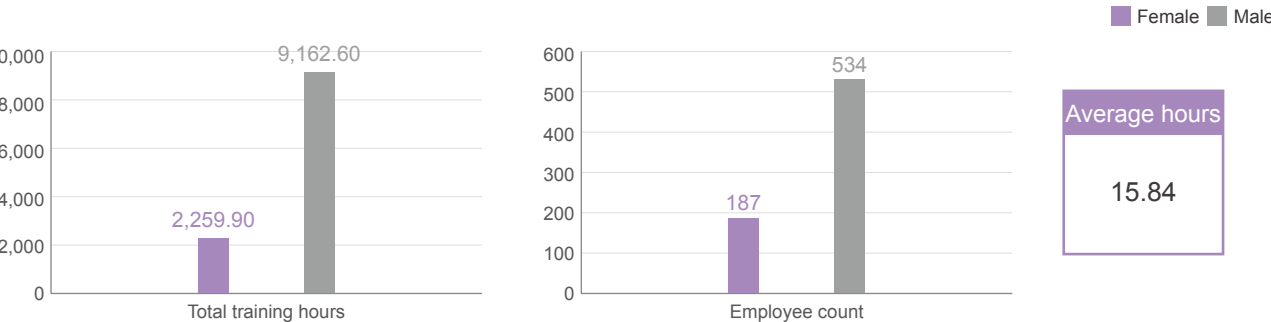


7.3.1 Employee training priority planning

Kaori has implemented different training durations based on employees' performance evaluation:

Short-term	In addition to comprehensive briefings provided by HR, occupational safety, quality, and the welfare committee in their respective areas, each business unit also provides specific pre-employment training to help new employees understand the products, technologies, and application scope of their assigned unit.
Medium-term	Kaori has established a training blueprint and an annual training plan. Through competency gap analysis and performance evaluations, appropriate employees are selected to participate in internal and external training programs to enhance their core professional skills
Long-term	Kaori provides subsidies for further education to support employees' career development, enabling them to engage in self-directed learning, strengthen their professional competencies, and enhance work performance. In addition, the internal lecturer mechanism transforms individual knowledge into corporate resources, aiming to improve overall personnel quality and drive continuous improvement and progress

Training Overview for 2024 (Zhongli+ Kaohsiung)



Classification	Category	Total training hours	No. of participants	Employee count	Average training hours
Employee gender	Female	2,259.90	1,137	187	12.09
	Male	9,162.60	3,790	534	17.16
Employee category	Direct	5,996.80	2,702	424	14.14
	Indirect	5,425.70	2,225	297	18.27
All employees	Managerial role	2,275.20	865	102	22.31
	Non-managerial role	9,147.30	4,062	619	14.78
Annual average training hours		15.84 hour(s)			

Note: Annual average training hours = total training hours / number of employees in the year = 11,423/721 = 15.84 hours per employee.

Outcomes of Training Conducted in 2024 (Zhongli+ Kaohsiung)

Item	Item	Course sessions	Total training hours	No. of participants	Total expenses
1	Specialist training	241	5,549.00	2,052.0	556,332
2	Worker safety and health	86	2,603.00	732.0	292,900
3	Training of managerial skills	11	253.00	30.0	198,200
4	General knowledge training	18	886.50	466.0	10,270
5	Cybersecurity management	10	549.00	241.0	-
6	Corporate Sustainable Development	26	1,131.50	1,070.0	-
7	Climate Environmental Protection	5	450.50	336.0	35,460
Total		397	11,423	4,927	1,093,162

In order to maintain competitiveness, we continue to plan various training activities every year, including management communication series and professional skill improvement courses. Kaori provides learning resources through multiple channels to enhance employees' capabilities. Employees have expressed that the courses arranged by the company meet their job requirements, improve their work efficiency, and achieve the goal of aligning training with job needs.

Employee training hours

In 2024, the total training hours for employees reached 11,423 hours, with a total of 721 employees on staff that year, resulting in an average of 15.84 training hours per employee annually. Additionally, the expenditure on education and training in 2024 was NTD 1,093,162, with an average training cost of NTD 1,616 per employee.

Kaori's education and training system is structured to cater to both new employee training and on-the-job training. The training framework and system are designed to evolve with the Company's operations and employee development, taking into account the broader environment and future company development, as well as shifts in personnel roles.

New Employee Training Mechanism

To enable new employees to familiarize themselves with the environment, understand their job roles, and quickly assimilate into the corporate culture, pre-employment training courses are regularly conducted. The frequency and duration of these courses are adjusted flexibly based on actual needs. The pre-employment training courses for new employees include both general knowledge courses and specialized pre-employment training. General education courses include: Company introduction, human rights policy, management regulations, salary overview, cybersecurity, quality safety, labor safety and health, and employee benefits. Except for the 3-hour quality safety course and 6-hour labor safety and health course, the remaining courses are scheduled flexibly, with a total of 12 training hours. Pre-employment training for specific business units is arranged and determined by each unit individually.



7.3.2 Performance evaluation and career functions

Employees undergo performance evaluation two times a year and are entitled to promotional opportunities and rewards according to the performance evaluation policy. The Company hopes to see every employee realize their full potential and have the best talent lead the teams in taking responsibility, making decisions, coordination, execution, and collaboration toward accomplishing corporate goals.

Employee Career Development

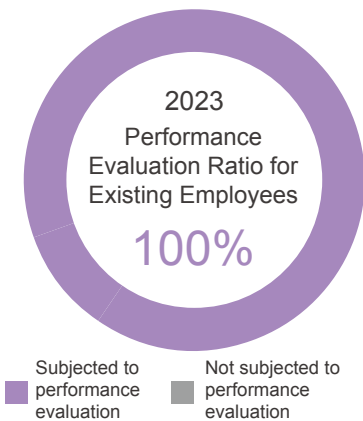
Performance evaluation helps to improve the Company's human resources system and further improve the overall management system. New employees of Kaori are required to be evaluated after three months of employment. This process guides supervisors and colleagues to understand the company's expectations regarding behavior, results, and personality traits. It also evaluates the employee's work abilities and attitudes during the probationary period to determine whether they meet the expectations of their supervisor, colleagues, and team, as well as how well they have integrated into the corporate culture.

Supervisors conduct fair, reasonable, and objective performance evaluations in accordance with operational guidelines, ensuring that every team member clearly understands the role they are expected to play in their position. This process encourages employees to strive to meet performance expectations across various roles, while also providing them with clear work objectives and guidance for future performance improvements, all aimed at achieving the overall business objectives.

In 2024, 47 new employees were required for evaluation (the number of Taiwanese new recruits). A total of 44 employees participated in the probationary evaluation, and 20 participated in the annual evaluation, regardless of gender. In addition to emphasizing reaching a consensus on work goals between employees and supervisors, its purpose is to adjust its functions into two major goals of "focus on developing employee capabilities, with performance evaluations as a secondary support," hoping to nurture and develop employees' personal capabilities to enable them to master their roles proficiently, thereby enhancing the Company's competitiveness and overall organizational effectiveness, with the expectation that they will become key contributors to the Company.

- Evaluation of new Taiwanese employees:

Category	Annual assessment			
	Total head count in 2024			
	New Taiwanese employees: 47			
Number of people evaluated		Percentage %		
Job position	Male	Female	Male	Female
Indirect employees	4	1	20%	5%
Direct employees	13	2	65%	10%
Total	17	3	85%	15%



Employee Performance Evaluation and Career Development

In addition to new employees, the Company conducts performance evaluations every six months based on job levels. This helps in monitoring work progress and adjusting bonus amounts. The evaluation rate for all employees, excluding new hires, is 100%. In addition, based on supervisor evaluations/attendance/individual performance, supervisors at all levels nominate employees with excellent work performance. In 2024, 19 employees were promoted, with 74% in technical roles, 26% in administrative roles, and 74% in direct personnel.

7.4 Remuneration and benefits

7.4.1 Salary Policy

The Company sets salaries at levels that reflect employees' skills, professional capacity, experience, and individual performance. The promotion system has also been designed to be fair and open to employees. The Company strives to maintain equality between genders and offer equal compensation for employees with the same job role. The Company does not differentiate by gender, ethnicity, religion, political association, or marital status. Kaori regularly examines the salaries offered by industry peers to ensure that its compensation and welfare policy remains competitive at attracting and retaining talent. For new recruits, salary is determined based on professional capacity, technical know-how, experience, and work-related skills. Existing employees, also have salary levels and benefits determined according to performance. The Company calculates compensation and benefits in accordance with the laws of Taiwan, and entry-level employees are offered salaries that are higher than the local minimum wage on average. For senior employees, the Company has a talent retention program that offers special benefits such as life insurance and full health checkups. Employees that exhibit outstanding performance are entitled to extraordinary salary adjustment as encouragement. In response to the expansion of the Company's operation scale, the "Remuneration Policy" has been formulated.

In 2024, the salaries of entry-level employees were verified based on their educational backgrounds, and there was no difference based on gender. The ratio of salaries of entry-level employees in 2024 to the legal wage ratio and the gender ratio of general employees to mid-level and senior supervisors in the past two years are as follows:

Year	Personnel item	Average Starting Salary for Fresh Graduates	Ratio of 2023 Starting Salary for Fresh Graduates to the Statutory Minimum Wage	Remarks
2023	Direct employees	33,588	1.27	• Calculation basis as a technician on the following basis: Base salary + position allowances + attendance bonus + meal allowance + technical allowance + certification allowance (shift allowance is calculated separately)
	Indirect employees	32,000	1.21	• Calculation basis as an administrative assistant (8H): Basic salary + attendance bonus + meal allowance
2024	Direct employees	34,000	1.24	• Calculation basis as a technician on the following basis: Base salary + position allowances + attendance bonus + meal allowance + technical allowance + certification allowance (shift allowance is calculated separately)
	Indirect employees	34,600	1.26	• Calculation basis as an administrative assistant (8H): Basic salary + attendance bonus + meal allowance

Note: The above table reflects statistics for local workers in Taiwan. The statutory minimum wage was NTD 26,400 in 2023 and NTD 27,470 in 2024.

- 2024 Annual total compensation ratio

Ratio of the general manager's annual salary to the median employees salary = 8.11

Note: The above employee data excludes the Chairperson, Honorary Chairperson, Vice Chairperson, and President.

- Year-over-year percentage change in total compensation from 2023 to 2024

Item	Annual Salary Change Percentage (2023 → 2024)	Remarks
Annual Salary Change Percentage for the President	6.8%	Based on actual salary adjustments
Annual salary change percentage for all other employees (excluding the Chairperson, Honorary Chairperson, Vice Chairperson, and President)	0.61%	Calculation Formula: (Total Annual Salary in 2024 - Total Annual Salary in 2023) ÷ Total Annual Salary in 2023
Annual Total Compensation Change Rate	11.21	Calculation Formula: 6.8% ÷ 0.61%

Average and Median Salaries of Full-Time Employees Not Holding Managerial Positions, and Their Changes Over the Past Two Years

Job Rank/Year	2023	2024	Changes
Average salaries of non-managerial role (NTD thousand)	933	907	-2.8%
Median salaries of non-managerial role (NTD thousand)	806	792	-1.7%

Note 1: Non-managerial positions refer to all employees excluding the Chairperson, Honorary Chairperson, Vice Chairperson, President, Vice Presidents, Assistant Vice Presidents, Chief Financial Officer, Chief Accounting Officer, and Corporate Governance Officer.

Note 2: Salary figures are based on actual recorded amounts and are not annualized.

Note 3: Most of the new hires in 2024 were entry-level employees who had not completed a full year of service, resulting in lower average and median salary figures in 2024 compared to 2023.

7.4.2 Retirement protection

The pension system planning is based on the "Labor Standards Act" and the "Labor Pension Act" to protect the rights and interests of employees to claim pensions in the future.

- Retirement eligibility:  
An employee may apply for voluntary retirement under any of the following circumstances,
  - Those who have served for more than 15 years and are at least 55 years old.
  - Those who have served for more than 25 years.  
An employee may be forced to retire under any of the following circumstances:
  - Aged 65 or above.
  - Mentally or physically disabled, making them unfit for work.
- Benefit standard (pension under the old scheme):  
For each year of service less than 15 years, two base figures are given for each year of service. Those with more than 15 years of service experience are given a base number for each year of service. The maximum total is 45 bases. Any portion less than half a year is to be counted as half a year; any portion more than half a year is to be counted as one year. An employee who has been forced to retire and suffers from mental or physical disability attributable to duty shall be subject to an additional 20% of the amount specified in the preceding two paragraphs.
- Base calculation (pension under the old scheme):  
The pension base conversion standard is the average salary for the six months prior to the approved retirement.
- Payment period:  
Retirees who meet the requirements for voluntary retirement shall be paid pension in full within 30 days from the date of retirement. If payment cannot be made all at once, the Company may report to the competent authority for approval and make payment in installments.
- Other regulations:  
Retirees shall fill out the Retirement Application Form and proceed with approval. After each unit signs off for employees subject to mandatory retirement, they notify the retirees to complete the formalities. The employee's right to claim pension shall be extinguished if not exercised within five years from the month following the date of retirement.
- Contributions to pensions under the new pension scheme:  
The Company makes contributions according to the monthly salary grading table, with a contribution rate of 6% to the individual pension account held with the Bureau of Labor Insurance.

According to the Labor Standards Act, Kaori makes monthly contributions to a "retirement reserve fund," which is held in a trust account at the Bank of Taiwan. In response to the implementation of the new labor pension system in 2005, we also completed the selection between the old and new pension schemes for all employees. The Company's monthly contribution for employees choosing the old system is 6% of the total salaries of employees under the old system. In addition, based on the actuarial report from the previous year, we calculate the total annual retirement contribution for the following year. The accounting department then prorates this amount over 12 months. If the monthly contribution based on 6% falls short of the prorated amount, the accounting department will make up the shortfall to align with the actuarial estimate. For employees who have chosen the new pension system, the Company contributes 6% of their insured salary to their personal pension account every month.

Employees may also voluntarily contribute within 6% of their monthly wages to pension funds. The portion voluntarily contributed by laborers can be fully deducted from the total comprehensive personal income of the year. In addition, employees are entitled to various insurance benefits in accordance with relevant laws and regulations. Statutory insurances: labor insurance, national health insurance, and company group insurance.

7.4.3 Diverse welfare systems

Kaori arranges Labor Insurance and National Health Insurance coverage for employees as required by laws and ensures that employees are paid the benefits they are entitled to. By promoting a harmonious labor-management relationship and catering to employees' wellbeing and health, the Company aims to help employees grow in life and at work. In 2024, Kaori paid birth and child care subsidies totaling NTD 1.58 million.

Expenses of benefits of the past two years

Unit: NTD		
Benefits/year	2023	2024
Life insurance	2,865,954	2,448,626
Health checkup	1,130,986	1,277,437
Childbirth and childcare subsidies	1,450,000	1,580,000
Wedding subsidies	543,400	447,020

Key Benefit Measures

Benefit Category	Benefit details
Life insurance	Life insurance, accident insurance, medical insurance, cancer insurance, occupational hazard insurance
Health insurance	Health insurance
Health checkup	Health checkups once a year
Employee catering	Establishment of employee cafeterias (subsidized 50%)



Pension Plan

Contribution Plan	Description
Pension fund contribution plan	<ul style="list-style-type: none"><li>Old scheme: The employer makes contributions equal to 2% of workers' monthly salaries into a labor pension fund account</li><li>New scheme: Contributions equal to 6% of employees' monthly compensations are made into their individual accounts held with the Bureau of Labor Insurance</li></ul>
Contribution as a percentage of remuneration	7%

Other Benefit Measures

The Company's Employee Welfare Committee ensures that 0.15% of the operating revenue and 20% of the income from the sale of scrap are contributed to the benefits pool on a monthly basis. The Employee Welfare Committee continues to organize activities that aim to relieve stress and promote interactions between employees. Below are some of the benefits arranged by the committee:

1. Domestic and foreign group trips

2. Childbirth, wedding, funeral, hospitalization, and military service subsidies

2.1 Childbirth subsidy:
  - Single birth: NT\$50,000
  - Twins: NT\$100,000
  - Triplets: NT\$150,000
  - Additional births are calculated at a proportional rate

2.2 Childcare subsidy:  
Applicable to children below the age of 6 who are registered in the same household as the Company's employee; paid at NTD 10,000 per child per household per year.
3. Emergency relief

4. Children's scholarships

5. Festival bonuses

6. Sports and recreational equipment

7. Birthday celebrations: birthday cake, birthday cash



Childcare benefits and unpaid parental leave

Employees who have childcare needs are entitled to apply for unpaid parental leave according to laws. Kaori not only offers childbirth subsidies in response to the government's birth incentives, but also tends to the needs of working mothers with the establishment of nursery rooms that cater to employees' individual and family needs. In 2024, three male employees and two female employees applied for unpaid parental leave. During the same year, three male employees and seven female employees returned to work upon completion of their leave, resulting in a reinstatement rate of 100%.

Single birth: NT\$50,000

Twins: NT\$100,000

Triplets: NT\$150,000

Additional births are calculated at a proportional rate

Reinstatement and retention of unpaid parental leave

Category Items	Gender	2023	2024
No. of employees qualified for parental leave in the current year	Male	11	14
	Female	5	1
	Total	16	15
No. of employees applied for parental leave in the current year	Male	3	3
	Female	4	0
	Total	7	3
No. of people due for reinstatement in the current year (A)	Male	3	3
	Female	2	7
	Total	5	10
No. of people reinstated in the current year (B)	Male	3	3
	Female	2	7
	Total	5	10
Reinstatement rate (B/A)	Male	100%	100%
	Female	100%	100%
No. of reinstated employees due for reinstatement from unpaid parental leave in the previous year (C)	Male	0	3
	Female	2	2
	Total	2	5
No. of employees having worked for more than 12 months after reinstatement (D)	Male	0	3
	Female	2	2
	Total	2	5
Retention rate (D/C)	Male	-	-
	Female	100%	100%

Note: Reinstatement rate = actual total number of employees after parental leave (B) / total number of employees who should be reinstated after parental leave (A) \* 100%.  
Retention rate = Total number of employees who remained on the job for 12 months after completing the parental leave (D) / Total number of employees who were reinstated from the parental leave during the previous reporting period (C) \* 100%



7.5 Human rights protection and diversity inclusion

7.5.1 Human rights promotion and management

Kaori values human rights and enforces labor policies and a proper work spirit in a fair and respectful manner. The Company is committed to creating a culture of fairness, inclusivity, and open communication as well as shaping a work environment that protects human rights; it goes to great lengths to incorporate relevant values into employees' work activities and corporate culture. In addition to complying with national laws, the Company protects workers out of respect for their human rights and observes international conventions regarding gender equality, prohibition against all forms of discrimination, forced labor, child labor, and avoidance of long work hours. We do not tolerate any form of harassment, discrimination, or any behaviors that are against employment laws. Kaori reported no human rights violations in 2024. The Company completed its first third-party human rights due diligence during the year, in accordance with international human rights conventions, and continues to foster a culture of diversity, equality, and inclusion.

No human rights violations were reported in 2024	The first third-party human rights due diligence was completed
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Introduction to the Background of Human Rights Due Diligence

The assessment period for this due diligence was from July 2023 to June 2024. The assessment covered all employees in Kaori's Taiwan operations. Based on their past experiences at Kaori, the survey participants completed a human rights risk assessment questionnaire, which was subsequently verified by Deloitte. This assessment was conducted in accordance with the following international guidelines, directives, sustainability ratings, and standard-based issue frameworks: the UN Global Compact, the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights (UNGPs), the ILO Declaration on Fundamental Principles and Rights at Work, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration), and the EU Corporate Sustainability Due Diligence Directive (CSDDD). Through this process, Kaori aims to respond to customer expectations regarding robust human rights management and to demonstrate the Company's proactive approach to addressing actual and potential human rights risks arising from its operations.

Scope and Subjects of the Human Rights Due Diligence

- Assessment Scope:  
The scope of this human rights due diligence covers all members of Kaori Heat Treatment Co., Ltd.'s owned and operated facilities in Taiwan, including the Headquarters and Zhongli Plant 3, Zhongli Plant 1, Zhongli Plant 2, Zhongli Ziqiang Plant, and the Kaohsiung Plant.
- Survey subjects:  
Kaori's business model involves directly selling products and services to other enterprises rather than end consumers. Its production sites in Taiwan are located within the Zhongli Industrial Park and the Gangshan Benzhou Industrial Park. Under this operating structure, the identification of stakeholders is relatively straightforward. Considering the progress of human rights management and its practical implementation, this assessment targeted all employees within Kaori's owned and operated facilities in Taiwan, including both local and foreign employees. The human rights risk assessment questionnaire was distributed to all staff, with an emphasis on factual accuracy and relevance to real conditions to ensure precise risk identification. This approach helps maximize the effectiveness of the due diligence process based on sound risk management principles.

Human Rights Due Diligence Process

Phase	Description
Establishment of Human Rights Awareness	<ul style="list-style-type: none"><li>Designed training programs for both senior management and mid-level to frontline supervisors to help establish a foundational understanding of human rights management, thereby facilitating the effective execution of each stage of the due diligence process.</li></ul>
Identification of Human Rights Issues	<ul style="list-style-type: none"><li>Data Analysis: Conducted a contextual analysis of the target industry, business model, and management practices. This included reviewing international human rights standards, customer audit requirements, Kaori's internal human rights management policies, and competitor practices to define the potential scope of human rights risks within Kaori's own operations.</li><li>Key Interviews: Conducted key interviews with senior decision-makers to identify human rights issues valued by Kaori's leadership. The interview results were analyzed to confirm the scope of relevant human rights topics.</li><li>These findings served as the foundation for the formal risk assessment phase.</li></ul>
Human Rights Risk Assessment	<ul style="list-style-type: none"><li>Based on the human rights topics identified during the issue identification phase, a human rights risk assessment questionnaire was developed and implemented through a third-party survey platform. To ensure employees could respond in their native language, the Kaori team translated the questionnaire into English, Vietnamese, and Thai.</li></ul>
Verification of Human Rights Questionnaire Results	<ul style="list-style-type: none"><li>Based on the results of the human rights risk assessment questionnaire, document reviews and on-site inspections were conducted at Kaori's Zhongli and Kaohsiung facilities. Deloitte also carried out multiple employee interviews, including both random interviews and voluntary one-on-one meetings, to verify the questionnaire results and gain insight into Kaori's actual internal management practices.</li></ul>
Preparation of the Human Rights Investigation Report	<ul style="list-style-type: none"><li>A human rights due diligence report for Kaori was compiled to fully disclose the investigation process, related risk analysis results, and recommended actions.</li></ul>

Establishment of Human Rights Awareness

Human rights awareness training enhances employees' understanding of their rights and helps establish proper values. It supports the Company in reducing legal risks, strengthening brand image, increasing employee loyalty, and improving its capacity for diversity management in the context of international development.




The implementation status of human rights-related training in 2024 is shown in the table below:

Date	Training topic	Hours	Training group	Number of participants
May 20	Human Rights Awareness Training	1.5 hour(s)	Senior Management Team	21
June 12	Human Rights Awareness Training	1.0 hour(s)	Managerial Team	73
October 30	Human Rights Mitigation and Remedy Workshop	2.0 hour(s)	Business Units	21
December 5	Corporate Human Rights and Audit Response: The Critical Role of the Sales Department	1.0 hour(s)	Business Units	36




Identification of Human Rights Risk Issues

Potential human rights risks in Kaori’s operations were identified through interviews with senior management. Kaori identified a total of 23 human rights risk issues across four major categories, namely labor conditions, physical and mental health, diversity and inclusion, and ethical governance.




Labor Conditions

- A. Forced labor
- B. Talent Training and Development
- C. Working Hours
- D. Wages and Benefits
- E. Child Labor and Protection of Minors




Physical and Mental Health

- F. Physical and Mental Health
- G. Work-Life Balance
- H. Occupational Injuries and Diseases
- I. Public Health, Food, and Accommodation
- J. Safe Operating Guidelines
- K. Occupational safety



Diversity and Inclusion

- L. Maternity Protection
- M. Diversity and Inclusion
- N. Freedom of Speech and Expression
- O. Rights of Persons with Disabilities
- P. Freedom of Religion
- Q. Gender Discrimination
- R. Occupational Discrimination
- S. Freedom of Association
- T. Bullying and Harassment



Ethical Governance

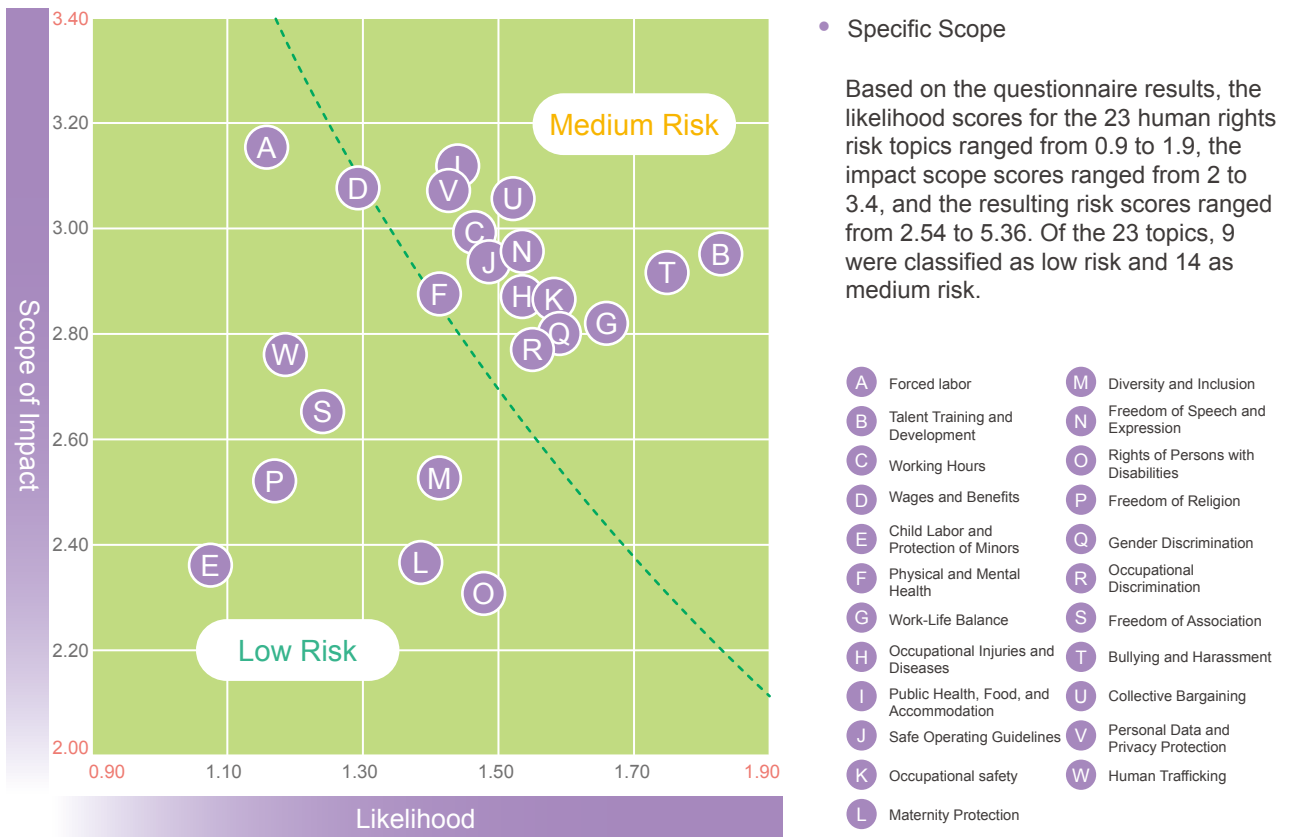
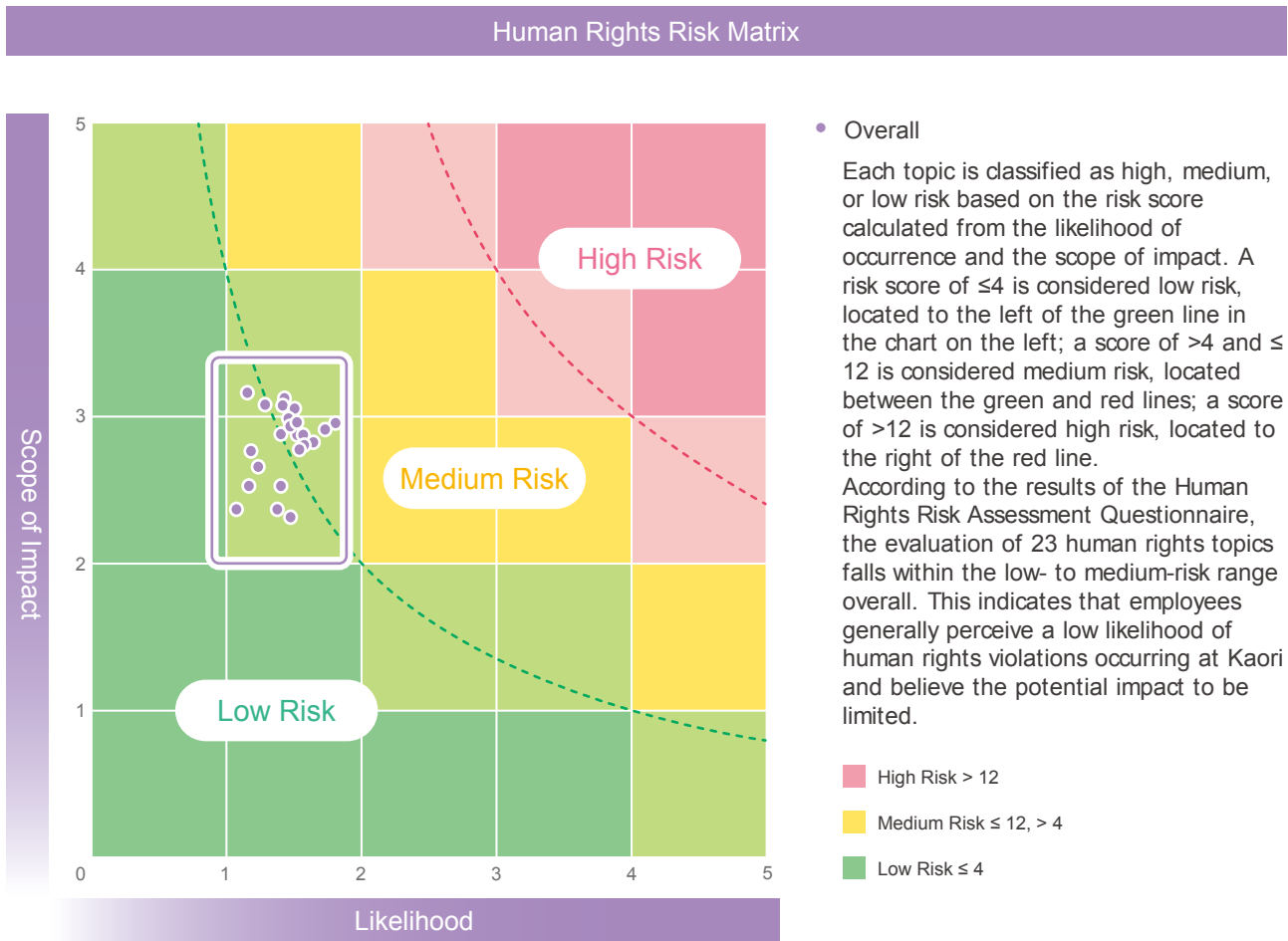
- U. Collective Bargaining
- V. Personal Data and Privacy Protection
- W. Human Trafficking

Human Rights Risk Issues and Corresponding Stakeholders

Issue Code	Issue	Risk Assessment Scenario	Stakeholders
A	Forced labor	The company restricts employees' personal freedom or forces them into involuntary labor, such as coercing them to work by withholding personal identification documents.	All employees
B	Talent Training and Development	The company does not provide adequate job training or internal transfer opportunities, thereby limiting employees' career development. Examples include insufficient training content, lack of clear career advancement paths or channels, or obstruction when employees apply for internal transfers.	All employees
C	Working Hours	Due to peak seasons, urgent business needs, or special operational circumstances, employees are required to work beyond the legal working hours. The company fails to implement proper overtime management, such as requiring employees to work overtime without their consent, failing to accurately record overtime hours, or imposing compensatory leave or schedule adjustments without employee approval.	All employees
D	Wages and Benefits	The wages paid by the company do not meet statutory standards, or there are practices such as arbitrary wage reductions, withholding of salaries, refusal to pay wages (including overtime pay), or unjust cancellation of legally mandated benefits.	All employees
E	Child Labor and Protection of Minors	The company fails to verify minimum age requirements when hiring underage employees or assigns them to hazardous or harmful work.	Child and underage job applicants
F	Physical and Mental Health	The company does not fulfill basic legal obligations regarding employee management and care. Examples include non-compliance with legal shift arrangements, inadequate rest periods, failure to implement epidemic prevention measures (such as not providing necessary protective supplies), or neglecting employees' physical and mental well-being by not offering access to psychological counseling services.	All employees

Issue Code	Issue	Risk Assessment Scenario	Stakeholders
G	Work-Life Balance	The company provides limited support to employees, making it difficult for them to balance work and personal or family life.	All employees
H	Occupational Injuries and Diseases	The company neglects occupational injuries or diseases, failing to properly prevent, manage, and follow up on employee illness or injury cases.	All employees
I	Public Health, Food, and Accommodation	The company does not provide clean and sanitary restroom facilities, drinking water, or dining areas for employees, or lacks adequate emergency shelters, thereby endangering employee health and safety.	All employees
J	Safe Operating Guidelines	The company does not provide safety operation instructions or emergency response guidelines that are accessible and understandable to all employees, making it difficult for them to perform their duties safely.	All employees
K	Occupational safety	The company fails to provide sufficient protective equipment and occupational safety training, exposing employees to safety risks. For example, workers are exposed to extreme temperatures without adequate protective gear.	All employees
L	Maternity Protection	The company lacks adequate and appropriate protection measures for pregnant or breastfeeding female employees, such as suitable work arrangements, health assessments, and ongoing monitoring.	Female employees
M	Diversity and Inclusion	The company fails to accommodate the diverse needs of different groups and does not provide a friendly and inclusive work and living environment. Examples include only providing policies in Chinese or showing a lack of respect for religious dietary or lifestyle practices.	All employees
N	Freedom of Speech and Expression	The company suppresses or restricts various forms of expression, preventing employees from filing complaints or freely expressing their opinions.	All employees
O	Rights of Persons with Disabilities	The company lacks accessible facilities, creating mobility barriers or making it difficult for employees with disabilities to perform their work.	Employees with disabilities
P	Freedom of Religion	The company forces employees to participate (or prohibits them from participating) in religious activities, treats employees unequally due to religious beliefs, or fails to respect religious practices by neglecting the need for appropriate spaces, food, or accommodations.	All employees
Q	Gender Discrimination	The company treats employees and job applicants unequally based on gender in recruitment, compensation, training, career development, or workplace interactions. Examples include gender-based filtering for certain positions or promotions.	All employees and job applicants
R	Occupational Discrimination	The company evaluates job applicants or treats employees differently based on non work-related factors, including but not limited to nationality, marital status, age, health information, or religious beliefs. Examples include unfair promotion policies, unequal task assignments, or discriminatory compensation practices.	All employees and job applicants
S	Freedom of Association	The company obstructs or prohibits employees from organizing or participating in civil groups such as political parties, labor unions, or associations.	All employees
T	Bullying and Harassment	The workplace involves situations where supervisors or colleagues abuse their power or position to mistreat others, including incidents of verbal or physical violence, intimidation, threats, bullying, or harassment (including sexual harassment).	All employees
U	Collective Bargaining	The company lacks a proper mechanism for labor-management negotiation, or fails to honor agreements reached after full communication between labor and management. For example, labor-management meetings are not held regularly, or resolutions passed during such meetings are not implemented.	All employees
V	Personal Data and Privacy Protection	The company arbitrarily collects employees' personal data without consent or monitors employees through unlawful means, thereby infringing on their right to privacy.	All employees
W	Human Trafficking	The company fails to implement appropriate preventive measures against human trafficking, such as establishing comprehensive monitoring procedures and systems, or providing educational training on human trafficking awareness.	All employees

The results of the human rights risk analysis indicate a medium-low level of risk



## Risk Mitigation and Remedy Measures for Human Rights Issues

Talent Training and Development	Bullying and Harassment
<p><b>Stakeholders</b></p> <p>All employees</p> <p><b>Preventive and Mitigation Measures</b></p> <ul style="list-style-type: none"><li>Propose the following year's training plan in the fourth quarter each year and implement internal and external training programs accordingly to enhance employee skills.</li><li>Assign mentors to new employees to strengthen on-the-job training.</li><li>Provide internal transfer opportunities based on business needs, employees' competencies, and individual preferences.</li><li>Incorporate training and talent development into performance reviews. Department heads are required to conduct self-assessments and evaluate the competency development and training outcomes of their team members during the appraisal process.</li><li>Foster a corporate culture that encourages employees to learn new technologies and methods to improve individual work efficiency.</li></ul> <p><b>Follow-up Remedy Measures</b></p> <ul style="list-style-type: none"><li>The Human Resources unit provides each department with the implementation results of the annual training plan, which serve as the basis for improving and adjusting the talent development plan for the following year.</li><li>Based on performance evaluation results, the Company identifies the professional or managerial competencies that need to be strengthened in each department and organizes relevant training programs accordingly.</li></ul>	<p><b>Stakeholders</b></p> <p>All employees</p> <p><b>Preventive and Mitigation Measures</b></p> <ul style="list-style-type: none"><li>Establish a code of conduct for employees that explicitly prohibits all forms of bullying and harassment, and regularly promote awareness of the policy.</li><li>Organize regular anti-bullying and anti-harassment training sessions to enhance employees' understanding of these issues. Help employees learn how to identify, prevent, and respond to bullying behaviors.</li></ul> <p><b>Follow-up Remedy Measures</b></p> <ul style="list-style-type: none"><li>Multiple grievance channels are available within the organization, with the privacy of complainants fully protected to ensure employees have adequate and trustworthy means of seeking redress.</li><li>Upon receiving a complaint, an investigation procedure must be initiated immediately. During the investigation, temporary protective measures should be taken, such as appropriate separation between the alleged offender and the victim.</li><li>Victims of bullying or harassment should be provided with necessary support and protection, including legal assistance, psychological counseling, and job reassignment if needed. Regular employee care and follow-up should be conducted.</li><li>Disciplinary actions should be taken against the offender, and legal liability should be pursued where applicable.</li></ul>
Work-Life Balance	
<p><b>Stakeholders</b></p> <p>All employees</p> <p><b>Preventive and Mitigation Measures</b></p> <ul style="list-style-type: none"><li>In accordance with the Labor Standards Act, flexible working hour options are provided to help employees balance work and family life.</li><li>Designated occupational safety and health personnel are assigned to offer health and psychological counseling services, supporting employees in addressing personal and family-related issues.</li><li>Annual assessments of employee workload are conducted to prevent overwork and ensure appropriate adjustments to assigned tasks.</li><li>Health seminars on time management and stress management are held to help employees improve work efficiency and strengthen their ability to cope with pressure.</li></ul> <p><b>Follow-up Remedy Measures</b></p> <ul style="list-style-type: none"><li>Communicate and coordinate with affected employees to understand their needs and difficulties, and adjust working hours or job assignments based on their feedback.</li></ul>	



7.5.2 Human Rights Management Implementation Status

Kaori’s “Personnel Management Regulations” clearly prohibit all forms of forced labor, imprisonment, bonded labor, prison labor, debt bondage (including labor in repayment of debt), human trafficking, and slavery. All employment must be based on the free will of the employee. In addition to complying with labor laws, the Company has established specific regulations for the management of migrant workers to protect their labor rights and interests. Kaori is committed to 100% compliance with relevant labor laws and regulations. In accordance with RBA standards, we publicly disclose our labor policies and require our suppliers to sign a Corporate Social Responsibility Code of Conduct Statement, which strictly prohibits the employment of child labor, the assignment of hazardous work to young workers, and all forms of forced labor.

Implementation Status of the Eight Key Human Rights Indicators in 2024

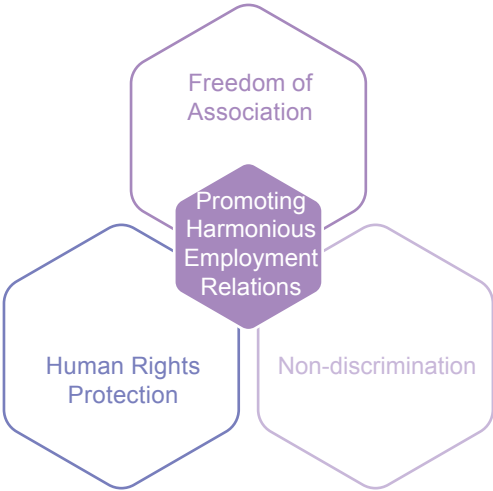
Human rights management policy	Specific plans
Diversity, inclusion, and equal opportunity	<div>1. We value the diversity of all employees and ensure equal treatment. Regardless of position, age, gender, or nationality, all team members are entitled to equal opportunities.</div> <div>2. Menstrual leave is better than the one under the Gender Equality in Employment Act.</div> <div>3. Full compliance in employing the legally required number of employees with disabilities.</div> <div>4. Home leave provided for migrant workers.</div>
Against discrimination, bullying, and harassment.	<div>1. Issue a statement against unlawful conduct, promote it through emails and the official LINE account, and display it on bulletin boards across all plant locations.</div> <div>2. Install anonymous suggestion boxes at each plant site.</div> <div>3. Invite psychologists or legal professionals to hold lectures or seminars.</div> <div>4. Upon identifying relevant issues, the Occupational Safety and Health Department will immediately initiate an investigation.</div> <div>5. Provide promotional materials in multiple languages.</div>
Comply with basic wage and reasonable working hours	<div>1. The working hours for mid-day and night shifts are reduced by 0.5 hours, which is more favorable than the daily working hour requirements stipulated by the Labor Standards Act.</div> <div>2. Entry-level employees are offered starting salaries that exceed the minimum wage requirements set by local regulations.</div> <div>3. Meal allowances are provided based on overtime hours.</div>
Prohibition of forced labor and child labor	<div>1. Comprehensive explanations of Company policies and job responsibilities are provided during interviews to reduce issues arising from information asymmetry.</div> <div>2. Comply with all relevant laws and regulations by strictly prohibiting the use of child labor, and implement a comprehensive review mechanism to prevent any misuse.</div> <div>3. Dispatch contracts explicitly prohibit the use of child labor.</div>
Healthy and Safe Workplace Environment	<div>1. Obtained the ISO 45001:2018 Occupational Health and Safety Management System certification.</div> <div>2. Fully equipped nursing rooms and medical rooms are available.</div> <div>3. Clean and well-lit office environment.</div> <div>4. Company facilities include heating and air conditioning, warm water sinks, and bidet toilet seats.</div> <div>5. Rest areas feature a coffee bar and massage chairs.</div> <div>6. Irregular health seminars are held and health information is provided.</div> <div>7. Doctors are stationed at the plants to provide health education and health consultations regularly.</div> <div>8. Employee health is managed, with follow-up and health guidance provided to those with abnormal health examination results.</div> <div>9. Provide a variety of club activities.</div> <div>10. Free physical health examinations are provided to employees annually.</div>

Human rights management policy	Specific plans
Implementation of Cybersecurity	<div>1. Obtained the 27001 - Cybersecurity Management System certification.</div> <div>2. Employees undergo regular cybersecurity testing.</div> <div>3. Computer security updates are performed on a regular basis.</div> <div>4. Cybersecurity awareness campaigns are regularly conducted to enhance all employees' cybersecurity awareness.</div> <div>5. Signed the “Computer Software Usage Agreement (Consent to Information Security Compliance)”.</div>
Promoting Harmonious Employment Relations	<div>1. Regularly hold labor-management meetings.</div> <div>2. Hold seminars for migrant workers from time to time.</div>
Grievance and Reports	<div>1. Set up grievance mailboxes and telephone numbers.</div> <div>2. Install anonymous suggestion boxes at each plant site.</div>
Others	<div>1. Recognized as an outstanding enterprise in the “Active Evaluation of Occupational Health and Safety Performance Disclosure in Corporate Sustainability Reports” by the Occupational Safety and Health Administration, Ministry of Labor.</div> <div>2. Completed the first third-party human rights due diligence.</div> <div>3. Approximately 425 participants attended the annual “Human Rights Re-education” program.</div> <div>4. Approximately 315 participants attended the “Climate Change and Environmental Policy” course.</div> <div>5. Approximately 540 participants attended the “Occupational Safety and Health Education and Training” program.</div> <div>6. Approximately 150 participants attended the “Corporate Human Rights and Practice Management” course.</div> <div>7. Since 2022, a total of 200 consultations have been provided by on-site physicians.</div>

Human rights and anti-discrimination

Kaori prohibits any form of sexual harassment, sexual abuse, corporal punishment, mental or physical coercion, or verbal abuse or inhumane treatment of employees. If employees have doubts about the Company's system or the management of officers, they can file a grievance in writing. The Administrative Management Division will handle the discrimination against the employee in accordance with the "Employee Reporting and Grievance Handling Procedures." With an independent and objective attitude, we seek to understand as soon as possible. If the investigation results are true, the Company will punish the discriminator and inform the complainant of the outcome.

Under the control of the effective mechanism, there were no related discrimination cases in 2024. In addition, we also conduct human rights communication and training, such as getting new employees to sign documents through new employee training courses, electronic official document reminders, requiring on-site personnel to sign, requiring suppliers to sign an ethical commitment, and customer confirmation during audits.



7.5.3 Labor-Management Communication

Good labor-management communication helps the Company improve weaknesses and develop the solid foundation needed to raise competitiveness. The Company provides a broad diversity of communication channels that employees can use to express opinions. Kaori believes that effective communication and bilateral interaction between labor and management is a useful way of uniting employees. Employees who have physical or mental disabilities are offered assistance from a variety of sources; meanwhile, efforts are made to learn and adjust their workload and to provide care, support, and assistance where possible.

Employees are able to express opinions through the Employee Welfare Committee, labor-management meetings, the grievance mailbox, and the grievance hotline. Kaori has the “Regulations for Implementing Labor-Management Meeting” in place to support a harmonious work environment. Labor-management meetings are held once every three months to facilitate communication and cooperation between labor and management for the benefit of both sides. The Company also ensures that all of the employees' opinions, suggestions, and feedback are handled by dedicated personnel. Meanwhile, systems have been implemented to protect employees from all forms of retaliation and threat. Although the Company does not have a labor union or collective bargaining agreement, it holds regular labor-management meetings and has transparent communication channels in place.

Matters to be discussed in labor-management meetings:

- Regular announcements and reminders of various bonus distribution matters
  - Employee annual physical examination and employee health consultation services
  - Distribution of employee remuneration
  - Promote various employee activities and organize publicity, including annual year-end parties.
- Annual calendar publication
  - Establish online employee communication channels, such as various social networking sites, to increase two-way communication with employees without time difference

A total of five such meetings were convened in 2024, and each meeting had 10 participants. No grievance were raised internally and no misconduct report was raised externally during the year. Kaori handled the report according to relevant policies and will continue following up on subsequent progress while taking preventive measures.

Grievance Channels



Grievance mailbox: [jocelyn@kaori.com.tw](mailto:jocelyn@kaori.com.tw)



Grievance hotline: 03-4527005 #236

All-round communication channels, diverse, two-way, and open response mechanism, through the implementation of employee communication and feedback, so that colleagues' voices can be effectively handled and responded to, and colleagues' doubts are resolved through a fair, confidential, and expedited handling process to build a good labor-management relationship.

Diversification of Labor-management Communication Channels

The Company respects employees' legal rights to freedom of assembly and association. Establish labor-management meetings, occupational safety and health committees, and employee welfare committees in accordance with the following table:

Meeting name	Meeting chairperson	Frequency of meetings	2024 Feedback issues
Labor-management meetings	Labor-employer rotation	Once a quarter	No material issues
Occupational Safety and Health Committee	Labor-employer rotation	Once a quarter	No material issues
Employee Welfare Committee	Chairperson	Once a quarter	No material issues
Grievance/Whistleblowing Evaluation Committee	Committee rotation	According to actual needs	No material issues
Sexual Harassment Review Committee	Committee rotation	According to actual needs	No material issues

We adhere to the principle of information confidentiality. Employees or potential employees raise any questions, suggestions, complaints or grievances to their supervisors or managers in good faith, or participate in the investigation or handling of any of them in any way. No employee will be subjected to dismissal, blacklisting, discrimination, harassment, intimidation, retaliation, or any other adverse employment decision for doing so.

7.5.4 Freedom of Association

Kaori respects and protects the legal rights of employees to form or join organizations, as well as their rights to collective bargaining and peaceful assembly. Furthermore, we undertake not to inflict unequal treatment on employees who participate in the above association activities, nor to use rewards or intimidation to control or attempt to control employees. The Company shall not interfere with employees in establishing their own charters and rules, freely choosing their representatives, managing their organization and activities, and creating their own plans. Under the open association system, employees are not subject to retaliation, threats, or harassment, and they can openly communicate with the Company about work and management issues. Although Kaori does not have a collective agreement, employee rights are protected through mechanisms such as labor-management meetings.


7.5.5 Minimum notice periods regarding operational changes

Should the Company encounter a major change of operation that affects employees' rights or terms of employment, we comply with the "Labor Standards Act" regarding the minimum notice period for terminating labor contracts, as outlined below:

- If the individual has served at the Company for more than three months but less than one year, the notice shall be given ten days in advance.
- If the individual has served at the Company for more than one year but less than three years, the notice shall be given twenty days in advance.
- If the individual has served at the Company for more than three years, the notice shall be given thirty days in advance.



7.6 Workplace Safety and Health

Material issues	Management Approach
 Workplace safety and health	<b>Policy</b> 1. Comply with occupational safety laws and regulations; protect safety and health; 2. Cherish workers' lives; raise safety awareness; 3. Emphasize workplace discipline; promote workplace safety and health; 4. Implement self-management; strengthen audit and inspection; 5. Provide adequate counseling and communication; 6. Continuously review and improve; move towards sustainable development
	<b>Goal</b> To establish a safety culture and create an occupational disaster-free work environment
	<b>Commitment</b> To reduce the risk of occupational accidents and provide a quality occupational safety and health work environment through continuous improvement and systematic operation, moving towards the goal of zero incidents and sustainable development
	<b>Measures</b> 1. Based on "ISO 45001:2018 Occupational Safety and Health Management System" and the "Occupational Safety and Health Act" 2. Comply with occupational safety and health laws and other requirements, establish hazard identification and classification management system to reduce occupational safety and health risks 3. Occupational safety and health system, self-inspection, maintenance, repair, and management, and safety and health audit operations 4. Occupational safety and health education and training, emergency response and drills, and work environment measurement

In order to establish a corporate safety culture, Kaori is committed to providing employees, customers, business partners and other stakeholders with a safe, comfortable and healthy workplace environment. In 2023, Kaori successfully implemented the ISO 45001:2018 Occupational Health and Safety Management System and obtained third-party international certification. With the management system framework, we implement the PDCA cycle concept focusing on safety and health to continuously improve the safety of the working environment in each factory, reduce and eliminate workplace hazards and related illness, and aims to achieve sustainable operations while fulfilling our social responsibility.

Awarded in 2024 as an outstanding enterprise in the “Active Evaluation of Occupational Health and Safety Performance Disclosure in Corporate Sustainability Reports” by the Occupational Safety and Health Administration, Ministry of Labor, in recognition of the Company’s performance in occupational health and safety management and its contribution to enhancing the sustainable value of a healthy workforce.

To guide enterprises in practicing the Sustainable Development Goals (SDGs) and promote the mainstreaming of occupational health and safety across supply chains, the Occupational Safety and Health Administration, Ministry of Labor encourages companies to disclose their sustainability performance in accordance with the GRI 403: Occupational Health and Safety standards. By using leading indicators to demonstrate their performance in occupational health and safety management, companies are able to create dignified, friendly, healthy, and joyful workplaces. These indicators are widely applicable to all enterprises for disclosing relevant performance, showcasing their resource investment and quantifiable outcomes in occupational health and safety, thereby enhancing both a healthy workforce and corporate competitiveness.

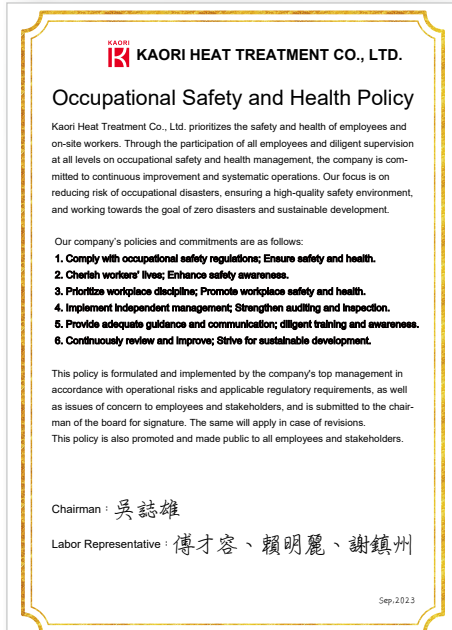


Receiving this award once again highlights Kaori's long-term planning and commitment to sustainable development. Looking ahead, Kaori will continue to promote more innovative and concrete measures to further enhance its occupational health and safety standards, strengthen corporate social responsibility, and build a safe and sustainable workplace.

7.6.1 Occupational Safety and Health Policy and System






Kaori's occupational health and safety policy has taken into account the following considerations:

Organizational Characteristics	Including the organization's mission, scale, the nature of its products or services, and the complexity of the workplace.
Occupational Health and Safety Risks and Opportunities	Understand the occupational health and safety risks and opportunities faced by the organization through hazard identification and risk assessment.
Legal and other requirements	Comply with all legal and other requirements applicable to the occupational health and safety of the organization.
Stakeholders' expectations	Consider the expectations of the organization's stakeholders, including employees, customers, investors, and regulatory authorities.



With the above considerations in mind, Kaori has redefined appropriate occupational safety and health policies to ensure a safe and healthy work environment, prevent work-related injuries and diseases, and continuously improve occupational safety and health performance.

2024 Benchmark Implementation Results

 Hazard identification	<ul style="list-style-type: none"><li>• Total Identified at the Plants: 1161</li><li>• Risks and Opportunities: 60</li></ul>	 Regulatory Audits	<ul style="list-style-type: none"><li>• No. of Regulations: 304</li></ul>
 Accident investigation	<ul style="list-style-type: none"><li>• Occupational Incidents: 6</li></ul>		
 Goals and Management Plans	<ul style="list-style-type: none"><li>• Total: 21</li></ul>	 Internal Safety and Health Audits	<ul style="list-style-type: none"><li>• No. of Audit Items: 285</li><li>• No. of Non-Conformances: 22</li></ul>

Implementation of safety and health indicators in 2024

Occupational safety and health indicators		Scoring criteria	Target value	Actual value
Proactive performance indicators				
1	Target management program achievement rate (%)	[1 - (Number of overdue cases/total cases)] *100%	100%	95%
2	Operational control achievement rate (%)	[1 - (Number of overdue cases/total cases)] *100%	100%	100%
3	Improvement rate of risks and opportunities (%)	(Number of risk improvement cases/Number of discovered cases) *100%	100%	100%
4	Total Recordable Incident Rate (TRIR)	(Number of recordable occupational injuries / Total hours worked × 200,000)	<0.39	99%
5	Occupational Injury Fatality Rate per Thousand Employees	(Number of occupational injury fatalities / Average number of employees per year)	0	0
6	Near Miss Frequency Rate (NMFR)	(Number of near miss incidents / Total hours worked) × 1,000,000	-	0
7	Compliance rate of the actual values with legal standards for the operating environment monitoring (%)	[1 - (Number of cases exceeding the legal standard value/ Total measured cases)] *100%	100%	100%
8	Education and training efficiency (%)	[1 - (Number of outstanding cases/total cases)] *100%	100%	100%
9	Readiness rate of personnel with recognized certifications (%)	[1 - (Number of employees without recognized certificates/ Number of employees required to have recognized certificates)] *100%	100%	100%
10	Compliance rate with regulations and other requirements (%)	(Number of action plans taken/Total number of nonconformities) *100%	100%	100%
11	Automated inspection implementation rate (%)	(Items implemented/items to be implemented) *100%	100%	100%
12	Health checkup implementation rate (%)	(Number of people who underwent the check / Number of people required to undergo the check) *100%	100%	100%
13	Occupational safety and health committee participation rate (%)	(Number of participants/total number of participants required) *100%	100%	91%
Passive performance indicators				
1	Disabling injury frequency rate (FR)	(Number of disabling injuries x 1,000,000)/Total working hours	<1.92	4.95
2	Disabling injury severity rate (SR)	(Number of days lost due to disabling injuries x 1,000,000)/ Total working hours	<65	49
3	Fragile States Index (FSI)	√(F.R.Í.S.R./1,000)	<0.35	0.49
4	Annual health checkup abnormality rate (%)	(Number of people with abnormality/total number of people undergoing annual health checkup) *100%	<85%	70%
5	Contractor disabling injury frequency rate (FR)	(Number of disabling injuries x 1,000,000)/Total working hours	<1.92	0
6	Percentage of false alarms, ill health, and property damage cases investigated and analyzed (%)	[1 - (Number of cases not investigated and analyzed/ Number of cases to be investigated and analyzed)] *100%	100%	100%


- Note:
- 1. The FR and SR targets are based on the data of “Machinery and Equipment Manufacturing Industry” according to the statistics of the Ministry of Labor in 2024 (peers reference)
  - 2. The TRIR target is estimated based on the data of “Machinery and Equipment Manufacturing Industry” according to the statistics of the Ministry of Labor in 2024 (peers reference)
  - 3. No target value is defined for the Near Miss Frequency Rate (NMFR), as the number of near miss incidents is often closely related to employees' willingness to report rather than the actual level of risk. To prevent data distortion caused by over-reporting or selective reporting, no target value is set.
  - 4. Number of people with abnormal health checkup: Personnel classified as Levels 3-4 according to the health checkup report in 2024

Worker involvement

Safety and health are an eternal issue for enterprises and the basic right of every worker. Worker participation in safety and health is a key factor in improving occupational safety and health performance. According to the ISO 45001 occupational safety and health management system standard, worker participation refers to the participation of workers at all stages of the planning, implementation, evaluation, and review of an occupational safety and health management system.

In order to encourage workers to participate in the PDCA, Kaori expects to:


Raise safety and health awareness	By participating in safety and health management, workers can raise their awareness of and attention to safety and health.
Improve safety and health performance	Workers can provide first-line information and advice to help enterprises effectively identify and control hazards.
Improve job satisfaction	By participating in safety and health management, workers can feel the Company's respect and care for them, thereby improving work satisfaction.



Consultation and Communication

Workers have the right to offer opinions and suggestions on safety and health matters.

Create a Kaori's dedicated safety, health, and wellness area, leveraging the convenience, immediacy, and privacy of LINE to lower the threshold for workers to participate in safety and health management.



Education and Training

Workers shall receive necessary safety and health education and training.





Occupational Safety and Health Training Implementation Results in 2024

Plant		Zhongli Plant				Kaohsiung Plant			
Safety and Health		Total training hours		No. of participants		Total training hours		No. of participants	
		Female	Male	Female	Male	Female	Male	Female	Male
Employee category	Direct	58.00	436.00	31.00	127.00	67.0	1,090.0	25.0	255.0
	Indirect	187.00	570.00	74.00	181.00	22.0	191.0	10.0	38.0
Job Classification	Managerial role	33.00	248.00	16.00	80.00	1.0	67.0	1.0	16.0
	Non-managerial role	212.00	758.00	89.00	228.00	88.0	1,214.0	34.0	277.0
Nationality Classification	Domestic	245.00	1,006.00	105.00	308.00	89.0	1,257.0	35.0	269.0
	Foreign	-	-	-	-	-	24.0	-	24.0
Age Classification	30 and below	22.00	112.00	11.00	39.00	1.0	104.0	1.0	24.0
	30-50	187.00	688.00	76.00	224.00	69.0	1,069.0	23.0	233.0
	50 and above	36.00	206.00	18.00	45.00	19.0	108.0	11.0	36.0
Total		1,251.00		413.00		1,370.0		328.0	
Average training hours		3.03 hours/person				4.18 hours/person			

2024 Safety and Health Committee Meeting Operations

Number of labor and management representatives on the Occupational Safety and Health Committee				Attendance and participation rate
Zhongli Plant		Kaohsiung Plant		
Labor	Employer	Labor	Employer	91%
13	18	4	7	



7.6.2 Occupational Safety and Health Committee

In order to listen to the opinions of employees and their representatives and encourage them to actively participate in all activities of interest in the occupational safety and health management system, we are committed to continuously eliminating the chance of hazards and achieving the effect of disaster prevention through continuous improvement. The Company has also assembled an Occupational Safety and Health Committee that consists of plant managers, occupational safety personnel, and worker-elected representatives. No. of committee members in the Zhongli Plants: A total of 31 committee members in the Zhongli Plants, including 9 in Zhongli Plant 1, 8 in Zhongli Plant 2, 7 in Zhongli Plant 3 (including worker health service personnel), and 7 in Ziqiang Plant , as well as 11 committee members in the Kaohsiung Plant.

The Occupational Safety and Health Committee convenes meetings regularly to discuss, promote, review, supervise, and resolve issues concerning occupational safety, health, and environmental protection. Through regular supervision and execution of improvement plans, the committee is able to promote work safety awareness among plant workers and take steps toward reducing the injury rate and contributing to the Company's zero hazard vision.

Number of Occupational Safety and Health Committee members in each plant				
Zhongli Plant 1	Zhongli Plant 2	Zhongli Plant 3	Ziqiang Plant	Kaohsiung Plant
9	8	7	7	11
There are a total of 31 committee members in the Zhongli Plants				There are a total of 11 committee members in the Kaohsiung Plant

Overview of Occupational Safety and Health Committee Meetings in 2024:

Safety and health committee meetings	Meetings are held quarterly/four meetings per year according to law
Key resolutions and actions	<ul style="list-style-type: none"><li>Stakeholder needs and expectations.</li><li>Ensuring compliance with legal and other requirements.</li><li>Planning, establishing, implementing, and maintaining audit programs.</li><li>Implementation plan for safety and health education and training.</li><li>Work environment monitoring plans, monitoring results, and corresponding actions.</li><li>Health management, occupational disease prevention, and health promotion measures.</li><li>Safety and health proposals.</li><li>Self-inspections and safety and health audit matters.</li><li>Preventive measures for hazards related to machinery, equipment, raw materials, or substances.</li><li>Occupational incident investigation reports.</li><li>Assessment of on-site safety and health management performance.</li><li>Safety and health management for contracted operations.</li></ul>

Organizational Chart of the Occupational Safety and Health Committee



Professional Certification and Training

Zhongli Site	
Certified occupational safety and health officers: 12	
<ul style="list-style-type: none"><li>Class-C occupational safety and health managers: 2</li><li>Class-C occupational safety and health managers (construction industry): 1</li><li>Class-A occupational safety and health managers: 4</li></ul>	<ul style="list-style-type: none"><li>Class B occupational safety and health officers: 2</li><li>Class A occupational safety and health officers: 2</li><li>Professional nurses: 1</li></ul>
*The above licenses are in compliance with the laws and regulations and are valid and have completed the retraining.	
Employees subjected to relevant safety and health training: 226	
<ul style="list-style-type: none"><li>Fire safety managers: 6</li><li>Organic solvent operations managers: 5</li><li>Dust operations supervisors: 1</li><li>Hypoxia operations supervisors: 3</li><li>Pressurized gas supply and consumption supervisors: 3</li><li>Pressurized gas production safety officers: 2</li><li>Special chemical substances supervisors: 4</li><li>1-tonne+ forklift operators: 36</li><li>First-aid personnel: 18</li></ul>	<ul style="list-style-type: none"><li>Oxy-fuel welding operators: 2</li><li>Crane operators: 73</li><li>Crane operators for loads of 3 (5) tonnes or more: 3</li><li>Stationary crane operators (for loads less than 3 tonnes): 55</li><li>Radiation protection training in place of Radiation Safety Certificate: 3</li><li>Pressurized gas equipment operators: 12</li></ul>
Kaohsiung Plant	
Certified occupational safety and health officers: 2	
<ul style="list-style-type: none"><li>Class-A occupational safety and health managers: 1</li></ul>	<ul style="list-style-type: none"><li>Class B occupational safety and health officers: 1</li></ul>
*The above licenses are in compliance with the laws and regulations and are valid and have completed the retraining.	
Employees subjected to relevant safety and health training: 34	
<ul style="list-style-type: none"><li>Forklift operators: 7</li><li>Stationary crane operators: 18</li><li>Pressurized gas equipment operators: 3</li></ul>	<ul style="list-style-type: none"><li>Retraining for first-aid personnel: 4</li><li>Fire safety managers: 1</li></ul>

7.6.3 Labor health services

- Nurse (occupational health) primary tasks:
  - Complete employee health checkups (for general and special operations).
  - Apply tier-based management for general and special health checkups and offer health guidance and knowledge.
  - Suitability assessment and reinstatement of new recruits and existing employees.
  - Implement and evaluate the four main programs (abnormal workload, ergonomic, maternity, and over-stress).
  - Implement and evaluate the senior program, respiratory protection program, and hearing protection program.
  - Organize first-aid personnel training programs.
  - Maintain the Company's LINE health promotion fan group. Through the fan group's functions, establish occupational safety and health-related reporting content (including occupational hazard reports, false alarm incident reports, maternity protection reports, and unlawful harassment reports). This platform not only provides employees with more accessible health consultations and promotion channels but also enables real-time reporting, allowing occupational safety personnel to intervene and address issues promptly.

2024 Promotion Highlights:

Kaori values the health and safety of its employees. In addition to annual health checkups, the Company is progressively enhancing health management and skill training for employees through the following measures:

1. Improve and prevent occupational illness at plant sites:  
By leveraging the expertise and knowledge of both general practitioners and medical specialists, Kaori aims to identify hazards associated with the workplace and operations and provide employees with the knowledge and recommendations needed to avoid occupational hazards and accidents.
2. Enhance emergency response and first-aid skills at plant sites:  
Kaori will train first aid personnel from time to time and organize courses that other employees may take part in from time to time. These training efforts will help improve emergency response and crisis awareness of plant workers, and strengthen employees' knowledge on emergency aid.
3. Promote employees' health awareness: Distribute health-related articles to enhance employees' knowledge of health.
4. Fulfill ESG and corporate social responsibility: Organize blood donation events in line with the Company's sustainability philosophy, with employees actively participating in the initiative.



5. Organize health promotion activities:  
A three-month small-group weight loss program was held, featuring courses led by dietitians and fitness coaches. The initiative aimed to help employees learn how to choose healthy and nutritious foods and manage their weight effectively.
6. Actively promoted workplace health promotion activities and measures, and obtained the "Badge of Accredited Healthy Workplace" from the Health Promotion Administration, Ministry of Health and Welfare. The certification is valid from January 1, 2025 to December 31, 2027. (As shown on the left)

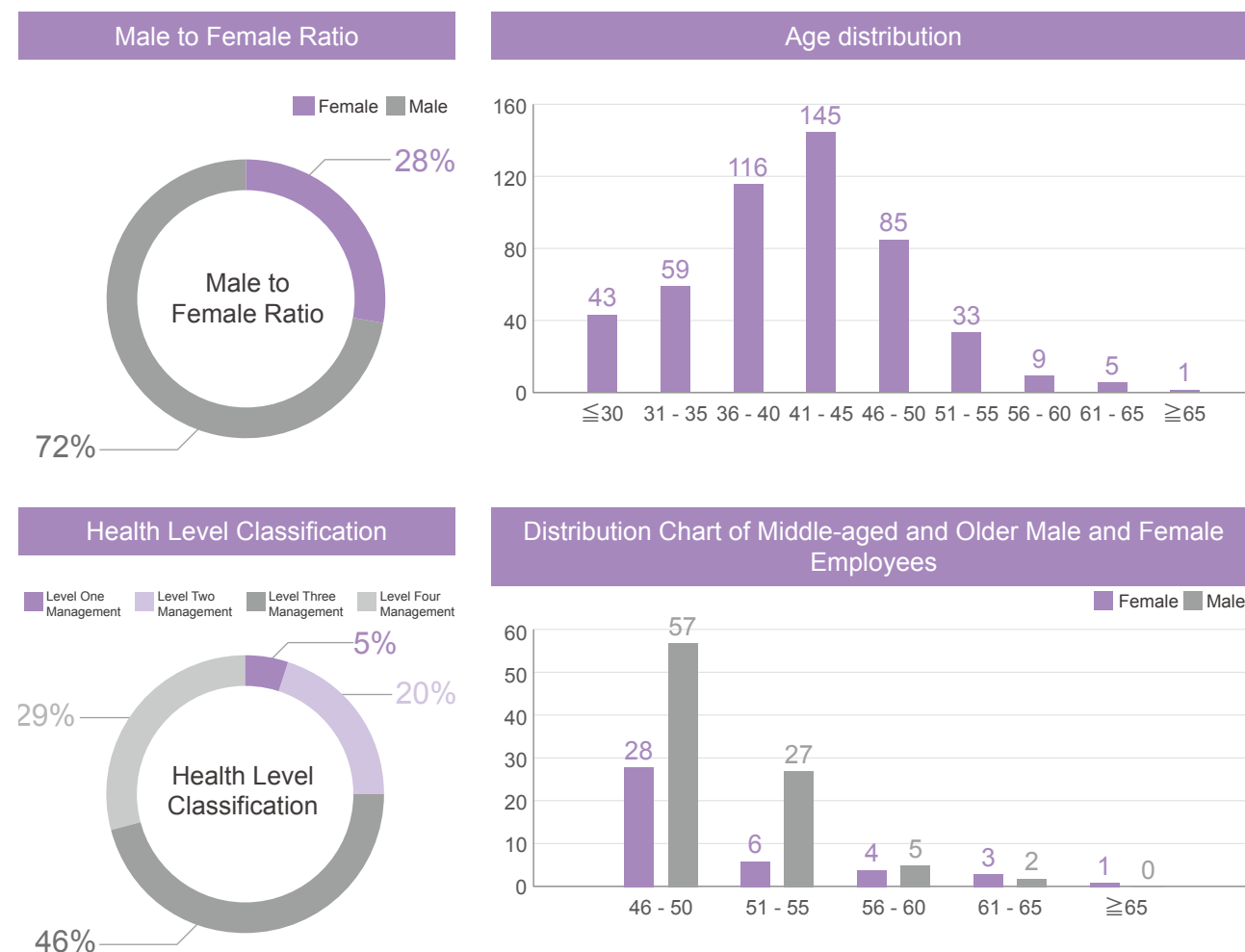


## Employee health checkups

Kaori has long been committed to “protecting the safety, health, and welfare of workers and stakeholders, preventing occupational hazards, and promoting employees' physical and mental health”, and has implemented policies that are more stringent than what the laws require. The Company organizes employee health checkups once a year. An organization-wide health risk assessment is conducted after each checkup report to highlight high-risk employees for consultation and regular follow-up with physicians and to identify medium-risk employees for health-related discussions.



### • Execution of employee care programs in 2024:



### • Five Major Protection Programs

Maternity health protection program	No. of people the medical staff interviewed: 8
Respiratory protection plan	No. of people the doctors interviewed: 20
Middle-aged and elderly job suitability assessment plan	No. of people the doctors interviewed: 0 (no eligible cases required interviews this year)
Ergonomic hazard prevention plan	No. of people the medical staff interviewed: 34
Illness prevention program for abnormal workload	No. of people the medical staff interviewed: 36
Unlawful harassment prevention plan	No. of cases accepted this year: 0

### • Health checkups risk management

New recruits	No. of people who received medical consultations and recommendations: 38
Annual health checkup	No. of people who received medical consultations and recommendations: 409

### • Injury and illness care and support

General injury and illness health care follow-up:	17 persons
Occupational injury health care follow-up	18 persons (including commuting accidents)

### • Regular follow-up and support

Health care follow-up for employees with chronic illnesses:	50 persons
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### • Measures taken for promoting employees' health in 2024

- Sports Clubs:**  
Kaori has established a yoga club and a fitness boxing club and hired professional instructors to teach and improve employees' state of health.
- The Company also engages qualified caterers to manage employee cafeterias and invites professional nutritionists to design menus that correct the irregular, high-fat, high-salt, and high-sugar diets of the modern population, thereby improving employees' state of health.



- Health-related articles are disseminated on a weekly basis.
- Weight Loss Program:**  
A total of NTD 25,000 in rewards was distributed (including group and individual prizes).

### Program Results and Performance

Weight↓3.09%	Visceral fat↓11.65%
Waistline↓2.73%	Body Mass Index
Body fat percentage	↓2.31%
↓9.34%	

7.6.4 Occupational Safety and Health Training and Promotion

In order to reduce occupational hazards and establish a safety culture at Kaori, we first emphasize safety and health education and training. Only by instilling safety awareness in everyone can we unite the entire team to create a safe working environment together.

- Themes and focuses of occupational safety-related training in 2024:
  - Occupational Safety and Health Training at the Plant:

Safety and health awareness is promoted irregularly during monthly meetings. The topics covered include recent plant safety issues, current social events, and themed training sessions.
  - Occupational Incident Investigator Training:

Employees received training to become occupational incident investigators, enabling them to identify the root causes of workplace accidents and implement corrective measures to reduce the incidence of occupational injuries.
  - Safety and Health Training for Contractors:

As contractor operations are often a source of safety vulnerabilities within the plant, Kaori conducted a safety and health training session specifically for all outsourced contractors on April 12, 2024. This initiative aimed not only to strengthen overall plant safety and hygiene but also to foster shared growth and address potential safety gaps.
  - Prevention of Unlawful Infringement in the Workplace:

Workplace violence is not limited to physical assaults; it also includes verbal abuse, exclusion, and sexual harassment. Since most incidents stem from inappropriate verbal expressions, Kaori invited a counseling psychologist to use their professional knowledge and experience to guide employees on how to communicate effectively and express their thoughts and emotions in a kind and respectful manner.
  - New employee education and training, occupational safety and health management personnel training, fire management personnel training, plant fire drills, forklift operator training, training for pressurized gas equipment operators, first aid personnel training, training for stationary crane operators, training for pressurized gas equipment operators, hypoxic work supervisor training, respiratory gear fit test training, acetylene welding equipment operator training



6. Ergonomic Hazard Prevention Training

Repetitive tasks are often a primary cause of musculoskeletal injuries. To address this, Kaori specially invited a physical therapist to visit the plant workplaces, helping employees identify the ergonomic risks associated with their jobs. The therapist also provided preventive measures and self-directed musculoskeletal exercises to alleviate physical discomfort caused by prolonged work.



7.6.5 Promotion of Work Injury Prevention

The following measures have been taken to promote employees' awareness of work injury prevention:

- Unscheduled promotion during monthly meetings
- Occupational hazard awareness at plant sites
- Training for first-aid personnel
- Training for supervising personnel:
- Training on hazard identification

7.6.6 System for statistical recording of work-related injuries and reporting of false alarms

Kaori investigates each incident of occupational hazard according to its accident reporting, resolution, and investigation procedures (SH-P-00-0017). Findings have been reported in the 2024 In-plant Hazard Report. The report not only records the occurrence of occupational incidents, but also includes detailed analysis of statistical data. Meanwhile, occupational hazard data is reported on the Ministry of Labor's safety and health resume intelligent cloud website on a yearly basis. The Company will continue promoting awareness and enhance safety training and audits to prevent accidents.

Occupational Injuries for the Year

- There were 6 reports of occupational disasters in 2024, FR=4.95, SR=49, and FSI=0.49.

Plant	Zhongli		Kaohsiung	
	2023	2024	2023	2024
No. of reported cases	4	3	1	3
Disabling injury frequency rate (FR)	4.9	5.46	2.43	10
Disabling injury severity rate (SR)	4	7	2	185
Fragile States Index (FSI)	0.15	0.195	0.06	1.36
Occupational injury fatality rate	0	0	0	0

Remarks: Occupational injury statistics exclude traffic accidents.  
Disabling Injury Frequency Rate (FR) = Total number of disabling injuries / Total hours worked × 1,000,000  
Disabling Injury Severity Rate (SR) = Total lost workdays due to disabling injuries (excluding fatalities) / Total hours worked × 1,000,000  
Frequency-Severity Index (FSI) =  $\sqrt{(FR \times SR / 1,000)}$   
Occupational Injury Fatality Rate = Number of fatalities caused by occupational injuries / Total hours worked × 1,000,000

7.6.7 Occupational safety and health management review

To ensure that the occupational safety and health management system can continue to maintain its appropriateness and effectiveness, and comply with national and international standards, all occupational safety and health management-related operations, activities, and services are compliant with occupational safety standards through the leadership commitment of the senior management and all occupational safety and health management-related operations, activities, and services. The 2024 review meeting was held on December 24, with a total of 22 participants.



Kaori's co-prosperity in society has four major directions: academic exchange, environmental education, humanitarian care, and care for the disadvantaged. The management measures include: academic exchange and industry-academia collaboration, environmental education and practice, and social welfare and donations to assist disadvantaged groups. We also promote care for the disadvantaged in a more direct way and actively fulfill our corporate citizenship responsibility.

## 8.1 Policy and Management System

Based on the corporate commitment to social responsibility, Kaori promotes various social responsibility activities in accordance with the standards of the "Responsible Business Alliance (RBA) Code of Conduct." This includes the establishment of an "ESG Committee" and the presentation of performance data related to sustainable operations and social responsibility achievements in the company's sustainability report.

### Corporate Social Responsibility Policy

Kaori's overall ESG Social Responsibility policy is structured around six key focus areas: "environmental protection, friendly workplace, employee care, social co-prosperity, business integrity, and full participation":

 <p>Environmental protection</p>	<p>Fulfill social responsibilities and achieve the concept of corporate/environmental sustainability through process optimization, waste management, air/water pollution prevention, and continuous promotion of various energy-saving initiatives. We attach importance to the protection of environmental resources, actively promote greening of the factory area as well as energy conservation and environmental protection, adopt green and harmless substances in the production process, and classify and legally dispose of waste to reduce the generation of large amounts of waste and harm the environment of green Earth.</p>
 <p>Friendly workplace</p>	<p>Create a safe and healthy work environment, attract and retain key talents. Implement the establishment of a safe and friendly workplace by hiring persons with disabilities/enhancing talent training and persistent education and training. Regional evacuation and disaster prevention drills in scenarios such as fire and chemical leakage are arranged irregularly every year to reduce the impact of disasters.</p>
 <p>Care for employees</p>	<p>Comply with laws and regulations and establish a grievance mechanism to protect the personal safety of complainants. To enhance labor rights, Kaori not only complies with relevant laws and regulations but has also established and filed work rules, internal policies for sexual harassment prevention, grievance procedures, and management mechanisms to protect employee rights. To ensure that employees can fully express their opinions, each plant has a designated "mailbox" for feedback, and a whistleblower protection mechanism has been established to safeguard personal information and prevent unfair treatment of those involved. Kaori is committed to maintaining good labor-management relations.</p>
 <p>Co-prosperity in society</p>	<p>Promote social welfare activities. We continue to communicate with internal and external public welfare organizations, donate and sponsor disadvantaged groups, arrange regular environmental education, beach cleanup activities, and blood donations, encourage employees to actively participate, build consensus among employees, and comply with relevant corporate social responsibility regulations.</p>
 <p>Business integrity</p>	<p>Ethical employees and supervisors. The Company's corporate governance mechanism and operational information are open and transparent to fulfill its corporate citizenship responsibilities. To enforce our business integrity policy and establish a sound governance system, we have implemented policies such as "Anti-Corruption and Bribery," "Fair Trade," and the "Code of Business Integrity and Whistleblower Procedures."</p>
 <p>General participation</p>	<p>Encourage all employees to participate in the operation of external public welfare organizations, such as donating to disadvantaged groups and other public welfare activities, to fulfill corporate social responsibility; and to participate in various safety supervision and management operations within the enterprise to reduce the impact of disasters.</p>

# 8

## Co-prosperity in Society





8.2 Participation in External Organizations and Initiatives

Participation in External Organizations

As market demands become increasingly diverse and competition more intense, companies must actively seek new opportunities and resources when expanding into new markets. In 2024, Kaori became a new member of the Taiwan Electronic Equipment Industry Association, which helps us better understand the needs and challenges of emerging markets and discover new business opportunities through collaboration, thereby further expanding our market presence. Current participation in external organizations and positions held are as follows:

Name of the external organization	Position Held
Taiwan Thermal Management Association	Member
The Taiwan Society for Metal Heat Treatment	Member (Founding president)
Taiwan Association of Machinery Industry	Member
Cloud Computing & IoT Association	Member
Open Compute Project (OCP)	Member
Taiwan Hydrogen & Fuel Cell Partnership	Member
Taipei Computer Industry Association	Member
Taiwan Electronic Equipment Industry Association	Member

External Initiatives

For the third consecutive year (2022 - 2024), the Company participated in the "E.SUN ESG Sustainability Initiative" which was initiated by 32 like-minded corporate partners in 2021 to actively implement ESG concepts and actions through joint public initiatives. On October 18, 2024, the "E.SUN ESG Sustainability Initiative" was launched, bringing together over 160 outstanding enterprises and medical institutions from Taiwan and abroad to join the initiative and collectively commit to achieving sustainability goals for net-zero transition. E.SUN is committed to aligning with international standards by leveraging financial power and integrating the strengths of industry, government, and academia to accelerate the advancement of climate and environmental actions. The initiative aims to provide integrated financial and sustainability solutions, working together toward a new future of net-zero transformation.



8.3 Charity events

Implementation and promotion of social welfare activities

As a Taiwanese business, Kaori is grateful for the opportunities that have been bestowed upon it by Taiwan, and it has made a commitment to exert social influence by sharing this positive energy with more people. Driven by care for society, Kaori gives back by making charity donations and providing aid to underprivileged organizations. The Company will continue committing resources to supporting local cultural activities, such as promoting or sponsoring events of local performance groups or arts/cultural activities. A sum of NTD 290,141 was committed to this cause in 2024 (The details are shown in the table below). By providing appropriate support to parties in need, Kaori hopes to contribute what it can to create a better, more friendly environment.

Donations and sponsorships

Donee	Donation Amount NTD\$
The Taiwan Society for Metal Heat Treatment	105,400
Taiwan Thermal Management Association	100,000
National Kaohsiung University of Applied Sciences	34,741
National Central University	50,000



## Campus Company Visits

Campus company visits serve as an important bridge between academia and industry. These activities not only help students gain insights into industry trends and enhance workplace skills, but also support companies in brand building and talent recruitment, creating long-term value for both sides.

- September 11, 2024 - Okayama University, Japan



- October 2024 - Department of Mechanical Engineering, Chung Yuan Christian University



## Environmental education

- Kaori Actively Participates in Green Initiatives to Support Environmental Protection and Sustainable Development

In 2024, Kaori took part in the Green Enterprise Environmental Label Program organized by the Organic Living Environmental Education Promotion Association, demonstrating the Company's strong commitment to environmental protection. As part of the program, the Company not only participated in environmental seminars but also encouraged employees to actively engage in hands-on environmental actions, promoting the concept of green living and sustainable development.



On May 6, 2024, Kaori held an environmental seminar titled "The Relationship Between Environment, Life, and Health," which explored the significant impact of environmental protection on quality of life and human health. A total of 69 employees from various departments enthusiastically participated in the event, gaining valuable insights and deepening their awareness and concern for environmental issues.

In addition, on June 1, 2024, we participated in a beach cleanup event at Yong'an Fishing Port, where more than 60 employees and their family members actively joined the on-site cleanup efforts. The event yielded significant results, with approximately 126.78 kilograms of waste collected, making a tangible contribution to protecting the marine environment and promoting community cleanliness.

Kaori firmly believes that a company should not only pursue economic benefits but also take responsibility for society and the environment. Our participation in this event marks another step forward in fulfilling our corporate social responsibility, and we look forward to engaging in more green initiatives in the future.

## Blood Donation with Love and the Fulfillment of Corporate Social Responsibility

Kaori actively fulfills its corporate social responsibility and has organized blood donation drives for three consecutive years. All employees are encouraged to participate, spreading love through action and fostering a culture of kindness and compassion within society. During the blood donation events held on January 30 and August 6, 2024, Kaori employees responded enthusiastically, collectively donating 219 bags of blood and bringing hope to patients in need.





Appendices

Appendix I: ESG Performance

Category	Sustainability indicators	Unit	2022	2023	2024
Corporate governance	The Company's corporate governance evaluation ranking is in the 6th to 20th percentile among all listed companies.	%	36 ~ 50%	36 ~ 50%	51 ~ 65%
	Board Meeting Attendance Rate ≥ 95%	%	100%	97.78%	98.61%
Risk management	Examine the completion rate of hazard risk assessment by department	%	100%	100%	100%
	Evacuation and fire drills ≥ 1 times a year	%	1	1	1
Customer satisfaction	Customer satisfaction ≥ 80% → Brazed Plate Heat Exchangers Operations Management Department	%	80.8%	87%	80.8%
	Customer satisfaction ≥ 80% → Fuel Cell Business Division	%	84%	91%	98%
	Customer satisfaction ≥ 80% → New Business Department Hydrogen Energy	%	96%	84%	98%
Compliance	Violation of product or fair trade laws and regulations	Cases	0	0	0
	Violation of customer privacy or cybersecurity laws and regulations	Cases	0	0	0
	Non-compliance with product laws or patent regulations	Cases	0	0	0
	Non-compliance with air pollution laws and regulations	Cases	0	0	0
	Non-compliance with wastewater discharge regulations	Cases	0	0	0
	Non-compliance with waste management regulations	Cases	0	0	0
Product quality	Violation of labor, safety, and health regulations	Cases	0	0	0
	Pass the ISO 9001 Quality Management System certification every year	Passed	Passed	Passed	Passed
Supply chain management	Pass the Aerospace Quality Management System AS9100 every year	Passed	Passed	Passed	Passed
	Maintained average rating of qualified suppliers ≥ 85 points	Minute(s)	--	93.6 minutes	86 minutes
	All suppliers have signed the code of conduct, achieving a 100% completion rate.	%	100%	100%	100%
Energy conservation & carbon reduction.	Compliance rate of non-procurement of hazardous substances and conflict minerals	100%	100%	100%	100%
	Carbon inventory and third-party verification passed	Passed	Passed	Passed	Pending inspection
	Kaohsiung Plant's solar energy system launched	Achieve commercial operation	---	Commercial operation	Commercial operation
	Zhongli Plant 1: Implement electricity-saving projects ≥ 1%	%/Year	0.17%	6.08%	0.76%
	Zhongli Plant 2: Implement electricity-saving projects ≥ 1%	%/Year	3.03%	1.42%	0.54%
	Benzhou Plant: Implement electricity-saving projects ≥ 1%	%/Year	3.05%	6.19%	8.18%
Water resource management	Strengthening climate resilience: Production disruption caused by the disaster	0 day(s)	0	0	0
	Water recycling rate ≥ 8.5%	%	--	8.2%	44.2%
Waste treatment	Production loss due to water restrictions: 0 PCS	PCS	0	0	0
	Resource recycling rate ≥ 80%	%	--	81.88%	91.1%
Labor/management relations	100% of waste is disposed of by legal operators	%	100%	100%	100%
	Retention rate of new Taiwanese (at least 3 months) ≥ 80%	%	--	73.4%	93.6%
	Total attrition rate ≤ 5%	%	2%	2%	6.19%
	Unpaid parental leave reinstatement rate ≥ 90%	%	33%	100%	100%
Human rights protection	New employee training pass rate: 100%	%	100%	100%	100%
	Average annual employee training hours ≥ 15 hours	Hours	21	23.3	15.84
Human rights protection	0 cases of workplace abuse/bullying	Cases	0	0	0
	Employee complaint/Mediation cases: 1 case	Cases	0	0	0

Category	Sustainability indicators	Unit	2022	2023	2024
Health and safety	Passed ISO 45001 occupational safety and health system certification	Passed	--	Passed	Passed
	New employees' participation in safety and health education training reached 100%	%	100%	100%	100%
	Health checkup participation rate ≥ 80%	%	100%	82%	100%
	Completion rate for high-risk operator training reached 100%	%	100%	100%	100%
	Major occupational accidents ≤ 5 cases/year (excluding deaths)	Cases/Year	0	3	3
	Improvement rate for risks and opportunities reached 100%	%	100%	100%	100%
	Contractor disabling injury frequency rate <1.77	Cases/Year	0	0	0
	Disabling injury frequency rate (FR) <1.77	%/Year	20.7	4.08	4.95
	Disabling injury severity rate (SR) ≤ 35	%/Year	4.7	4.08	49
	Fragile States Index (FSI) < 0.249	%/Year	0.31	0.129	0.49

Appendix II: Comparison of GRI: 2021

General disclosure (2-1 ~ 2-30)				
GRI indicators		Corresponding ESG chapters	Page	Remarks
Organization and Reporting Practices	2-1 Details of the organization	2.1 Company profile	24	
	2-2 Entities included in the organization's sustainability reports	• Report Overview and Scope • Scope and boundaries	4	
	2-3 Reporting period, frequency, and contacts	• Reporting period • Frequency of issuance • Contact window	4	
	2-4 Restatement of information	• Changes in reporting	5	
	2-5 External assurance/verification	• Ensuring the accuracy of public information • External verification	6	
Events and Workers	2-6 Activities, value chain and other business relationships	3.1 Operating Performance 3.3 Customer Relations Management	52 55	
	2-7 Employees a. Total number of employees, and the total number by gender and region b. Report the total number of different categories of employees	7.2 Manpower structure The distribution of the manpower structure in the last two years	103	
	2-8 Workers Who Are Non-Employees	The distribution of the manpower structure in the last two years	103	
Governance	2-9 Governance structure and composition	2.2 Corporate Governance 2.2.2 Operations of the Board of Directors • Powers of the Board of Directors	28 29	The Company has established a Sustainable Development Committee
	2-10 Nomination and Selection of the Highest Governing Body	2.2.2 Operations of the Board of Directors • Board of directors nomination and election procedures • Annual general meetings • Powers of the Board of Directors	29	The candidate nomination system is adopted for the election of directors.
	2-11 Chair of the highest governance body	• Educational experiences of Board members • Powers of the Board of Directors	30	The Company's Chairman serves as the Chair.

General disclosure (2-1 ~ 2-30)				
GRI indicators	Corresponding ESG chapters	Page	Remarks	
Governance	2-12 Role of the highest governance body in overseeing the management of impacts a. The role of the highest governance unit and the role of senior management in the organization's purpose, values or vision, and strategy b. The role of the highest governance body in overseeing organizational due diligence and reviewing the effectiveness of organizational procedures	<ul style="list-style-type: none"><li>• Powers of the Board of Directors</li></ul> 2.3 Business integrity 2.4 Business philosophy and legal compliance <ul style="list-style-type: none"><li>• Improve the grievance mechanism, channels and investigation process</li></ul> <ul style="list-style-type: none"><li>• Investigation process</li></ul> 2.7 Internal audit and management verification system	37 41 43	The vision, strategy, and verification timeline for promoting sustainable management The Company reports the state of communication with stakeholders, including shareholders, employees, customers, communities, competent authorities, and suppliers, to the Board of Directors every year.
	2-13 Delegation of responsibility for managing impacts a. How the highest governance body delegates responsibility for managing the organization's economic, environmental, and population impacts b. Management procedures for the economic, environmental, and population impacts of senior management or other employees on the highest governance unit	1.1.1 ESG organization and responsibilities • Responsibilities of the ESG Committee 2.1.2 Organizational structure and Responsibilities 1.2 Major stakeholder communication and grievance channels 2.6 Risk management	7 24 10 48	
	2-14 Role of the highest governance body in sustainability reporting a. The highest governance unit shall review and approve the reported information b. If the highest governance body does not have the responsibility for reviewing and approving reported information (including the organization's material topics), explain the reasons	0 Message from the Chairman Promote the vision and strategy for sustainable operations (including the progress of initiatives, such as verification timelines). • Responsibilities of the ESG Committee • Regularly report the ESG implementation plan and results to the Board of Directors every year	3 7	
	2-15 Conflicts of interest a. Describe the process by which the highest governance body ensures that conflicts of interest are avoided and mitigated b. Whether the report discloses conflicts of interest to stakeholders	2.3 Business integrity • Business and Ethical Code of Conduct • Implementation Effectiveness • Reporting/Grievance system	37	Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
	2-16 Communication on key major incidents a. How to communicate key material events with the highest governance unit	2.2.2 Operations of the Board of Directors 1.1.1 ESG organization and responsibilities	29 7	The Company did not have any major incidents that needed to be reported to the Board of Directors this year.
	2-17 Collective knowledge of highest governance body a. Group knowledge, skills, and experience of the highest governance unit in sustainable development	2.2.2 Operations of the Board of Directors • Educational experiences of Board members 2.2.3 Continuing education and performance of Board members • Board diversity	29	• Continuing education of Board members
	2-18 Evaluation of the performance of the highest governance body a. Procedures for the highest governance body to oversee the organization's performance in managing economic, environmental, and population-related impacts	• Board performance evaluation procedures and frequency	29	
	2-19 Remuneration policy	2.2.2 Operations of the Board of Directors • Director remuneration 7.4.1 Salary policy	29 110	
	2-20 Remuneration determination process a. The organization designs its compensation policy and compensation decision process	2.2.2 Operations of the Board of Directors • Director remuneration 7.4.1 Salary policy	29 110	
	2-21 Annual total compensation ratio	Ratio of the general manager's annual salary to employees' median salary The ratio of entry-level employee salary to the legal salary in 2024, and the ratio of general employees to middle and senior managers in the past two years	111	
	2-22 Statement on sustainable development strategy a. A statement of the relationship between the highest governance unit or top management and sustainable development strategies.	0 Message from the Chairman - Sustainable Development Strategy	3	
	2-23 Policy commitments a. Describe the policy commitments related to responsible business conduct b. Describe a specific policy commitment to respect human rights	7.1 Talent Management Policy and Commitment • Corporate Sustainable Development Policy • Implementation of the eight human rights policies	102	Commit to the implementation of the eight human rights policies

General disclosure (2-1 ~ 2-30)				
GRI indicators	Corresponding ESG chapters	Page	Remarks	
Strategies, policies and practices	2-24 Incorporation of policy commitments a. How to integrate each Responsible Business Conduct policy commitment into its activities and business relationships	1.4.1 Responses to material and secondary issues • 10 material issues list management	15 143	"Appendix 2-1"
	2-25 Procedures for remediating negative impacts a. Negative impacts that the organization believes caused or contributed to b. Describe the method for identifying and handling grievances	1.2 Major stakeholder communication and grievance channels 6.4 Environmental and Energy Management 6.4.2 Greenhouse Gas Management	10 92	
	2-26 Mechanisms for seeking advice and raising concerns	1.2 Major stakeholder communication and grievance channels	10	Stakeholder communication on issues of concern and grievance channels
	2-27 Legal compliance a. Total number of major violations during the reporting period	2.4.2 Legal compliance	41	No violations in the past two years (2023-2024)
	2-28 Membership of associations	8.2 Participation in external organizations and initiatives • Participation in external organizations	138	
Stakeholder engagement	2-29 Stakeholder engagement policy a. Describe the approach to stakeholder engagement	1.1.2 Identifying major stakeholders 1.2 Major stakeholder communication and grievance channels	7 10	
	2-30 Collective bargaining agreements a. Percentage of total employees covered by collective agreements	7.5.3 Labor-management communication 7.5.4 Freedom of association	115	The Company does not have a collective bargaining agreement, but conducts labor-management meetings.
Material issues	Guidelines for determining material issues 3-1 Process for determining material issues	1.1.1 ESG organization and responsibilities 1.1.2 Identifying major stakeholders 1.2 Major stakeholder communication and grievance channels 1.3 Communication on issues of concern to stakeholders and the process of identifying material issues 1.4 Identification and ranking of material issues and responses	7 10 11 15	
	3-2 a. List of material issues b. Changes to the list of material topics	1. Implement sustainable management 1.5 Impact of sustainable management 1.5.1 Value chain relationships of material issues in Kaori 1.5.2 Risk management of material issues • Report Overview and Scope • Changes in reporting	19 4	
	3-3 Management of material issues	1.5.2 Risk management of material issues • List and management of 10 material issues	19 143	"Appendix 2-1"

List of 10 Material Issues and Management and ESG Responses "Appendix 2-1"					
NO	Provisions	Highlights of the GRI Provisions	Corresponding ESG chapters	Page	Remarks
1 Operating performance	201	Management and disclosure of material topics	Operation performance management approach and policies	52	Units produced by product category as a percentage of revenue
	201-1	Direct economic value generated by the organization	3.2 Operating Performance • Operating strategies and management guidelines • The operational results of the generation and distribution of direct economic value over the past three years	53	
	201-2	Financial impacts and risks of climate change	6. Sustainable environment • The types of climate change risks, potential operational impacts, and adaptation methods	86 90	Climate Change Governance, Strategies, Risks, and Target Indicators



List of 10 Material Issues and Management and ESG Responses "Appendix 2-1"					
NO	Provisions	Highlights of the GRI Provisions	Corresponding ESG chapters	Page	Remarks
1 Operating performance	201-3	Defined benefit plan obligations and retirement plans	7.4 Remuneration and benefits 7.4.2 Retirement protection 7.4.3 Diversified welfare system	110	
	201-4	Financial subsidies received from the government	2.2.5 Tax management approach • Tax policy	37	No government financial subsidies
2 Energy and GHG management	302	Energy: Management and disclosure of material topics	Energy and Greenhouse Gas Management approach and policies 6.4 Environmental and Energy Management	86	Specific Results of Energy Conservation Improvement Plans in 2024
	302-1	Energy consumption within the organization	• Energy management and goals	92	
	302-3	Energy intensity	• Energy efficiency and electricity intensity		
	302-4	Reduction of energy consumption	• Power conservation rate by Plant • Energy conservation targets		
	305	Emissions: Management and disclosure of material topics	Energy and Greenhouse Gas Management approach and policies 6.4.2 Greenhouse Gas Management		
	305-1	Direct GHG emissions(Scope 1)	• 2024 Scope 1 and 2 total emissions table		
	305-2	Indirect GHG emissions (Scope 2)	• Air Pollution Management: No emissions of such gases (not applicable)		
3 Risk management	305-6	Emissions of Ozone-Depleting Substances (ODS)			
	305-7	Emissions of Nitrogen Oxides (NOx), Sulfur Oxides (SOx), and Other Significant Air Emissions			
	Risk management: Management and disclosure of material topics		Risk management policies and approach 2.6 Risk management 2.6.2 Risk management process and countermeasures	48	
	201-2	Financial impacts and risks of climate change	6. Sustainable environment • The types of climate change risks, potential operational impacts, and adaptation methods	90	Climate Change Governance, Strategies, Risks, and Target Indicators
	TCFD	Financial Impacts of Climate Change on Businesses			
4 Product quality	Product quality: Management and disclosure of material topics		Product quality policy and management approach	68	The Company encountered zero instances of product recalls due to safety concerns or otherwise in 2024 and suffered no financial losses from lawsuits concerning product safety. Free of hazardous substances and conflict metals
	416	Customer health and safety	4.5 Quality management • Quality management procedures • Promotion of quality awareness • Quality assurance	68	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	• Comply with hazardous substances management regulations • Responsible mineral procurement	83	
5 Innovative R&D	Management and disclosure of material topics: Innovative R&D		4. Product innovation and quality management 4.1 Development of innovative products • Innovative R&D policy and management approach	59	Kaori prides itself for being able to persistently innovate and support the industry's transition to net-zero emissions.
			Four core business units: Fulfill the United Nations Sustainable Development Goals (SDGs)	60	
9 Customer Relations Management	416	Management and disclosure of material topics	Risk management approach and policies 3.3 Customer Relations Management 3.3.1 Customer Satisfaction Survey Process and Results	55	Free of hazardous substances and conflict metals
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3.3.2 Customer Complaints and Subsequent Improvement Measures 5.5 Suppliers' implementation of social responsibilities • Comply with hazardous substances management regulations • Responsible mineral procurement	82	

List of 10 Material Issues and Management and ESG Responses "Appendix 2-1"					
NO	Provisions	Highlights of the GRI Provisions	Corresponding ESG chapters	Page	Remarks
7	418	Customer Privacy: Management and disclosure of topics	Customer Privacy Policy: Compliance with policies and regulations to protect customer privacy.	58	Kaori received no complaints concerning violations of customers' privacy or secrets in 2024.
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of personal data	3.4 Customer Data Confidentiality Mechanism The Company values intellectual property rights and is committed to protecting its intellectual properties and those of others, particularly during the transfer of know-how and production experience.	58	
			1.2 Major stakeholder communication and grievance channels	10	
8	403	Occupational health and safety: Management and disclosure of topics	Material issue: Safety and health policy and management approach	124	In 2023, the ISO 45001 Occupational Health and Safety Management System was implemented and certified by an independent international third party
	403-1	Occupational health and safety management system	7.6 Workplace Safety and Health		
	403-2	Hazard Identification, risk assessment, and incident investigation	• 2024 Benchmark Implementation Results		
	403-3	Occupational health services	• Implementation of safety and health indicators in 2024		
	403-4	Occupational safety and health worker participation, consultation, and communication	7.6.3 Occupational health services		
	403-5	Training for occupational safety and health workers	7.6.2 Occupational Safety and Health Committee		
	403-6	Promotion of worker health	• Professional certifications and training status		
	403-7	Mitigation or diminishing of direct impacts on occupational health and safety	• Occupational safety and health training implementation results in 2024		
			• Measures taken for promoting employees' health in 2024		
			• Worker involvement		
		• 7.6.5 Promotion of work injury prevention			
	403-8	Occupational safety and health management system workers	7.6.2 Occupational Safety and Health Committee	124	• Statistical table of occupational accidents for the last two years • No occupational disease occurred during the health checkup in 2024
	403-9	Occupational injury and accident statistics	7.6.6 Workplace injury statistics		
	403-10	Occupational diseases	• Health checkup with five major protection plans • Health checkup risk management • Regular follow-up and care		
9	Management and disclosure of material topics: Sustainable products		Sustainable product policy and management approach	64	Four core business units: See 1.6 Fulfill the UN Sustainable Development Goals (SDGS) for details.
			4.2 Strategic Goals for New Products and Technologies • Development cooperation and industry-academia partnership • Future development pans	64	
10	404	Management and disclosure of material topics	Policies and management approaches for talent development and cultivation	103	404 Education and Training
	404-1	Average hours of training per year per employee	7.3 Talent Cultivation and Development 7.3.1 Employee training priority planning • Training overview for 2024	103	
	404-2	Programs for upgrading employee skills and transition assistance programs	7.3.2 Performance evaluation and career functions (1) Employee career development (2) Employee performance evaluation and career development		
Employment	401-1	New employee hires and employee turnover	7.2 Manpower Structure - Diverse and Inclusive Workplace	103	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	7.2.1 Employee structure	110	
	401-3	Parental leave	7.4 Remuneration and benefits 7.4.2 Retirement protection 7.4.3 Diversified welfare system • Reinstatement and retention of unpaid parental leave		
Human Rights Assessment	412-1	Operational Activities Subject to Human Rights Review or Human Rights Impact Assessment	7.5 Human rights protection and diversity inclusion 7.5.1 Human rights promotion and management	115	
	412-2	Employee Training on Human Rights Policies or Procedures	• The implementation status of human rights-related training in 2024	116	

Statement of Use	Reported by Kaori Heat Treatment Co., Ltd. in accordance with the GRI Standards
Reporting period	From January 1 to December 31, 2024
Use of GRI 1	Foundation 2021
Applicable GRI Industry Standards	None

Appendix III: SASB Comparison Table

Industrial Machinery and Items: Sustainability Accounting Standards Board (SASB) Sustainable Industry Classification System® (SICS®) RT-IG Sustainability Topics and Metrics and 2024 Disclosure Status

Topic	Code	Metric	Category	Measurement unit	2024 Disclosure Status
Energy management	RT-IG-130a.1	(1) Total energy consumption	Quantitative	Gigajoules (GJ)	50,808.4028
		(2) Percentage of grid electricity	Quantitative	Percentage (%)	96.99
		(3) Percentage of renewable energy	Quantitative	Percentage (%)	0
Employee health and safety	RT-IG-320a.1	(a) Direct employees and (b) Contract employees	Quantitative	Rate	0.99
		(1) Total Recordable Incident Rate (TRIR)			
		(2) Fatality Rate	Quantitative	Rate	0
Fuel economy and use-phase emissions	RT-IG-410a.1	(3) Near Miss Frequency Rate (NMFR)	Quantitative	Rate	0
		Sales-Weighted Fuel Efficiency of Medium- and Heavy-Duty Vehicle Fleet	Quantitative	Per 100 tons kilometers liters	0
	RT-IG-410a.2	Sales-Weighted Fuel Efficiency of Non-Road Equipment	Quantitative	Liters per Hour	0
	RT-IG-410a.3	Sales-Weighted Fuel Efficiency of Stationary Generators	Quantitative	Kilojoules per Liter	0
	RT-IG-410a.4	Sales-weighted emissions of (1) nitrogen oxides (NOx) and (2) particulate matter (PM) from (a) marine diesel engines, (b) railroad locomotive diesel engines, (c) on-road medium- and heavy-duty diesel engines, and (d) other non-road diesel engines <sup>1</sup>	Quantitative	Grams per Kilojoule	0
Materials Sourcing	RT-IG-440a.1	Description of Risk Management Related to the Use of Critical Materials	Discussion/ Analysis	Not applicable	<ul style="list-style-type: none"><li>Diversity supply sources and secure the supply of raw materials by making purchases from suppliers in different regions</li><li>Sign long-term supply contracts with suppliers to control cost, given the volatility of raw material prices</li><li>Make localized purchases of raw material where possible to shorten the supply chain and minimize risk of shipment delay caused by logistics shortage</li></ul>
Remanufacturing Design and Services	RT-IG-440b.1	Revenue from Remanufactured Products and Remanufacturing Services 2	Quantitative	Currency Expression	0
Table 2: Activity indicators					

RT-IG-000.A	Production Volume, Categorized by Product Type 7	Quantitative	Count	The Company has always placed great importance on compliance with regulations set by competent authorities and has established a comprehensive internal data control system. However, the Company's metal products are highly diversified and produced in small, customized batches. Production and sales are heavily dependent on customer demand, and the relevant information involves specific client details and the Company's business strategy considerations. Due to confidentiality agreements signed with clients and the necessity of protecting the Company's operational information, we are unable to provide the aforementioned data.	
T-IG-000.B	Number of employees	Quantitative	Count	Kaori reported a total number of 646 employees at the end of 2024, 481 (74.5%) of whom were male and 165 (25.5%) of whom were female	

1 Note to RT-IG-410a.4: The entity should discuss how it manages risks and opportunities related to fleet fuel economy and emissions.

2 Note to RT-IG-440b.1: Disclosure should include a discussion of efforts to source end-of-life products and components for remanufacturing.

3 Note to RT-IG-000.A: The entity should, at a minimum, report the number of units produced for the following product categories: (1) Vehicles and agricultural and construction equipment, (2) Engines and power generation equipment, and (3) Components.

Appendix IV: Climate-Related Information Disclosure Checklist Required by the Taiwan Stock Exchange

Item	Implementation Status																			
	<p>The Company has established the “ESG Steering Committee,” chaired by the Chairman, to lead the formulation of Kaori’s ESG vision and long-term strategies. Sustainability execution and performance are regularly reviewed, tracked, and revised during monthly management meetings, and material matters are reported to the Board of Directors in accordance with the principle of materiality. Headed by the Chairman, the ESG Steering Committee comprises senior executives from various fields and is organized into four focus areas: environmental management, social management, corporate governance, and sustainability information disclosure. The Committee maintains close interaction with customers, government agencies, and broader society to enhance corporate transparency and comprehensively advance the Company’s commitment to sustainability. In line with the “Sustainability Development Roadmap for TWSE and TPEX Listed Companies,” Kaori has implemented the ISO 14064-1 Greenhouse Gas Inventory for three consecutive years and successfully passed third-party verification.</p> <p>Implementation Status of the 2024 Sustainable Development Committee Meetings: A total of 3 meetings were held, with summaries as follows:</p>																			
1. Describe the Board of Directors’ and management’s oversight and governance of climate-related risks and opportunities.	<table><tr><th>Sustainable Development Committee</th><th>Agenda Items and Resolutions</th><th>Any objections or reservations from committee members regarding the resolutions, recorded or submitted in writing</th><th>Any cases where the Board of Directors did not adopt or amended the Committee’s recommendations</th></tr><tr><td>The 1st meeting of 1st term 113.09.13</td><td>Reporting Items: I. Execution results of the Company’s 2023 Sustainability Report preparation. II. Implementation status of the Company’s 2024 sustainability initiatives and goals for 2025. Discussion Items: None</td><td>None</td><td>None</td></tr><tr><td>The 2nd meeting of 1st term 113.11.08</td><td>I. Proposal for the adoption of the Company’s “Procedures for the Preparation and Assurance of Sustainability Reports.”</td><td>None</td><td>None</td></tr><tr><td>The 3rd meeting of 1st term 113.12.20</td><td>Reporting Items: I. Report on the Company’s stakeholder engagement activities in 2023. Discussion Items: None</td><td>None</td><td>None</td></tr></table>	Sustainable Development Committee	Agenda Items and Resolutions	Any objections or reservations from committee members regarding the resolutions, recorded or submitted in writing	Any cases where the Board of Directors did not adopt or amended the Committee’s recommendations	The 1st meeting of 1st term 113.09.13	Reporting Items: I. Execution results of the Company’s 2023 Sustainability Report preparation. II. Implementation status of the Company’s 2024 sustainability initiatives and goals for 2025. Discussion Items: None	None	None	The 2nd meeting of 1st term 113.11.08	I. Proposal for the adoption of the Company’s “Procedures for the Preparation and Assurance of Sustainability Reports.”	None	None	The 3rd meeting of 1st term 113.12.20	Reporting Items: I. Report on the Company’s stakeholder engagement activities in 2023. Discussion Items: None	None	None			
Sustainable Development Committee	Agenda Items and Resolutions	Any objections or reservations from committee members regarding the resolutions, recorded or submitted in writing	Any cases where the Board of Directors did not adopt or amended the Committee’s recommendations																	
The 1st meeting of 1st term 113.09.13	Reporting Items: I. Execution results of the Company’s 2023 Sustainability Report preparation. II. Implementation status of the Company’s 2024 sustainability initiatives and goals for 2025. Discussion Items: None	None	None																	
The 2nd meeting of 1st term 113.11.08	I. Proposal for the adoption of the Company’s “Procedures for the Preparation and Assurance of Sustainability Reports.”	None	None																	
The 3rd meeting of 1st term 113.12.20	Reporting Items: I. Report on the Company’s stakeholder engagement activities in 2023. Discussion Items: None	None	None																	
	<p>The Company is actively developing solutions to reduce the operational and financial impact caused by climate change and to enhance organizational climate resilience. The Company defines the short term as within 1 year, the medium term as 2 to 3 years, and the long term as over 3 to 5 years. Climate-related risks and opportunities are assessed based on their potential impact on operations and finances, serving as the basis for planning appropriate response actions.</p>																			
2. Describe how the identified climate-related risks and opportunities affect the Company’s business, strategy, and financial planning in the short, medium, and long term.	<table><tr><th colspan="2">Risk Categories and Opportunities</th><th>Short-term (1 - 2 years)</th><th>Medium-term (2 - 3 years)</th><th>Long-term(3 - 5 years)</th></tr><tr><td rowspan="2">Risks</td><td><b>Transition risk</b> Risks arising from the transition to a low-carbon economy. Transition risks include policy, legal, technological, market, and reputational risks</td><td>Changes in domestic and international regulations: greenhouse gas cap-and-trade systems, carbon taxes, and carbon fees</td><td>Cost of transition to low-carbon technology</td><td>Net-Zero Emissions Trend</td></tr><tr><td><b>Physical risks</b> Increasing severity of extreme weather causes weather conditions such as typhoons to occur at stronger intensities, which results in prolonged floods and power outages that affect factory operations. The Company may face situations such as production interruptions, reduced capacity, equipment damage, transportation difficulties, and disruptions in raw material supply due to severe weather events</td><td>Increasing severity of typhoons, floods, and extreme events</td><td>Increased droughts impacting the supply chain</td><td>Rising average temperatures</td></tr><tr><td>Opportunities</td><td>Positive impacts that climate change may have on the entity. Efforts in climate change mitigation and adaptation can create climate-related opportunities for the entity</td><td>Entry into new markets</td><td>Development and expansion of low-carbon products and services</td><td>Enhancing corporate reputation</td></tr></table>	Risk Categories and Opportunities		Short-term (1 - 2 years)	Medium-term (2 - 3 years)	Long-term(3 - 5 years)	Risks	<b>Transition risk</b> Risks arising from the transition to a low-carbon economy. Transition risks include policy, legal, technological, market, and reputational risks	Changes in domestic and international regulations: greenhouse gas cap-and-trade systems, carbon taxes, and carbon fees	Cost of transition to low-carbon technology	Net-Zero Emissions Trend	<b>Physical risks</b> Increasing severity of extreme weather causes weather conditions such as typhoons to occur at stronger intensities, which results in prolonged floods and power outages that affect factory operations. The Company may face situations such as production interruptions, reduced capacity, equipment damage, transportation difficulties, and disruptions in raw material supply due to severe weather events	Increasing severity of typhoons, floods, and extreme events	Increased droughts impacting the supply chain	Rising average temperatures	Opportunities	Positive impacts that climate change may have on the entity. Efforts in climate change mitigation and adaptation can create climate-related opportunities for the entity	Entry into new markets	Development and expansion of low-carbon products and services	Enhancing corporate reputation
Risk Categories and Opportunities		Short-term (1 - 2 years)	Medium-term (2 - 3 years)	Long-term(3 - 5 years)																
Risks	<b>Transition risk</b> Risks arising from the transition to a low-carbon economy. Transition risks include policy, legal, technological, market, and reputational risks	Changes in domestic and international regulations: greenhouse gas cap-and-trade systems, carbon taxes, and carbon fees	Cost of transition to low-carbon technology	Net-Zero Emissions Trend																
	<b>Physical risks</b> Increasing severity of extreme weather causes weather conditions such as typhoons to occur at stronger intensities, which results in prolonged floods and power outages that affect factory operations. The Company may face situations such as production interruptions, reduced capacity, equipment damage, transportation difficulties, and disruptions in raw material supply due to severe weather events	Increasing severity of typhoons, floods, and extreme events	Increased droughts impacting the supply chain	Rising average temperatures																
Opportunities	Positive impacts that climate change may have on the entity. Efforts in climate change mitigation and adaptation can create climate-related opportunities for the entity	Entry into new markets	Development and expansion of low-carbon products and services	Enhancing corporate reputation																



Item	Implementation Status		
2. Describe how the identified climate-related risks and opportunities affect the Company's business, strategy, and financial planning in the short, medium, and long term.	Assessment of the above risks has been conducted to identify climate-related risks and opportunities that may result in significant financial impacts, along with corresponding response and implementation strategies. The details are as follows:		
	Transition Risks / Climate Opportunities		
	R Risk / O Opportunities	Financial impact - / +	Response Strategy / Implementation Strategy
	R: Cost of transition to low-carbon technology	- Increased investment in R&D - Decrease in operating revenue	<ul style="list-style-type: none"><li>• Supplier Diversification: Kaori maintains relationships with several suppliers to reduce uncertainties associated with the cost of and access to low-carbon materials.</li><li>• Obtain Green Loans/Financing: Kaori will negotiate green loan projects with banks to secure preferential interest rates or funding, thereby reducing operational costs.</li><li>• Offset Revenue Shortfalls with Stable Product Income: If Kaori's low-carbon products fail to transition, other departments that generate consistent revenue from OEM services, such as the Fuel Cell Business, will try to increase revenue in an attempt to cover the potential loss of revenue associated with transition risks.</li></ul>
	R: Domestic and foreign carbon taxes	- Increase in operating costs due to carbon fee payments - Penalties incurred for non-compliance with regulatory requirements	<ul style="list-style-type: none"><li>• Monitoring of regulations and trends: A dedicated team will be assembled to keep track of new product regulations and trends on a regular basis. Regular training will be organized to discuss current trends and to evaluate the needs for product re-modification and re-certification.</li><li>• Implement energy-efficient equipment: A comprehensive energy management system will be established to monitor equipment energy performance and support the replacement of high-energy-consuming equipment. Investments will also be made in green energy and energy storage systems at plant sites and offices. Furthermore, the Company will introduce automated production equipment as a way to improve production and energy efficiency, which in turn will reduce the frequency of equipment renewal and allow digital solutions to be used for the optimization of production procedures.</li><li>• Phase out high-carbon emission production services: In Q4 2022, two high-energy-consuming copper brazing machines were sold, and they were removed from the plant in Q1 2023.</li></ul>
	R: Net-Zero Emissions Trend	- Increased installation and operational costs for carbon reduction equipment	<ul style="list-style-type: none"><li>• Continue implementing greenhouse gas reduction actions</li><li>• Install solar power systems and obtain green energy certificates</li><li>• Encourage suppliers to adopt climate change mitigation and adaptation measures</li></ul>
	O: Entry into new markets	+ Increase in operating revenue + New collaborative opportunities	<ul style="list-style-type: none"><li>• Develop dedicated products: Exclusive products will be developed for heat pumps to capitalize on the current market trend and increase market share, whereas exclusive heat exchangers for air dryers will be developed to expand product lines and engage customers in broader, more frequent interactions.</li><li>• Develop hydrogen energy products: Kaori continues to develop hydrogen power products and engage technology partners in various innovations to bring technologies to broader applications, thereby satisfying the needs of customers and markets.</li><li>• Continue developing immersion liquid cooling modules/systems: Kaori continues to make modular designs and obtain technological certification for its liquid cooling and immersion products, while at the same time maintaining the flexibility needed to customize products according to the needs of different markets. By accumulating data on product design, the Company aims to stay competitive in the market.</li></ul>
O: Development and expansion of low-carbon products and services	+ Reduced costs + Increased revenue + Attraction of capital	<ul style="list-style-type: none"><li>• Develop low carbon footprint products: Kaori will improve production procedures by incorporating green designs such as the use of low-carbon materials, designs with low material requirements, adoption of product recycling mechanisms, reuse of raw materials or parts, and adoption of low-carbon transport and packaging materials to lower product carbon footprints.</li><li>• Develop emerging low-carbon solutions: Hydrogen power technology will be incorporated into carbon neutral solutions and new forms of fuel will be developed to capitalize on new opportunities associated with climate mediation.</li><li>• Investment into the circular economy: Technologies relating to the circular economy, such as treatment of waste organic solvents and reuse of waste/residual hydrogen from production activities, will be developed in the future.</li></ul>	
O: Changes in consumers' preferences	+ Increased revenue + Enhanced corporate visibility	<ul style="list-style-type: none"><li>• Establish marketing plans: Plans will be made to have business units engage existing as well as new customers on a regular basis to ensure that product features do satisfy customers' requirements and are adjusted at appropriate times. Attention will also be directed toward exploring new markets and customers, such as tier-A customers in Europe.</li><li>• Ensure stable supply to meet market demand: Kaori will increase the number of stamped plate and stainless steel suppliers for capacity expansion. An ERP system will be used to monitor all stages of the production process for improved product quality and delivery timing.</li></ul>	

Item	Implementation Status		
2. Describe how the identified climate-related risks and opportunities affect the Company's business, strategy, and financial planning in the short, medium, and long term.	Physical Risks / Climate Opportunities		
	R Risk / O Opportunities	Financial impact - / +	Response Strategies
	R: Increasing severity of typhoons, floods, and extreme events R: Supply chain disruption (drought)	- Increase in operating costs - Decrease in operating revenue - Company reputation (credit loss)	<ul style="list-style-type: none"><li>• Reduce supply chain disruption risk: Diversify supplier sources to stabilize raw material supply and meet demand. Negotiate with suppliers to increase inventory levels and turnover rates, and store inventory near customer locations to minimize the risk of transportation disruption.</li><li>• Compensating production capacity with efficiency: If work is suspended due to typhoons, Kaori will evaluate the extent of the delay and ask suppliers to increase production efficiency to make up for capacity shortfall, thereby averting production halt due to supply disruption.</li></ul>
	R: Rise in average temperature	- Increase in electricity consumption leading to higher operating expenses - Shortage of raw materials causing price increases (R) - Higher costs or reduced production volume resulting in decreased revenue	<ul style="list-style-type: none"><li>• Use renewable energy</li><li>• Develop alternative raw materials</li><li>• Procure energy-efficient equipment</li><li>• Implement energy management systems</li></ul>
<b>Financial impacts of extreme weather events</b> Increasing severity of extreme weather causes weather conditions such as typhoons to occur at stronger intensities, which results in prolonged floods and power outages that affect factory operations. Bad weather has the potential to disrupt production activities, reduce capacity, damage equipment, hinder transportation, disrupt raw material supply, decrease revenue, and increase costs.			
	Risk impact assessment	<b>Delayed delivery:</b> Extreme weathers affect factory operations and cause disruptions to production activities, raw materials supply, and transportation. Delivery may be delayed by several days to one week.  <b>Impacts to the upstream/downstream:</b> Extreme weather affects the number of parts delivered by suppliers and causes Kaori to underdeliver and delay the shipment of goods to customers. Customers' production activities may be halted as a result.	
	Evaluation of financial impact	Increased operating costs, reduced revenue, loss of credibility	
3. Describe the financial impacts of extreme weather events and transition actions.	<b>Financial impacts of transition actions</b> The need to meet energy and carbon reduction requirements presents the Company with exposure to new markets and different customers, such as the application of fuel cells on ships, hydrogen generation and energy storage for thermal reactors, and recycling of residual hydrogen for power generation. Kaori will actively explore the potential of the new markets and expand the range of products offered as well as customers served for improved revenue and reputation. At the same time, by increasing the offering of low-carbon products, the Company aims to enhance market competitiveness, expand market share, and boost revenue.		
	Opportunity impact assessment	<b>Access to new opportunities:</b> In light of the carbon reduction trends around the world, Kaori will engage customers in greater depth to expand the applications of plate heat exchangers, such as in heat pumps. Exposure to new customers and new markets offers the potential for increased revenue and improved reputation.  <b>Entry into the hydrogen power market:</b> Kaori invests persistently into the development of hydrogen power products and has been assisting customers with their entry into the hydrogen power market. In light of customers' needs for hydrogen power products, the Company has assigned its Fuel Cell Business to work with customers on the development of production procedures for SOECs, hydrogen power solutions, and fuel cells for ships, and to make samples as deemed necessary. Given the significant increase in shipments and revenue, Kaori is optimistic about the prospect of hydrogen power.  <b>Development of immersion cooling modules/systems:</b> As servers/data centers draw more power, liquid cooling presents a viable solution over the long term. Kaori's immersion cooling modules/systems offer the potential to increase energy efficiency, and their persistent development efforts have increased the level of sophistication of the products, bringing them closer to mass production, which will benefit new markets and customers.	
		Increased revenue and new collaborative opportunities	
		Financial impact assessment	

Item	Implementation Status																																		
4. Describe how the processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management framework.	<p>The Kaori ESG Steering Committee continuously monitors climate policies and action plans across domestic and international industries, and identifies climate-related risks and opportunities from multiple aspects, including extreme weather, regulatory changes, and market dynamics. Based on historical experience and the estimated timing of future events, the likelihood of occurrence is assessed alongside the potential impact on operations, reputation, personnel, and financial performance. Each responsible unit is then required to propose appropriate response strategies. The results are used to adjust internal management mechanisms and to maintain open and transparent communication channels with all stakeholders.</p> <p>Based on two climate change scenarios, Kaori conducts studies and discussions on climate change through risk and opportunity workshops, and carries out assessments of risks and opportunities. Procedures for identifying climate change-related risks and opportunities are shown below:</p> <table><tr><th>A. Set climate change scenarios</th><th>B. Evaluate impacts on the operating environment</th><th>C. Identify climate risks and opportunities</th></tr><tr><td>Two climate change scenarios have been constructed: SSP5-8.5: temperature increased to 6°C SSP1-2.6: temperature increased to 2°C</td><td>Evaluate how climate change affects and impacts the operating environment and stakeholders</td><td>Establish a risk and opportunity matrix, and identify climate change risks and opportunities</td></tr></table> <p>From the climate change risks and opportunities identified, Kaori further analyzed the “Likelihood” and “Degree of impact” and shortlisted three high-risk factors and three high-opportunity factors for 112. Risk Identification and Key Financial Impacts:</p> <table><tr><th>Risk ranking</th><th>Risk category</th><th>Risk factor</th><th>Key financial impact</th></tr><tr><td>1</td><td>Transition risk - technology</td><td>Cost of transition to low-carbon technology</td><td rowspan="3">Increase in operating costs Decrease in revenue Loss of goodwill</td></tr><tr><td>2</td><td>Transition risk - policies and regulations</td><td>Changes in domestic/foreign regulations</td></tr><tr><td>3</td><td>Physical risk - immediate</td><td>Increasing severity of typhoons, floods, and extreme events</td></tr></table> <p>Opportunity Identification Summary and Key Financial Impacts:</p> <table><tr><th>Opportunity ranking</th><th>Opportunity category</th><th>Opportunity factor</th><th>Key financial impact</th></tr><tr><td>1</td><td>Opportunities - Markets</td><td>Entry into new markets</td><td rowspan="3">Increased revenue New collaborative opportunities Attraction of capital</td></tr><tr><td>2</td><td>Opportunities - Products and services</td><td>Development and expansion of low-carbon products and services</td></tr><tr><td>3</td><td>Opportunities - Products and services</td><td>Changes in consumers' preferences</td></tr></table>	A. Set climate change scenarios	B. Evaluate impacts on the operating environment	C. Identify climate risks and opportunities	Two climate change scenarios have been constructed: SSP5-8.5: temperature increased to 6°C SSP1-2.6: temperature increased to 2°C	Evaluate how climate change affects and impacts the operating environment and stakeholders	Establish a risk and opportunity matrix, and identify climate change risks and opportunities	Risk ranking	Risk category	Risk factor	Key financial impact	1	Transition risk - technology	Cost of transition to low-carbon technology	Increase in operating costs Decrease in revenue Loss of goodwill	2	Transition risk - policies and regulations	Changes in domestic/foreign regulations	3	Physical risk - immediate	Increasing severity of typhoons, floods, and extreme events	Opportunity ranking	Opportunity category	Opportunity factor	Key financial impact	1	Opportunities - Markets	Entry into new markets	Increased revenue New collaborative opportunities Attraction of capital	2	Opportunities - Products and services	Development and expansion of low-carbon products and services	3	Opportunities - Products and services	Changes in consumers' preferences
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Item	Implementation Status																																							
	<p>In response to climate change risks, the Company has formulated a low-carbon transition plan, which aims to reduce emissions across operational activities, specifically addressing direct emissions (Scope 1), indirect emissions from energy use (Scope 2), and indirect emissions from the value chain (Scope 3). Implementation includes:</p> <p>I. Active and Voluntary Low-Carbon Emission Reduction: Improve brazing process technology and replace energy-intensive production equipment to enhance energy productivity and efficiency, continuously reducing carbon emissions during the product manufacturing and processing stages. Simultaneously reduce waste generated from operational activities.</p> <p>II. Development of Green Renewable Energy: Install solar photovoltaic systems to increase the share of renewable energy and support the transition to low-carbon energy.</p> <p>III. Development of Low-Carbon and Zero-Carbon Technologies: Leverage immersion cooling and hydrogen technologies to proactively support sustainable development across the industrial value chain and build a comprehensive low-carbon transition framework.</p> <p>Indicators and Targets for Managing Physical and Transition Risks</p> <table><tr><th>Timeline</th><th>Short-term goals: 2024 - 2025</th><th>Medium-term metrics: 2026 - 2029</th><th>Long-term metrics: after 2030</th></tr><tr><td rowspan="4">Climate change and energy conservation</td><td>Execute energy and carbon reduction strategy</td><td>Power saving 3%</td><td>Power saving 5%</td></tr><tr><td>0 days of production disruption caused by the disaster</td><td>0 days of production disruption caused by the disaster</td><td>0 days of production disruption caused by the disaster</td></tr><tr><td>Conduct greenhouse gas emissions inventory and verification</td><td>Set reduction targets</td><td>Internal carbon pricing</td></tr><tr><td>Installation of renewable energy</td><td>Installation of renewable energy</td><td>Green energy certificate transaction</td></tr><tr><td rowspan="2">waste</td><td>0 cases of non-compliance with waste laws and regulations</td><td>0 cases of non-compliance with waste laws and regulations</td><td>0 cases of non-compliance with waste laws and regulations</td></tr><tr><td>100% of waste is disposed of by legal operators</td><td>100% of waste is disposed of by legal operators</td><td>100% of waste is disposed of by legal operators</td></tr><tr><td>Air pollution</td><td>0 cases of non-compliance with air pollution regulations</td><td>0 cases of non-compliance with air pollution regulations</td><td>0 cases of non-compliance with air pollution regulations</td></tr><tr><td rowspan="2">Water resources</td><td>0 cases of non-compliance with wastewater discharge regulations</td><td>0 cases of non-compliance with wastewater discharge regulations</td><td>0 cases of non-compliance with wastewater discharge regulations</td></tr><tr><td>0 cases of production loss due to water restrictions</td><td>0 cases of production loss due to water restrictions</td><td>0 cases of production loss due to water restrictions</td></tr><tr><td>Legal Compliance</td><td>0 cases of non-compliance with environmental laws and regulations</td><td>0 cases of non-compliance with environmental laws and regulations</td><td>0 cases of non-compliance with environmental laws and regulations</td></tr></table>	Timeline	Short-term goals: 2024 - 2025	Medium-term metrics: 2026 - 2029	Long-term metrics: after 2030	Climate change and energy conservation	Execute energy and carbon reduction strategy	Power saving 3%	Power saving 5%	0 days of production disruption caused by the disaster	0 days of production disruption caused by the disaster	0 days of production disruption caused by the disaster	Conduct greenhouse gas emissions inventory and verification	Set reduction targets	Internal carbon pricing	Installation of renewable energy	Installation of renewable energy	Green energy certificate transaction	waste	0 cases of non-compliance with waste laws and regulations	0 cases of non-compliance with waste laws and regulations	0 cases of non-compliance with waste laws and regulations	100% of waste is disposed of by legal operators	100% of waste is disposed of by legal operators	100% of waste is disposed of by legal operators	Air pollution	0 cases of non-compliance with air pollution regulations	0 cases of non-compliance with air pollution regulations	0 cases of non-compliance with air pollution regulations	Water resources	0 cases of non-compliance with wastewater discharge regulations	0 cases of non-compliance with wastewater discharge regulations	0 cases of non-compliance with wastewater discharge regulations	0 cases of production loss due to water restrictions	0 cases of production loss due to water restrictions	0 cases of production loss due to water restrictions	Legal Compliance	0 cases of non-compliance with environmental laws and regulations	0 cases of non-compliance with environmental laws and regulations	0 cases of non-compliance with environmental laws and regulations
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6. If there are transition plans in place to manage climate-related risks, the content of such plans should be explained, along with the indicators and targets used to identify and manage physical and transition risks.																																								
	<p>To strengthen climate risk management and internalize carbon emission costs, the Company is evaluating the implementation of an “internal carbon pricing” mechanism. This tool will support the planning of greenhouse gas reduction strategies and help departments incorporate carbon cost considerations into capital expenditures, equipment investments, and process improvements, thereby enhancing the economic incentives and decision-making sensitivity for carbon reduction actions. The internal carbon price is determined based on the following key references:</p> <p>1. International Carbon Market Price Reference: The pricing range is evaluated with reference to carbon price trends in the EU Emissions Trading System (EU ETS), as well as carbon markets in South Korea, Canada, and China.</p> <p>2. Domestic Policies and Regulatory Trends: Potential external costs are estimated by considering the expected carbon fee mechanism under Taiwan's Climate Change Response Act and the carbon fee range announced by the Ministry of Environment.</p> <p>3. Assessment of Financial Impact and Affordability: Based on the carbon emission profiles of different departments and production lines, a carbon price sensitivity analysis is conducted to evaluate the impact of internal carbon pricing on operating costs and investment returns. A reasonable pricing range (e.g., NTD 300 - 800 per ton of CO<sub>2</sub>e) is proposed to guide low-carbon transition efforts.</p> <p>4. Effectiveness in Incentivizing Carbon Reduction: The internal carbon price must provide sufficient incentives to drive concrete actions such as phasing out high-emission equipment, adopting energy-saving technologies, and procuring low-carbon raw materials.</p>																																							
7. If internal carbon pricing is used as a planning tool, the basis for determining the price should be explained.																																								



Item	Implementation Status
8. If climate-related targets have been set, the covered activities, greenhouse gas emission scopes, planned timeline, and annual progress should be disclosed. If carbon offsets or Renewable Energy Certificates (RECs) are used to meet these targets, the source and amount of carbon offsets or the number of RECs used should also be specified.	Meanwhile, Kaori contributes its part to environmental protection and social values by enforcing energy management throughout its operations and by investing into the research and development of new materials and production procedures. A Carbon Management Committee has also been assembled to oversee GHG reduction, energy/resource conservation, water conservation, waste recycling, and mitigation of environmental impact. At the same time, Kaori continues to invest into environmental protection facilities and incorporate green management and energy conservation practices into business activities for sustainable growth. Kaori (Kaohsiung Benzhou Plant) passed certification for 14001 Environmental Management System in 2019. From greenhouse gases, air pollution, and effluent discharge to waste treatment, Kaori is fully committed to making improvements and minimizing environmental impact. As a result, no major violations of environmental regulations have occurred in the year of the report. Through the introduction of 14001 Environmental Management System, Kaori has been able to implement environmental management policies along with effective management processes at plant sites to enforce environmental compliance, order, safety, training, and so on to lessen the impact of organizational activities on the environment, while at the same time ensuring the safety of products and services offered as well as employees' health and safety at work. Since 2021, the Company has established a Carbon Management Committee and has conducted annual greenhouse gas emission inventories and verifications in accordance with ISO 14064-1. The implementation timeline and annual progress are detailed in Item 9, Sections 1-2 below. At the current stage, the Company adopts self-directed energy-saving measures as its primary approach to carbon reduction. Renewable Energy Plan: The Kaohsiung Benzhou Plant has installed a 744.51 kW commercial rooftop solar power system, which began operation in September 2022. In the fourth quarter of the same year, the Company assessed the feasibility of installing an additional 472.05 kW commercial rooftop solar power system at Zhongli Plant 3 and the Ziqiang Plant. The installation is scheduled to be completed and operational in 2025, further increasing the share of renewable energy in the plants' electricity consumption.
9. Greenhouse gas inventory and assurance status, along with reduction targets, strategies, and concrete action plans (provided separately in Sections 1-1 and 1-2).	For details, please refer to Section 6.4.2 Greenhouse Gas Management of this report

(Based on Appendix 2 of the “Operational Guidelines for the Preparation and Filing of Sustainability Reports by TPEx-Listed Companies”)

Appendix V: Declaration of Independent Assurance Opinion





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