

SUSTAINABLE
DEVELOPMENT
GOALS



2021ESG REPORT

 新日興股份有限公司
SHIN ZU SHING CO., LTD.

2021 ESG REPORT

Environment, Social, Governance

HIGHLIGHTS



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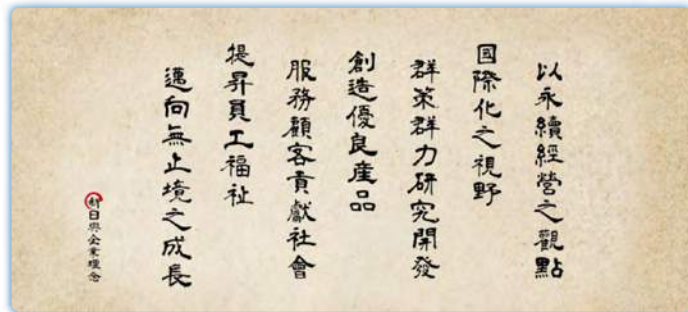
Chairman's Message

President's Message

The post-pandemic era has created immense uncertainties for the global economic recovery. All industries across the globe have faced significant impact and challenges for economic development. In response to the severe impact of the pandemic and rapid changes in market challenges, Shin Zu Shing Group has effectively allocated production plans in both China and Taiwan, controlled related operating costs, and implemented positive supply chain management to strive for the best business performance with advantages in production costs.

In addition to focusing on the development of the core industry and maintaining our core competitiveness, Shin Zu Shing is also committed to addressing the needs of the people, low-carbon production, renewable energy, and social inclusion as a vision of sustainability. We also attach great importance to the issues of concern to stakeholders, and invest more effort and resources into the Company and society with sustainability in mind in order to create a roadmap to sustainability. Even though the epidemic will bring about more uncertainties and changes in the future, we will continue to lead all of our employees towards the goal of sustainable development with resolve and practicality. We shall continue to innovate with a positive attitude and look forward to working with you towards a sustainable future.

Corporate Sustainability Vision



In the half century since the founding of Shin Zu Shing, the Company has adhered to the business philosophy set by the founder and created a corporate Culture of "Integrity, Innovation, Professional, Well-rounded". We considered the development trends on sustainability and aimed to progress with the times and established the sustainability vision of "Addressing the needs of the people, diverse innovation, low-carbon production, and social inclusion". We also set the five major sustainability strategies of Shin Zu Shing for environmental, social, and corporate governance to expand the influence of the Company and support the United Nations Sustainable Development Goals (SDGs).

Shin Zu Shing's Five Major Sustainability Strategies





OPERATION AND GOVERNANCE



Shin Zu Shing uses a comprehensive corporate governance system to implement business ethics and integrity in management and comply with government laws and regulations. We take solid steps toward expanding diverse business operations. In addition, we continue to invest in innovation and R&D, enhance technology capacity, and increase added value to become a competitive international company and fulfill sustainable development goals.

Excellent

The results of performance evaluations of the Board of Directors, Audit Committee, and Remuneration Committee were excellent

NT\$ **253.25** million

R&D expenses in 2021 totaled NT\$253.25 million

100%

100% continuing education rate of the Company's Directors

1,257

Accumulated 1,257 patents across the globe with 3 patents pending

Establishment

Establishment of the Sustainable Development Committee in 2021



ENVIRONMENTAL PROTECTION



ISO 14064

Obtained the ISO 14064 Greenhouse Gas Inventory External Certification Statement

1%

Met the target of the Bureau of Energy, Ministry of Economic Affairs for "reducing electricity consumption by an average of 1% from 2016 to 2021"

Electricity savings

539,366.31 kWh

Carbon emissions reduction

270,761.88 kg

22.94%

Effectively recycled water accounted for 22.94% of vibration process water consumption in 2021

Shin Zu Shing has spared no effort in environmental protection and continues to search for opportunities for energy conservation and increase equipment efficiency to reduce greenhouse gas emissions. We also invested in wastewater recycling to increase the recycling rate of waste.

The Company also adopted the TCFD framework for climate change risk assessment to seek potential opportunities with the aim of attaining growth and prosperity in both the economy and the environment.



COMMON GROWTH WITH THE SUPPLY CHAIN



Number of suppliers that signed the REACH compliance letter :

590

NT\$ **1,640** million

48% of general procurement is sourced from suppliers in Taiwan and 85% of raw materials is sourced from suppliers in Taiwan. The green procurement amount is approximately NT\$16.40 million.

Number of suppliers that signed the zero-use commitment for environmental hazardous substances :

795

100%

The Company's 14 suppliers signed the "Declaration of Non-use of Conflict Minerals" and the response rate was 100%.

95%

In the customer satisfaction survey, more than 95% of the customers provided a score of higher than 80 points.

Number of suppliers that signed the social responsibility compliance letter :

359

Suppliers are indispensable partners for Shin Zu Shing's sustainable development. The Company ensures a safe work environment in the supply chain, the respect for and dignity of their employees. We also ensure that the operations are environmentally responsible and meet business ethics.

We actively invest in supply chain sustainability management to ensure that the supply chain provides high-quality products and services in a sustainable, ethical, and responsible manner.



A HAPPY ENTERPRISE



We believe that our commitment, understanding, and support for the needs of our employees, dedication to creating a friendly workplace, and creation of a good work environment, benefits, and compensation will help to enhance the support from employees. It allows them to work in a physically and mentally healthy state, maximize work efficiency and creativity, and achieve win-win for both the employer and employees.

CNS 45001

CNS 45001 Taiwan Occupational Safety and Health Management System (TOSHMS)

Obtain the certification from the Health Promotion Administration, Ministry of Health and Welfare

"2021 Healthy Workplace Certification"

NT\$ **1,536** million

The Company has paid all necessary expenses for the relocation of migrant workers to Taiwan totaling NT\$15.36 million

The disabling frequency rate (FR) and disabling severity rate (SR) in 2021 decreased by nearly 25% compared to the previous year

25%

ISO 45001

Obtain the ISO 45001 Safety and Health Management System certification



SOCIAL CARE



Shin Zu Shing continues to make steady advancements toward social benefits. We have focused on talent nurturing, support for arts and culture, social care, and local engagement. In addition to promoting the cultivation of the professional skills of talents, we also focus on physical and mental health and pay attention to the needs of local residents to provide resources and services to the society. We connect the positive energy between companies and the society to deliver a continuous supply of positive energy.

Talent Nurturing

- ✓ We started industry-academia collaboration with the Department of Mechanical and Electro-Mechanical Engineering of Tamkang University and developed cross-sector courses. We arranged 2 courses given by the President and Vice President of Shin Zu Shing.

Local Engagement

- ✓ Sponsored 2,352 meals for the elderly from January to April 2021 but the program was suspended due to the epidemic.
- ✓ Donated charity new year's dishes to the elderly who live alone.

Support for Arts and Culture

- ✓ Provided NT\$300,000 in sponsorship for the harmonica clubs of 3 elementary schools.

Social Care

- ✓ Donated epidemic prevention supplies to Fu Jen Catholic University Hospital, Lo-Sheng Sanatorium and Hospital, Hsin-Tai General Hospital, Xinshu Police Station, and Shulin Police Station to protect the safety and health of epidemic prevention personnel on the front line.
- ✓ 248 employees voluntarily purchased moon cakes made by mentally challenged children and provided funding for 677 gift boxes.

Summary of ESG Performance

Note : Page numbers of the complete 2021 ESG Sustainability Report are provided herein

Chapter	Section	Primary Indicator		2020	2021	Unit	Page
Chapter 1 Operation and Governance	1.2 Economic Performance	Financial structure	Liabilities to assets ratio	29.85	27.30	%	P23
			Long-term working capital to real estate, plants and equipment ratio	276.30	276.18	%	
		Solvency	Current ratio	265.43	319.06	%	
			Quick ratio	234.41	278.09	%	
			Times interest earned ratio	24861.27	26839.45	Times	
		Profitability	Return on assets	8.02	5.37	%	
			Return on equity	11.47	7.49	%	
			Net income before tax to paid-in capital ratio	127.41	84.82	%	
			Net profit margin	10.98	9.63	%	
			Earnings per share	9.05	6.08	NTD	
Chapter 2 Environmental Protection	2.2 Greenhouse gas and energy management	Greenhouse gas emissions	Scope 1	455.93	551.87	Ton CO ₂ e	P37
			Ratio of Scope 1 in current year	1.54	2.25	%	
			Scope 2	29,117.50	25,750.32	Ton CO ₂ e	
			Ratio of Scope 2 in current year	98.46	97.75	%	
			Total emissions	29,573.43	26,302.19	Ton CO ₂ e	
			Employee emissions per person	10.74	11.20	Ton CO ₂ e/person	
		Overall energy conservation performance	Total electricity consumption	54,029,021	45,418,000	kWh	P40
			Electricity savings in kWh	855,944	539,466	kWh	
			Electricity saving rate	1.58	1.19	%	
			Investment amount	8,232,917	7,422,583	NTD	
	2.3 Water Resource Management	Process wastewater recycling	Total wastewater	55,242	41,230	Tons/year	P41
			Recycled water volume	3,585	3,939	Tons/year	
			Ratio of recycling for use in process	22	23	%	
			Ratio of recycling for other use	78	77	%	

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Chapter	Section	Primary Indicator			2020	2021	Unit	Page	
Chapter 2 Environmental Protection	2.3 Water Resource Management	Wastewater quality	Chemical oxygen demand (COD)	Regulatory requirement : 100	24.9	32.4	mg/L	P41	
			Suspended solids (SS)	Regulatory requirement : 30	7.30	13.15	mg/L		
			Total nickel (Ni)	Regulatory requirement : 1.0	0.65	0.26	mg/L		
	2.4 Air Quality Management	Inspections of stationary sources of pollution	NOx		24 (Requirement : 150)	40.2 (Requirement : 150)	mg/Nm ³	P42	
			Particle pollution		1.5 (Requirement : 50)	1.57 (Requirement : 50)	mg/Nm ³		
			Sulfuric acid inspection		0.000213 (Requirement : 0.244)	0.00225 (Requirement : 0.18)	g/s		
			Ammonia		0.0127 (Requirement : 0.146)	0.00451 (Requirement : 0.146)	g/s		
			Nitrate		0.000207 (Requirement : 0.019)	0.000153 (Requirement : 0.019)	g/s		
			Hydrogen chloride		0.0037 (Requirement : 1.118)	0.000336 (Requirement : 0.96)	g/s		
	2.5 Waste Management	Waste reuse comparison	Hazardous waste output		83.437	94.560	Tons	P43	
			General waste output		211.72	110.74	Tons		
			Total waste output		295.157	205.300	Tons		
			Overall reuse rate		79.33	71.28	%		
			Waste reuse and sorting	Hazardous waste		55.817	59.177		Tons
				General waste		178.340	90.140		Tons
				Total recycling and reuse		234.157	149.317		Tons
Chapter 3 Common Growth with the Supply Chain	3.3 Sustainable Procurement	Raw material procurement	Domestic (Taiwan) procurement		41	85	%	P51	
		Green procurement	Procurement amount		18,156,695	16,404,408	NTD		
Chapter 4 A Happy Enterprise	4.1 Human Resources	Composition of human resources	Number of employees		2,752	2,347	Head count	P57	
			Employees with disabilities		31	24	Head count	P59	
	4.2 Salary and Benefits	Non-managerial full-time employee salary information	Average salary		633	575	(NT\$1,000)	P60	
			Median salary		535	388	(NT\$1,000)		
		Employee benefits	Total annual employee benefit expenses		10,948,000	15,002,300	NTD	P61	
		Total number of parental leave applications		39	46	Head count	P62		

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Chapter	Section	Primary Indicator		2020	2021	Unit	Page		
Chapter 4 A Happy Enterprise	4.4 Talent Nurturing and Development	Total annual new employee orientation		2793	6983	Head count	P64		
				15072	11761	Hours			
		Average hours of training per employee		5.50	5.01	Hours	P65		
		Percentage of employees receiving performance and career development reviews each year		100.00	96.25	%			
		Proposed improvement plans	Total number of improvement proposals		2,181	2,650	Proposal	P65	
			Total bonus for excellent proposals		248,000	421,000	NTD		
	4.5 Occupational Safety and Health	Hazard identification and risk assessment	Number of hazards identified		796	597	Proposal	P68	
			Survey results		Risks were deemed acceptable	Risks were deemed acceptable	-		
		Chemicals management	Total number of chemicals identified		39	45	Items	P68	
			Prioritized management		2	22	Items		
		Occupational injury statistics	Severe occupational injuries		0	0	Head count	P69	
					0	0	Percentage		
			Recordable occupational injuries		31	22	Head count		
					5.36	4.45	Percentage		
			Disabling injury frequency rate (FR)		1.83	1.86	Announced by the Ministry of Labor		
					2.6	2.02	Shin Zu Shing		
			Disabling injury severity rate (SR)		116	56	Announced by the Ministry of Labor		
					27	20	Shin Zu Shing		
		4.5 Occupational Safety and Health	Statistics of deficiencies found in inspections	Statistics of 5S, safety, chemicals, fire safety, and documentation		607	503	Proposal	P70
			Number of monitoring locations of the work environment	Total physical and chemical properties		162	112	Number of locations	P71
	Disqualification rate			0	4.26	%			
	Occupational health and safety training		New employees	General safety and health training	1,275	499	Head count	P71	
					6	6	Hours		
				Machinery operations and occupational safety training	1,275	499	Head count		
				3	3	Hours			
Chapter 4 A Happy Enterprise	4.5 Occupational Safety and Health	Management of high-risk personnel	Total management	264	318	Head count	P72		
			Occupational physician interviews	264	318	Head count			
			Enhanced employee management caused by work type	0	0	Head count			

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Chapter	Section	Primary Indicator	2020	2021	Unit	Page
Chapter 5 Social Care	Shin Zu Shing social care activities	Sponsorship for the community meal sharing activities for the elderly of Sanlong Village	Provided services 3,360 times	Provided services 2,352 times from January to April Suspended in May due to the COVID-19 outbreak	-	P81
		Sponsorship for the community meal sharing activities for the elderly of Zhenan Village	Provided services 1,680 times		-	
		Sponsorship of New Year's dishes for the elderly who live alone	Donated 50 gift boxes of New Year's dishes	Donated 50 gift boxes of New Year's dishes	-	
		Donated police and fire safety equipment to ensure the safety of public servants on duty	Donated 600 high-end helmets to Shulin Precinct and Xinzhuang Precinct	Donated hazmat suits, protective clothing, masks, protective masks, and alcohol	-	
		Donated funding for the harmonica clubs of Sanduo Elementary School, Datong Elementary School, and Yude Elementary School in Shulin District	NT\$300,000	NT\$300,000	-	
		Sponsored the Beauty of Shulin Spring Carnival in New Taipei City	NT\$55,000	NT\$55,000	-	
		Bridging the gap between talent cultivation in the industry	Donated automation robotic arms to the mechanical engineering departments of Fu Jen Catholic University, Tamkang University, Lunghwa University of Science and Technology, Chin-Yi University of Technology, and Lee-Ming Institute of Technology	Shin Zu Shing signed an industry-academia collaboration agreement with the Department of Mechanical and Electro-Mechanical Engineering of Tamkang University	-	

Independent Third Party Assurance Statement



Independent Assurance Statement

SHIN ZU SHING CO., LTD.'s ESG REPORT FOR 2021

AFNOR GROUP was established in 1926. We are the National Standardization Body of France, a permanent council member in ISO and one of the leading certification bodies in the world. This verification work was carried out by AFNOR ASIA LTD., a subsidiary of AFNOR GROUP. All the members of the verification team have professional backgrounds and have accepted AA1000 AS, AFAQ 26000, ISO 9001, ISO 14001, ISO 14064, ISO 45001, ISO 50001, and other sustainability-related international standard trainings. All assigned verifiers have been approved as the lead auditors or verifiers. AFNOR Group hereby provides a summary of SHIN ZU SHING CO., LTD.'s Sustainability Report of 2021 (hereinafter referred to as "the Report") but was not involved in any way in its preparation.

AFNOR Group and SHIN ZU SHING CO., LTD. (hereinafter referred to as "SZS") are independent entities. AFNOR ASIA LTD., was commissioned by SHIN ZU SHING CO., LTD. to conduct the assessment and assure the Sustainability Report of 2021 was in accordance with AA1000 Assurance Standard (v3) and the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards).

SCOPE

The Sustainability Report announced by SHIN ZU SHING CO., LTD. covers the operating performance and activities related to the social, environmental, and economic aspects of SZS's all factories in Taiwan (excluding overseas subsidiaries).

AFNOR Asia is responsible for:

1. Evaluating the accordance of the Report with the Type 1 of AA1000 Assurance Standard (v3) based on the AA1000 Accountability Principles (2018). The reliability verification of the revealed sustainability performance information and data was not included. The verification scopes include sustainability issues, response mechanism, performance information, management systems of information, and the processes of materiality evaluation and stakeholder participation.
2. Evaluating the appropriate option of the Report and its disclosure of materiality topics by GRI Standards.



REFERENCES

The scope of the assurance included evaluation of quality, accuracy and reliability of specified performance information as detailed below and evaluation of adherence to the following reporting criteria :

- AA1000 Accountability Principles (2018)
- GRI Standards

METHODOLOGY

- The inclusivity, materiality, responsiveness, and impact in the Report were assessed according to the principles of management process against AA1000 Assurance Standard (v3).
- The contents and the level of disclosure of the Report were in accordance with GRI Standards core option and review the report's general standard disclosure requirements and specific subject disclosures (including management policies and projects) that meet the Standards.
- The mechanism of communication and response to the interest of stakeholders was verified through discussion and interview with the management team, however, the assessment team did not make any direct contact with external stakeholders.
- The qualitative and quantitative information produced, collected, and disclosed by the Report was reviewed through a validated sampling plan.
- The documents, materials and information related to the report were examined and reviewed by interviewing the responsible persons of each group of SZS.
- Interviews with members of the organization related to sustainable development management and report writing, including representatives of all levels and departments.
- All documents, data and information related to the preparation of this report are reviewed and verified through discussions between the verification team and relevant personnel.
- All the supporting material and evidence which were used for the preparation of the Report were reviewed for adequacy and integrity.

LIMITATIONS AND MITIGATION

Financial data drawn directly from independently audited financial accounts and Task Force on Climate-related Financial Disclosures (TCFD) has not been checked back to source as part of this assurance process.





CONCLUSION

◆ AA1000 Accountability Principles

Inclusivity

SZS continues to implement an extensive stakeholder engagement program aimed at identifying and understanding stakeholders' interests and informational needs, which broadly includes issues from all parties. The impartial report sets out the economic, social, and environmental message adequately to support planning and achieving targets. Future reports could be improved by the following recommendations:

- Continue to pay attention to the sustainable development strategy of the enterprise, effectively integrate the internal and external resources of the enterprise, manage risks and opportunities, and clearly present the sustainability-related performance that stakeholders are concerned about.
- Continue to strengthen the existing identification mechanism of stakeholders and major issues, collect, and understand the focus of stakeholders and specific ways of participating as well as reasonable expectations and interests

Materiality

SZS has made their sustainability management information public available to enable the stakeholders to assess the management and performance of the company. SZS also develops and implements a decision-making mechanism to consider all critical issues from different stakeholders. Future reports could be improved by the following recommendations :

- Expand the number of surveys and collections of stakeholders, continue to search, and disclose significant sustainable development information, and fully disclose significant sustainable development information.
- Continue to strengthen the identification mechanism of major considerations and related impacts, strengthen the risk and opportunity management and control of major issues, and implement them into the operating procedures of each department.



Responsiveness

SZS has developed and implemented the responding mechanism for stakeholders' interests to clearly declare the ethical policies and to communicate with interested parties. SZS has responded the ethical expectations and opinions from the stakeholders. Future reports could be improved by the following recommendations:

- Continue to strengthen the response and communication mechanism of various departments and stakeholders, enhance the depth and breadth of data disclosed and increase its comparability.
- Continue to compile stakeholders' responses to this report for future reference.

Impact

SZS has developed and implemented processes to understand, measure, evaluate and manage the impact of the organization and to provide the necessary capabilities and resources. SZS is also committed to a comprehensive and balanced disclosure of the organization's impact measurement and assessment of stakeholders and themselves. Future reports could be improved by the following recommendations:

- Continue to strengthen the search and disclosure of significant sustainable development information, and fully disclose sustainable development information that has a wider impact.
- Continue to strengthen the risk and opportunity monitoring and measurement mechanism of various major sustainable actions and related impacts, and implement them into the operating procedures of each department.

◆ Global Reporting Initiative Sustainability Reporting Standards

SZS has provided a self-declaration which followed the principles of defining report content and quality of GRI Standards. We confirm the related indicators in reference to GRI Standards (core option) in the report have been compliant with guidelines. Some opportunities for improvement are:

- Continue to search and disclose performance information that can be extended to other regions or operating bases in the future, and strengthen the depth and breadth of disclosed information to strengthen the disclosure content of management policies, and present the context of sustainability and related sustainability performance more completely.



- Continue to integrate the risks and opportunities of major issues and strengthen the management and control, practical results and gradually implement the operation management actions of the subsidiaries in each operating base to expand the sustainable impact of the enterprise

ASSURANCE OPINION

In our opinion, the information and data presented in the Report by SZS is satisfactory and provides a fair and balanced representation. We believe the focuses on economic, social, and environmental matters in SZS in 2021 are well represented.

Afnor Group has developed a set of protocols for the Assurance of Sustainability Reports based on current practice guidance provided in the AA1000 Assurance Standard (v3) and GRI Standards. We believe that the evidence collected by onsite assessment has exhibited that SZS did follow the guidance of AA1000 Assurance Standard (v3) and GRI Standards core option criteria, and their self-declaration in response to the Global Reporting Initiative.

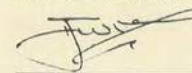
ASSURANCE LEVEL

In accordance with the AA1000 Assurance Standard (v3), we verified this assurance statement corresponding to a moderate level. The scope and methods are as described in this disclaimer.

LIABILITY

This assurance statement is intended for the use of SZS only. Afnor is not responsible for any other uses. Our responsibility is only based on the scope and methodology described, and to provide stakeholders an independent assurance statement.

For and on behalf of Afnor :



Trevor Wilmer
The Director for Certification and Assessment
Jun.21.2022



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