



2022 Sustainability Report

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About this report

This report is the first sustainability report issued by OFCO Industrial Corporation (stock symbol 5011, hereinafter referred to as “OFCO” or “the Company”). The report follows the GRI Standards issued by the Global Reporting Initiative (GRI) and references the universal and topic-specific standards. Additionally, the report’s disclosures are aligned with the frameworks of domestic and international standard regulations, including the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, “Rules Governing the Preparation and Filing of Sustainability Reports by TPEX Listed Companies”, the United Nation (UN) Sustainable Development Goals (SDGs), and Task Force on Climate-related Financial Disclosures (TCFD). By publishing this report, the Company aims to provide the public and stakeholders with an understanding of OFCO’s short-term, medium-term, and long-term strategic goals, investments, and achievements in promoting sustainable developments and make it serve as a vital channel for OFCO to disclose non-financial information.

Scope and Boundary of the Report

The report’s scope includes only OFCO and does not encompass its subsidiary companies, including TSG Transport Corp., TSG Environmental Technology Corp., and Yung-Fu Co., LTD. This decision is made primarily because the first preparation of sustainability reports is still under internal planning. In the future, other consolidated financial statement entities will be gradually included.

This report discloses OFCO’s performance data for the economic, environmental, and social aspects of 2022 (from January 1, 2022, to December 31, 2022). For information completeness and comparability, some performance data is traced back to information from the year 2020.

Data Sources, Management, and Assurance

The data and information used in this report are collected and provided by various responsible departments. They are then integrated, summarized, and subsequently edited by the Sustainability Report Task Force. After the initial draft is completed, it is submitted for review to Executives of each unit, the General Manager, and the Chairman to ensure the authenticity and completeness of the content of the sustainability report. As of the completion of this report, no third-party assurance has been conducted.

All the data and information in this report are compiled and investigated by OFCO. For financial data, the report references financial statements that have been audited and certified by PwC Taiwan, while other relevant information in the sustainability report is subject to OFCO’s internal periodic audits.

Release Date

OFCO will issue a sustainability report annually and simultaneously disclose relevant information on the Company's official website in the "Stakeholder Section"

(Website: <https://www.ofco.com.tw/?q=tw/parties>).

Release Date: Published in September 2023

Next Release Date: Expected to be published in June 2024



Contact Unit of the Report

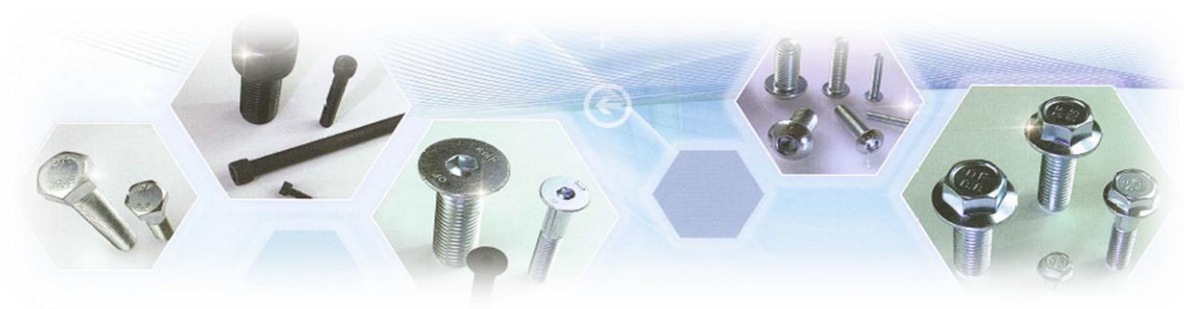
To express any opinions suggestions or questions about the contents of the Report, please contact us. Our contact information is as follows

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Contact person: Sustainability Report Task Force



Letter from the General Manager

Looking back over the past three years, companies have just walked out of the shadow of the COVID-19 pandemic, facing a series of challenges of the environment and crisis of repeated pandemic, continuous fluctuations in raw material prices, rapid shifts in demand from a sharp contraction during the pandemic to the sudden surges afterwards, port congestions, and so on. All of these tested the resilience and operation strategies of companies. However, crisis also presented opportunities. From February 2022, the EU imposed anti-dumping duties lasting five years on Chinese-imported fastener products. OFCO benefited from the effects of the transfer of orders, experiencing a massive surge in orders and shipments in its core business of screws in 2022. The Company experienced huge growth in business profits, marking a year of extraordinary performance for the company's primary business. While pursuing sustainable operations and profitability, OFCO places importance on the impact of the three significant dimensions of environmental protection (Environment), social responsibility (Social), and corporate governance (Governance). The Company actively communicates with stakeholders, including shareholders and investors, customers, suppliers, employees, the media, and the community, to maintain solid interactive relationships.

OFCO integrates the spirit of ESG (Environmental, Social, and Governance) into the Company's serious, professional, and disciplined operation management concept. It establishes an experienced manager team and a solid framework of corporate governance norms and sets up the Audit Committee and the Remuneration Committee. Through the promotion by the management and the supervision of the Functional Committee, it safeguards the rights of shareholders and stakeholders, enhancing the Company's sustainable value. In 2023, OFCO formed the "Sustainability Report Task Force" to drive company sustainability management. The Company focuses on issues from environmental, product, economy governance, and employee and social aspects, identifying material topics of ESG sustainability issues. Through inter-departmental cooperation and coordination, OFCO formulates ESG sustainability policies and compiles sustainability reports. These reports disclose OFCO's sustainability efforts and non-financial information to stakeholders, showcasing the outcomes of communication with stakeholders.

With the intensifying impact of extreme weather events due to climate change, governments worldwide are taking active measures to slow global warming. Taiwan has set the goal of achieving net-zero carbon emissions by 2050 through the "Climate Change Response Act". In 2022, OFCO introduced the TCFD disclosure framework, enhancing climate change governance by identifying and evaluating material risks and opportunities posed by climate change. This deepening of climate change governance aims to strengthen OFCO's operational resilience. Additionally, OFCO simultaneously implemented the ISO 14064-1 Greenhouse Gas Inventory System and obtained external verification. By setting up active management programs such as energy saving and carbon reduction plans with the inventory results, we contribute to environmental sustainable development.

OFCO considers employees as valuable assets and actively create a stable and comforting working environment. The Company has a comprehensive occupational safety and health management system, it also conducts regular employee physical examination activities and establishes a fair system of promotion, reward and punishment. Regarding to talents, OFCO

recruits outstanding talents as well as implementing retention plans and policy of matching individuals with suitable roles. The Company offers thematic training courses of all functions, providing all specialist systems systematic trainings, enhancing the soft skills of employees and increasing the retention rate of qualified personnel. At every management level, training for each level is conducted according to its responsibilities requirements to ensure the practical implementation of sustainability spirits. The goal is to build OFCO into a competitive and sustainable organization collectively. OFCO is committed to improving employee compensation after profiting from operations. In 2022, the company implemented a 10% raise for all office support personnel. The employee compensation contribution rate gradually increased from 1% to 1.5% and further to 2%, sharing operational achievements with employees in tangible ways.






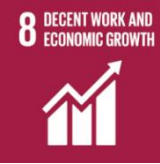
OFCO profoundly believes in “Taking from the community, giving back to society”. In addition to caring for underprivileged groups such as elders living alone and single-parent families in the vicinity of the Company and donates essential supplies. The Company also mobilizes companies and public nearby to organize blood donation events to help more lives in danger. Recognizing the challenges faced by children from economically underprivileged families in the Company’s hometown, OFCO provided scholarships through the Pingtung Indigenous Cultural and Educational Association in 2022. Regarding education, OFCO collaborated with Kao Yuan University, offering part-time and internship opportunities to foreign and overseas Chinese students, allowing them to gain industry knowledge and skills through work experiences. In alignment with government environmental protection policies and energy-saving and carbon reduction concept, OFCO donated energy-saving air conditioners to Yong’an District Public Health Center, Kaohsiung City, supporting its energy-saving and carbon reduction matters. Looking ahead, OFCO will be more active in promoting and implementing various sustainability action programs that align with the UN SDGs, practicing ESG sustainable development goals of the Company.



In the 9th Corporate Governance Evaluation in 2022, OFCO received recognition, ranking in the top 6% to 20% among TPEX listed companies. This represents a step forward from the previous year’s evaluation results and serves as a fulfilling conclusion to OFCO’s efforts and contributions to sustainable development in 2022.

**General manager
Yen Wu.**

Sustainable Performance in 2022

Aspect	Practicing the UN SDGs	The Company's Action & Annual Achievements
<p>Environment</p> 	<p>SDG12 Responsible Consumption and Production</p>  <p>SDG13 Climate Action</p> 	<ul style="list-style-type: none"> • Since the fourth quarter of 2021, the Company had updated machinery to create a 4.0 smart production line, aiming to enhance production efficiency • Promoted energy conservation in office and replaced energy-consuming lighting fixtures with LED energy-saving ones • Following internationally recognized ISO 9001/TAF and Product and Management Regulations, the Company obtained relevant certifications and implemented such management within the factory • Internally established and implemented a comprehensive self-inspection mechanism for production procedures to achieve the goal of stable product quality • Introduced TCFD to assess climate risks and opportunities and have incorporated climate change measures into the Company organizational strategies and planning
<p>Social</p> 	<p>SDG4 Quality Education</p>  <p>SDG8 Decent Work and Economic Growth</p>  <p>SDG17 Partnerships for the Goals</p>	<ul style="list-style-type: none"> • Adhere to the principles outlined in International Bill of Human Rights such as “Universal Declaration of Human Rights”, “United Nations Guiding Principles on Business and Human Rights”, “United Nations Global Compact”, and “United Nations International Labour Organization”, the Company respect and uphold internationally recognized fundamental human rights • Regularly review the safety of the working environment and have completed the ISO 45001:2018 Occupational Safety and Health Management System certification

Aspect	Practicing the UN SDGs	The Company's Action & Annual Achievements
		<ul style="list-style-type: none"> • The Company provided comfortable and safe working environment for the employees. In 2022, 12 lectures were held in total, for a total of 73 attendees/hours. • In 2022, the Company has organized two employee trips and conducted an employee barbecue. The Company have also invited employees to watch professional basketball games. Additionally, in 2022, the association of the Company established a dance club • Donated NTD 90,000 to the Pingtung Indigenous Cultural and Educational Association for scholarships and teacher guidance in 2022 • Through collaboration with Kao Yuan University, the Company provided part-time and internship opportunities to the university, having benefited 60 foreign and overseas Chinese students in 2022 • In 2022, the Company brought together employees, suppliers, nearby companies, and residents to join in a charitable blood donation during the severe COVID-19 pandemic. Approximately 85 people in total participated in this initiative
<p>Governance</p> 	<p>SDG16 Peace, Justice and Strong Institutions</p>  <p>SDG17 Partnerships for the Goals</p> 	<ul style="list-style-type: none"> • In 2022, the Corporate Governance Evaluation ranked the Company within the top 6% to 20% • During 2022, the Company organized both internal and external educational training courses related to the issue of ethical corporate management (including ethical corporate management of regulation compliance, labor safety and health, quality inspection, prevention of insider trading, internal control, and so on). A total of 111 individuals participated in these courses,

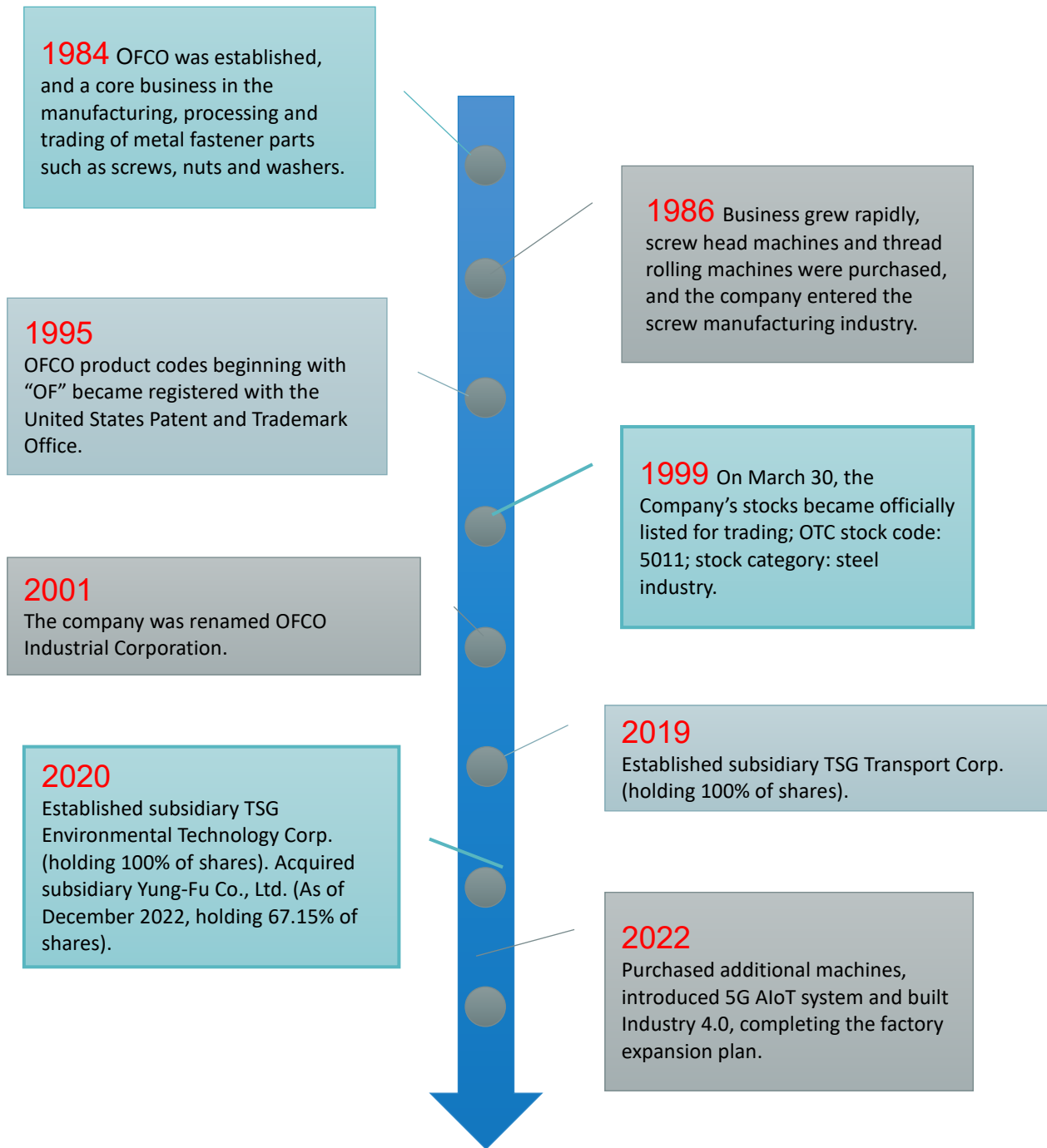
Aspect	Practicing the UN SDGs	The Company's Action & Annual Achievements
		accumulating a total of 487 hours of training

About OFCO

OFCO Industrial Corp. was established in 1984 and was listed on the Taiwan Stock Exchange in 1999 (stock symbol: 5011). It is currently a member of the Taiwan Steel Group. In recent years, it has integrated its strategies with the group, including the parent company, Taiwan Steel Group, and related companies such as E-Top Metal, E-Sheng Steel, GMTC, TMP, and Chun Yu. OFCO has taken a comprehensive top-down approach to enhance the competitiveness of its screw production and sales supply chain, from raw materials to finished bolts and screws. OFCO holds international certifications such as ISO 9001, ISO 14001, and TAF laboratory accreditation. With excellent manufacturing capabilities and high-quality customer service, the Company's products are marketable in European and American markets. The primary product of OFCO is internal/external Hexagon Bolts and Socket Screws, all 100% made in Taiwan!

OFCO has deep roots in Taiwan and operates in locations including the headquarters, the Qiaotou factory and the Ziguan factory. Leveraging over three decades of expertise in screw researching, developing and manufacturing, the Company produces high-quality, precise products. By integrating resources from the Taiwan Steel Group and offering end-to-end services from upstream steel materials to finished screw products, OFCO maximizes resources, reduces production costs, and provides highly competitive pricing. OFCO's flexible production capacity and adaptable product line scheduling ensures that delivery times can meet expectations. The Company is committed to becoming a leading company in the fastener industry, focusing on quality and service!

Milestone Records of OFCO

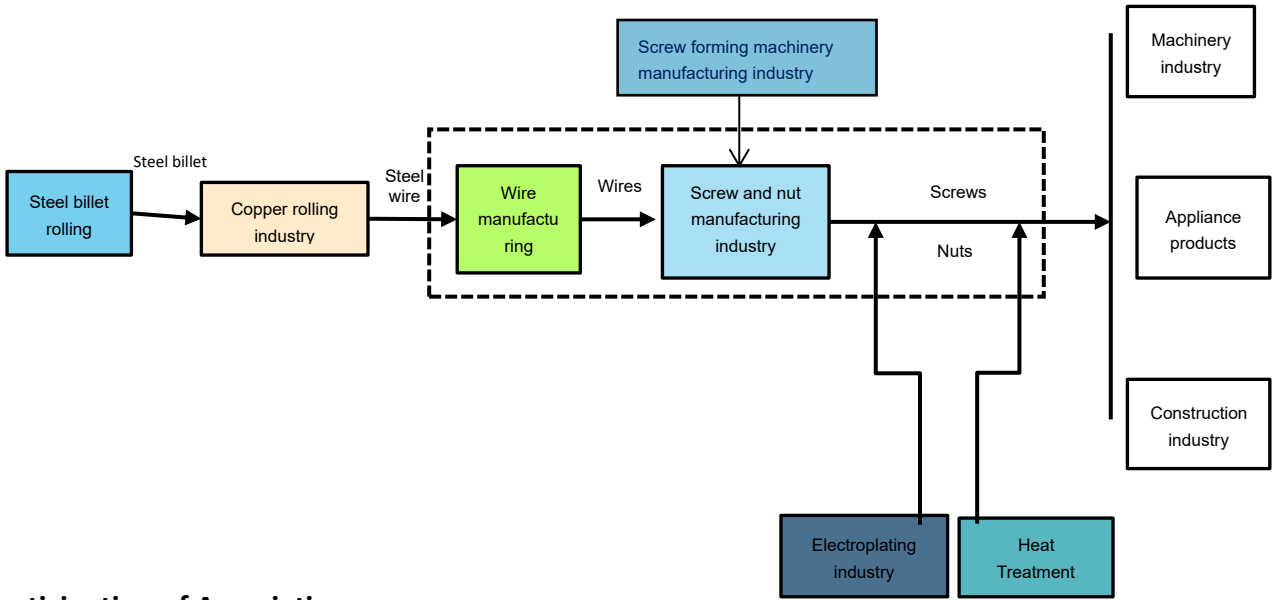


Recorded new highs in operation revenue and profits in a decade of 2022.

Value Chain of Screw and Nut Industry


The development of screw products in Taiwan has a history of over six decades. In its early stages, the industry primarily served the domestic market. Through the collective efforts and learning of several generations, the industry has rapidly developed, and manufacturing technology has continuously improved. Taiwan’s screw industry has had significant growth in both quantity and quality. With excellent quality and accurate delivery times, Taiwan industries have earned the trust of European and American customers. The Taiwanese screw and nut industry has traditionally been export-oriented, with direct exports accounting for nearly 90% of the total. Typically, smaller-scale screw manufacturers focus on the screw-forming processing, while the processing such as wire drawing and heat treatment, which require significant investment in equipment, are often outsourced or procured externally. OFCO benefits from the integrated resources of the Taiwan Steel Group, offering end-to-end services from upstream steel materials to finished screw products. This integrated operation system helps ensure a reliable supply, enhances competitiveness, and reduces costs.

Value Chain Diagram of Screw and Nut Industry



Participation of Association

OFCC plays a significant role in the global screw and nut industry. The Company aspires to leverage industry influence and collaborate with other companies to collectively respond to international dynamics and industry changes, promoting industry exchange and development.

Name of the Participating Association	Participation Status
 台灣螺絲工業同業公會 Taiwan Industrial Fasteners Institute	Member
Taiwan Listed Companies Association	Member
Kaohsiung Port City Listed Entrepreneurs Association	Member




Chapter 1 ESG Management



1.1 Stakeholder Engagement

1 The Sustainability Report Task Force refers to the AA1000 Stakeholder Engagement Standard (AA1000 SES), which consists of five dimensions: Dependence, Responsibility, Concern, Influence, and Diverse Perspectives. This framework is used to identify potential stakeholders, facilitating effective communication and a better understanding of the various stakeholders' concerns.

2 Following the execution of the above procedures, OFCO identified the following five primary stakeholders for the year 2022 as the main target of communication: employees, customers, shareholders and investors, suppliers, and the community neighborhood. OFCO also has a dedicated [Stakeholder Page](#) on its official website. Through various channels, both on a regular and ad-hoc basis, feedback and opinions from stakeholders are continuously collected, serving as a source of information for sustainability issues and assessing potential impacts.



Stakeholders	Priority Concerns	Communication and Response Methods	Communication Frequency	Communication Results of 2022	Issues Responding Chapter
 Employee	<ul style="list-style-type: none"> •Occupational safety and health •Employee Diversity and Inclusion •Talent recruitment and retention •Talent Development and Educational Training • Economic Performance 	Contact person: Ms. Huang, Administration Section TEL : 07-6125899 # 125	On an irregular basis	<ul style="list-style-type: none"> • A 10% raise for office support personnel in 2022 • Distributed a 1.5% employee compensation in May 2022 and conducted the employee physical examination of the year in October 2022 • Have held regular labor-management meetings every three months. 	<div style="background-color: #4a90e2; color: white; padding: 5px; border-radius: 10px; text-align: center;">Chapter5 Social Inclusion</div>
		Labor-Management Meetings	Quarterly		
		Communication Meetings between Executives and Employees	On an irregular basis		
		Hotline and Employee Message Board	On an irregular basis		
		Sexual Harassment Complaint Channel Hotline: 07-6125899 #125 E-mail: julie@ofco.com.tw	On an irregular basis		
 Customer	<ul style="list-style-type: none"> •Product Quality and safety •Customer service management •Governance •Risk management •Greenhouse Gas Management 	Customer Satisfaction Surveys.	On an irregular basis	<ul style="list-style-type: none"> • In 2022, all deliveries were made on time according to customers' requirements. • In the fourth quarter of 2022, four European customers in total sent representatives to visit OFCO, and one European customer conducted process and shipment audits at the Company • In November 2022, the Sales Unit sent representatives to participate in the Fastener Fair Italy and visited local customers to exchange opinions about orders and product. 	<div style="background-color: #4a90e2; color: white; padding: 5px; border-radius: 10px; text-align: center;">Chapter 2 Corporate Governance</div> <div style="background-color: #ffc107; color: white; padding: 5px; border-radius: 10px; text-align: center; margin-top: 10px;">Chapter 3 Product Quality Management</div> <div style="background-color: #28a745; color: white; padding: 5px; border-radius: 10px; text-align: center; margin-top: 10px;">Chapter4 Green Operations</div>
		Participation in various technical forums and seminars on an irregular basis.	On an irregular basis		
		Cooperation with customers to meet requirements and audits of product, environmental, responsibility, and so on, and collaborating on prevention and continuous improvement.	On an irregular basis		
		Active participation in domestic and international relevant trade exhibitions to enhance visibility and to communicate face-to-face with customers.	On an irregular basis		
	<ul style="list-style-type: none"> • Economic Performance •Governance •Integrity 	Organize shareholders meetings	Annually	<ul style="list-style-type: none"> • In June 2022, the Company organized a shareholder 	<div style="background-color: #4a90e2; color: white; padding: 5px; border-radius: 10px; text-align: center;">Chapter 2 Corporate Governance</div>
		Appoint a spokesperson and deputy spokesperson	On an irregular basis		

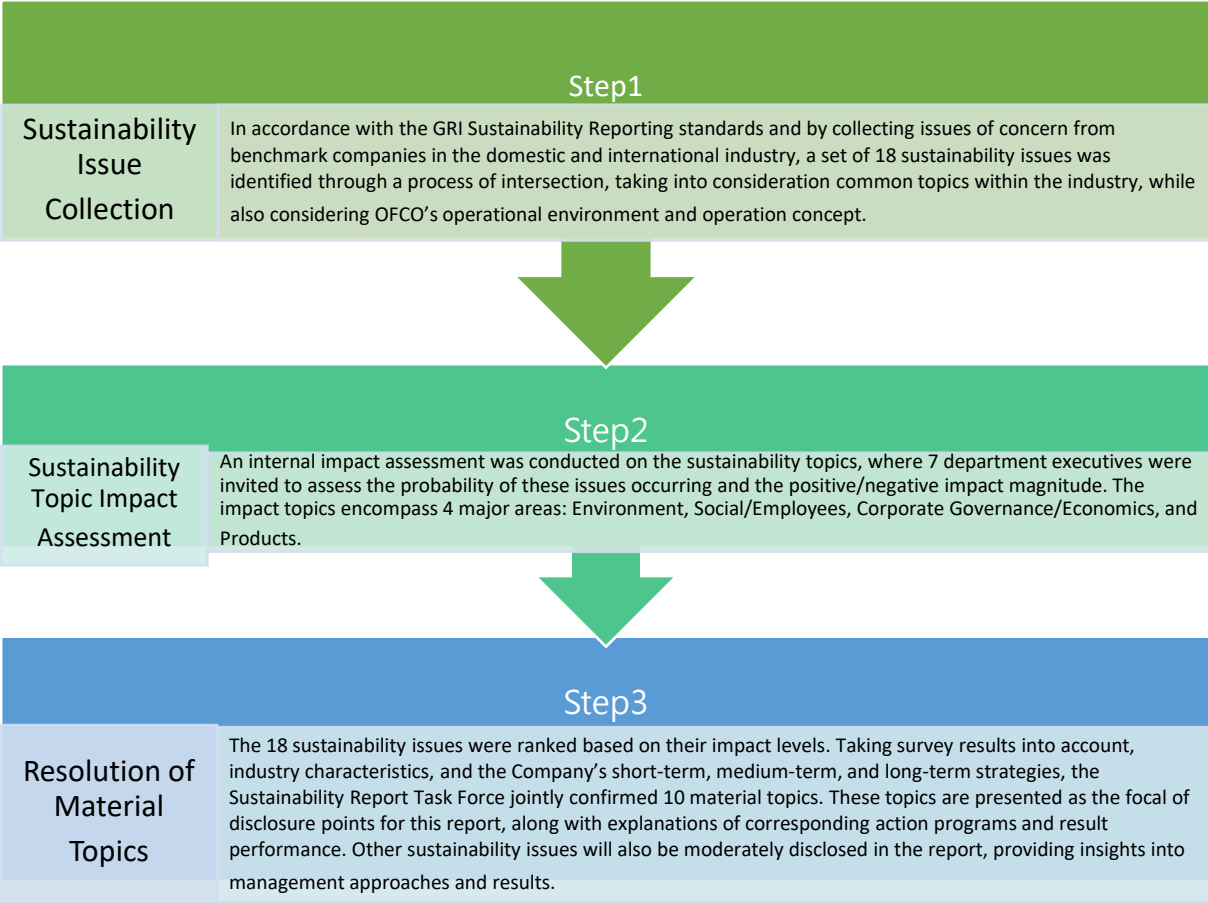
Stakeholders	Priority Concerns	Communication and Response Methods	Communication Frequency	Communication Results of 2022	Issues Responding Chapter
Shareholders/ Investors	<ul style="list-style-type: none"> Management •Risk management •Compliance •Greenhouse Gas Management 	<p>Delegate shareholder-related matters to a professional stock transfer agent</p> <p>Regularly publish quarterly financial reports and operational information</p> <p>Promptly disclose material information on the Market Observation Post System</p> <p>For the announcement of material events, in addition to disclosing on the Market Observation Post System and the Company's website, the Company may also issue press releases or hold press conferences for clarification as needed</p> <p>Established an email mailbox and contact phone number on the Company's website to create an open communication channel between investors and the Company</p>	<p>On an irregular basis</p> <p>On an irregular basis</p> <p>On an irregular basis</p> <p>On an irregular basis</p> <p>On an irregular basis</p>	<p>meeting to report the 2021 operating results and dividend distribution policy to shareholders.</p> <ul style="list-style-type: none"> The financial reports for the first, second, third, and fourth quarters have been promptly published. 	
 Supplier	<ul style="list-style-type: none"> •Product quality and safety •Occupational safety and health •Risk management •Compliance 	<p>Provide product testing approval through accredited third-party laboratories as needed</p> <p>Conduct annual audits of suppliers and contractors</p>	<p>On an irregular basis</p> <p>Annually</p>	<ul style="list-style-type: none"> In the fourth quarter of 2022, the Company conducted a shipment audit on one supplier 	<p>Chapter 2 Corporate Governance</p> <p>Chapter 3 Product Quality Management</p> <p>Chapter 5 Social Inclusion</p>
 Community Neighborhood	<ul style="list-style-type: none"> •Water Resource Management •Waste management •Occupational safety and health •Social Engagement 	<p>Donating essential supplies</p> <p>Sponsoring community event expenses for Mid-Autumn Festival, Double Ninth Festival, and others</p>	<p>Annually</p> <p>Depending on the holidays</p>	<ul style="list-style-type: none"> Donated a batch of rice, oil, and other essential supplies in 2022 Sponsored community event expenses four times in 2022 Each factory organized 2 fire drills in 2022 	<p>Chapter 4 Green Operations</p> <p>Chapter 5 Social Inclusion</p>

1.2 Materiality Analysis

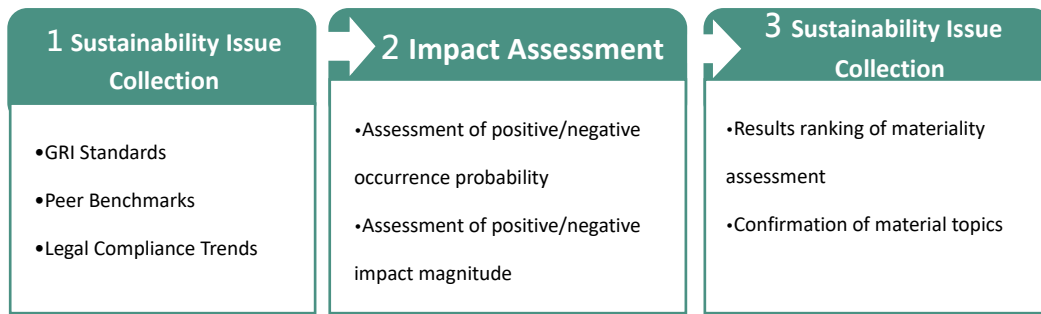
1.2.1 Identification of major issues

To understand the relevant sustainability topics for OFCO’s industry and identify key material topics for management policy development, the Company followed a series of procedures, including issue collecting and organizing, impact assessment, and material topics determination, and completed the resolution of sustainability and material topics for 2022.

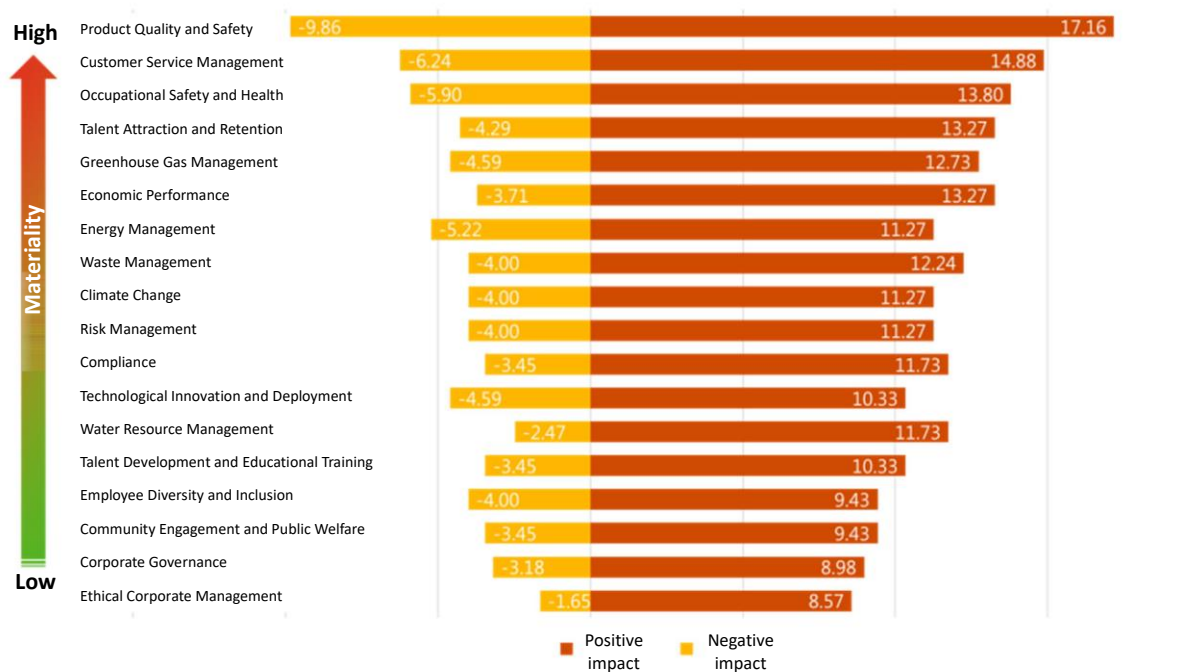
OFCO identifies operationally relevant topics based on the framework provided by the Global Reporting Initiative (GRI) standards. This process simultaneously considers global sustainability trends, domestic and international industry conditions, issues commonly concerned in the steel industry, Rules Governing the Preparation and Filing of Sustainability Reports by TPEX Listed Companies, and Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies. Through this process, the Company discerns the potential annual sustainability issues. Through discussions with the key management, the Company assess the impact and probability of sustainability topics in the three dimensions: social, environmental, and corporate governance. The material topics determined through this process serve as the foundation for information disclosure in this year’s sustainability report.



Identification of Material Topics and Resolution Process







1.2.2 Impact Level of Material Topics



The Sustainability Report Task Force sorted the 18 sustainability issues by their level of impact and selected the top 10 material issues with the highest positive/negative impact. 10 material topics were decided in total, they encompass Governance/Economic aspects, including “economic performance” and “risk management”; Environmental aspects, including “climate change adaptation”, “energy management”, “greenhouse gas management”, and “waste management”; Social/Employee aspects including “occupational health and safety” and “talent attraction and retention”; as well as Product-related aspects including “product quality and safety” and “customer service management”.

1.3 Response to the Impact of Material Issues

Aspect	Material Topic	Impact on OFCO's Operations	Impact Boundaries					Corresponding Chapters
			Internal	External				
				Suppliers	Investors	Customers	Community	
 Governance /Economic	Economic Performance	The Company continuously improves operational efficiency and product competitiveness, expanding market share, creating substantial economic value in the market. By realizing the economic value and providing labor and health insurance as well as retirement schemes, OFCO generates wealth for stakeholders and safeguards labor income, positively contributing to the economy.	V	V	V	V	V	2.4 Economic Performance
	Risk management	Through establishing a risk management mechanism, the Company can identify and evaluate the risks that the Company's daily operations may encounter. This allows the Company to propose risk adaptation strategies, reducing its impact on the external environment, the economy, and society.	V	V	V	V	V	2.5 Risk management
 Environment	Climate Change Adaptation	<p>Positive Impact: Identifying opportunities and risks associated with climate change, strengthening risk/opportunity management to reduce the impact on the Company's business and finance, safeguarding investor interests, and enhancing climate resilience.</p> <p>Negative Impact: The Company's failure to actively address climate-related issues may result in operational impacts due to flooding or droughts, impacting shareholders and employees financially.</p>	V	V	V	V	V	4.1 Climate Change Risk Management
	Energy Management	<p>Positive Impact: Comprehensive energy management and energy-saving improvements leading to energy saving and carbon reduction.</p> <p>Negative Impact: Failure to implement energy-saving improving programs resulted in increased power use and intensified carbon emissions.</p>	V	V	V	V	V	4.2 Energy Management
	Greenhouse Gas Emissions	<p>Positive Impact: Conducting an inventory on greenhouse gas emissions, implementing carbon reduction plans to reduce greenhouse gas emissions, and addressing economic losses related to energy-related risks at operational sites through energy management and energy-saving strategies.</p> <p>Negative Impact: Failure to manage greenhouse gas emissions will contribute to the greenhouse effect. Future carbon taxes may increase operational costs and may not meet customer expectations.</p>	V	V	V	V	V	4.3 Greenhouse Gas Emissions

Aspect	Material Topic	Impact on OFCO's Operations	Impact Boundaries					Corresponding Chapters
			Internal	External				
				Suppliers	Investors	Customers	Community	
		Continuing to use non-renewable energy and failing to implement energy-saving programs will result in increased greenhouse gas emissions, exacerbating global warming.						
	Waste management	<p>Positive Impact: Reducing waste generation through the use and management system of raw materials.</p> <p>Negative Impact: Outsourcing waste removal and disposal. If the removal and disposal service provider violates environmental regulations by indiscriminately dumping waste, the Company is jointly responsible under Waste Disposal Act.</p>	V	V		V	V	4.4 Waste management
 Social/ Employees	Occupational Safety and Health	OFCO is committed to creating a safe and stable working environment. The Company implement hazard identification and risk assessment to reduce potential dangerous events and actively promotes employee well-being through various physical examination and environmental checks, fostering a balanced physical and mental state for employees while ensuring the highest product quality in a safe and healthy working environment.	V	V	V			5.4 Occupational Safety and Health
	Talent Attraction and Retention	OFCO offers comprehensive remuneration, promotion, and benefits systems in compliance with legal requirements to safeguard employees' rights. The Company aims to create a safe and stable working environment that allows employees to utilize their skills, grow with the Company, provide employment opportunities in the local community, and contribute to regional economic growth.	V					5.2 Talent Attraction and Retention
 Product	Product quality and safety	<p>Positive Impact: OFCO primarily focuses on exports, thus closely monitoring relevant regulations in the fastener industry, such as EU/ISO/REACH/RoHS/CBAM, in the EU and Americas regions, and conforming to the latest regulatory standards for production and quality control are required.</p> <p>Negative Impact: Quality control laboratory is equipped with high-standard testing equipment, which complies with TAF testing standards. The laboratory regularly participates in the mutual verification of testing techniques with CTS, a third-party testing organization. This rigorous control ensures that the Company's product quality aligns with international regulations and meets customer requirements.</p>	V	V		V		3.1 Product Quality and Safety
	Customer Service	Annual customer satisfaction reflects feedback from customer on the quality of OFCO's services. By providing excellent	V			V		3.2 Customer

Aspect	Material Topic	Impact on OFCO's Operations	Impact Boundaries				Corresponding Chapters
			Internal	External			
				Suppliers	Investors	Customers	
	Management	service, the Company can establish long-term customer partnerships, enhance customer retention, and stabilize revenue.					Service

Chapter 2 Governance

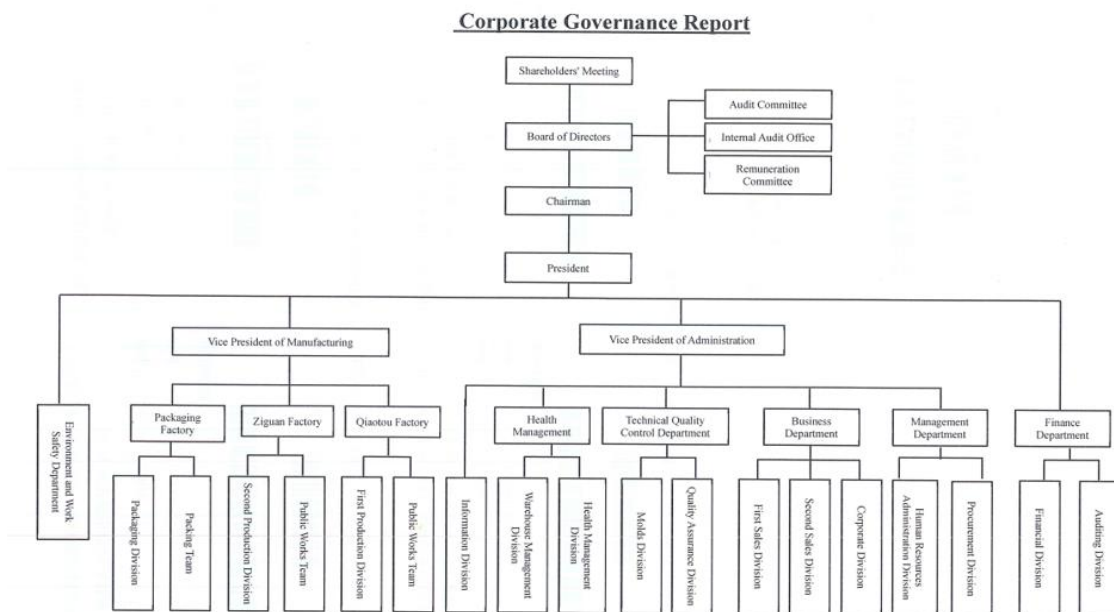
2.1 Governance

2.1.1 Operation Organization Chart and Sustainable Governance

OFCO upholds a business attitude of honesty and integrity and progressively strengthens the functions of the Board of Directors. The Company has established a professional manager team to enhance company sustainability and risk management mechanisms continuously. In 2023, the Sustainability Report Task Force was established, planning to create a Sustainability Committee at an appropriate time. The Company is also planning and establishing risk management procedure to build sound Corporate Governance System and achieve sustainable development.

OFCO is committed to building a practical corporate governance framework. Following the Company Act of the Republic of China and other relevant regulations, the Company has established a comprehensive Corporate Governance System, including Corporate Governance Best Practice Principles, Ethical Corporate Management Best Practice Principles, and Corporate Social Responsibility Best Practice Principles. The Company gradually implements various systems and rules to enhance the quality and effectiveness of corporate governance continuously. These measures protect the interests of shareholders and stakeholders, ensure that the spirit of corporate governance is properly implemented, and strive towards the Company’s sustainable operations.

OFCO INDUSTRIAL CORP. Organizational structure



While pursuing sustainable operation and profitability, OFCO values the Company’s impact on environmental, social, and governance aspects. Therefore, the “Sustainability Report Task Force” was established to promote company sustainability management, focusing on issues from environmental, product, economy governance, and employee and social aspects. The Sustainability Report Task Force compiles sustainability reports to disclose OFCO’s sustainability efforts to stakeholders and showcase the results of communication with stakeholders. The Sustainability Report Task Force consists of four teams that include issue-related units to joint manage and enhance their professionalism and execution reliability. When the sustainability report is completed, it undergoes review by the General Manager and the Chairman, and they are also briefed on the annual plans, execution outcomes, and supervisory execution effectiveness.



2.1.2 Board of Directors Structure and Operation

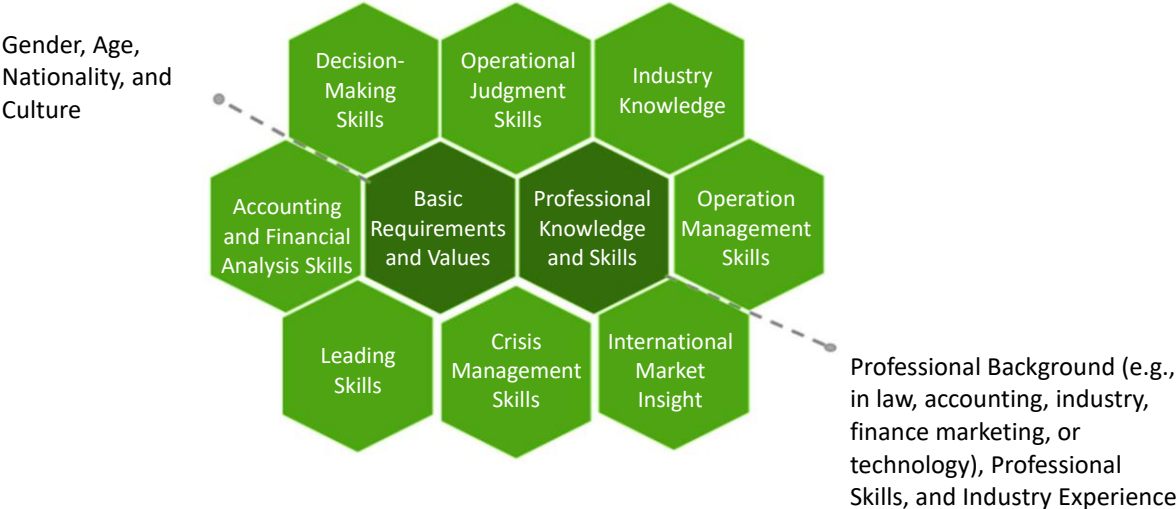
I. The state of operations of the Board of Directors

Following the “Articles of Association of OFCO Industrial Corporation”, the Board of Directors comprises eight to eleven members, including at least three independent directors, constituting at least one-fifth of the total board seats. Directors have a three-year term and are nominated through a Candidate Nomination System. The shareholders’ meeting conducts the appointment of directors, and re-election is permissible. In 2022, OFCO had eight members on its Board of Directors, with three of them being independent directors, accounting for approximately 38% of the total. The independence is in compliance with legal requirements. In 2022, the Board of Directors convened a total of 8 meetings, and the attendance rate of directors in person was 97%.

Nomination and Appointment of the Board of Directors

OFCO has established its “Corporate Governance Best Practice Principles”. The composition of the Board of Directors is based on diversity and the operation, business model, and development needs of the Company. These factors define the two nomination criteria, along with eight core competencies for eligibility. In 2022, OFCO’s board comprised 8 members, including 3 independent directors. The board members possess extensive experience and expertise in fields such as finance, commerce, and management. Furthermore, OFCO emphasizes gender equality within the board’s composition. In 2022, out of the 8 board members, 2 were female directors, accounting for 25% of the total.

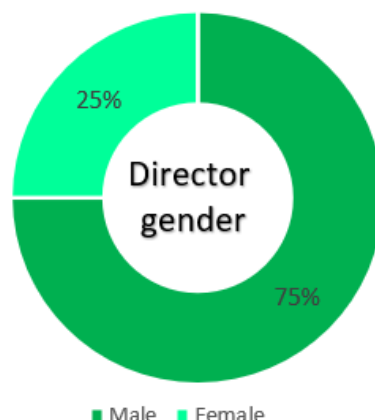
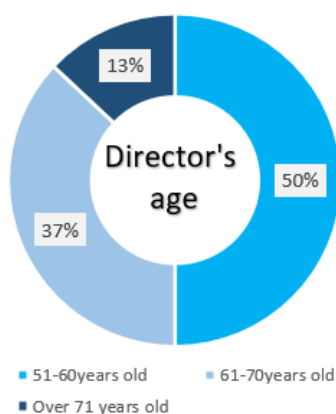
Board of Directors Nomination and Appointment Factors



Member of the board 2022

Title	Name	Professional Background	Simultaneously Holding a Management Position at OFCO	Years of Tenure
Director's legal representative	Norman Sun	1. Master of Business Administration, National Chengchi University 2. President, TMP International Corporation, President, Kings Asset Management	None	From June 2014 to June 2023
Director's legal representative	Hui-Cheng Shen	1. Graduated from College of Law, National Chengchi University 2. Clerk, Taiwan High Court, Manager and Supervisor, Securities Investment Trust & Consulting Association of the R.O.C, Chief Legal Officer, Daqing Construction Group, Vice President and Director of Legal Compliance, Good Finance Securities Co., Ltd.	None	From June 2015 to July 2023
Director's legal representative	Jen-Chieh Hung	1. Graduated from Department of Law, National Chung Hsing University 2. Professional lawyer	None	From June 2011 to June 2023
Director	Yu-Yeh Tsai	1. EMBA of National CHIAYI University 2. Director, TMP Steel Corporation, Chairman, Yih Dar Lih Steel Corporation	None	From June 2008 to June 2023
Director	Chi-Tai Che	1. Graduated from Tainan Commercial Vocational School 2. Director, Universal Cement Chairman, Chunyu Works Chairman, Prominent Sino Holdings Ltd., Director, Chun Zu Machinery Industry Co., Ltd. Director, Quintain Steel Co., Lt	None	Since June 2011 to present
Independent Director	Jeff Huang	1. Graduated from Department of Land Economics, National Chung Hsing University 2. Regional Manager, Ta Chong Commercial Bank Co., Ltd., Vice President, Taishin Securities Investment Trust Co., Ltd., Vice President, Taiwan Indigena Botanica	None	Since June 2017 to present
Independent Director	Wen-Huai Chang	1. Graduated from Graduate Institute of China Studies, Tamkang University 2. Assistant to the Chairman's Office, Evergreen Construction Corporation Ltd., Special Assistant to the Consultant of the Chairman's Office, 85 Sky Tower Hotel Co., Ltd.	None	Since June 2018 to present
Independent Director	Pao-Kuei Chiu	1. PhD in Management from Tianjin Nankai University, Master of Finance, Tamkang University 2. Adjunct Instructor of the Department of Business Administration of Hsing Wu University, Chief Financial Officer of M2COMM, an independent director of Assem Technology Co., Ltd, Chief Financial Officer of Excellence Optoelectronics Inc., Chief Financial Officer of Aces Electronics Co., Ltd., Chief Financial Officer of Yeh-Chiang Technology Corp., and Financial Manager of ATEN International.	None	From June 2020 to June 2023

Note: The legal representatives of the three directors are from Taiwan Steel Group United Co., Ltd.



II. Functional Committee



The “Remuneration Committee” was established in 2011, and the fourth term served from July 21, 2020, to June 10, 2023, with all independent directors as committee members. In 2022, the Remuneration Committee organized 5 meetings in total, with a 100% attendance rate of its members in person.



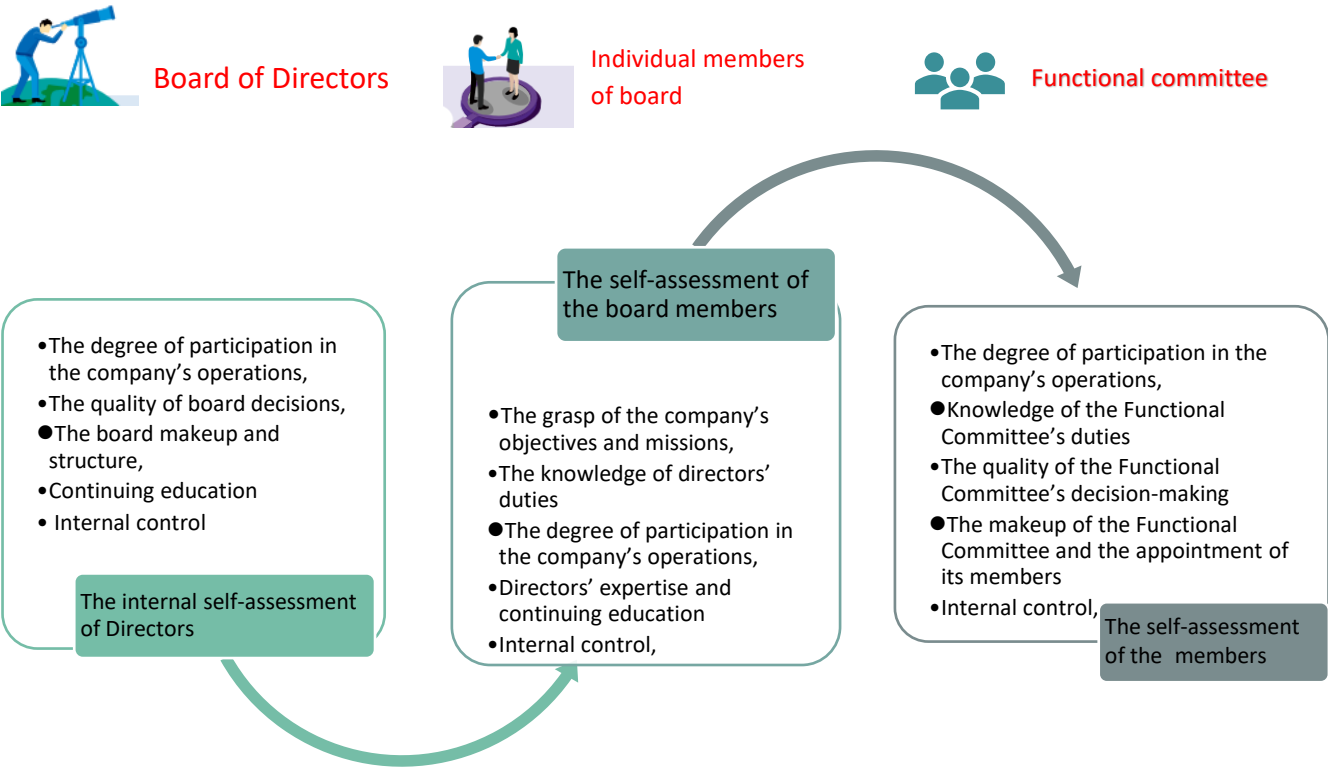
In 2020, the “Audit Committee” was established, replacing the supervisor position, and all independent directors serve as members of the Audit Committee. In 2022, the Audit Committee organized 8 meetings in total, with a 100% attendance rate of its members in person.

Functional Committee	Responsibilities	Members	Attendance in 2022
Remuneration Committee	Evaluate and establish the remuneration for directors and managers regularly. Establish and periodically review policies, systems, standards, and structures for performance evaluation and remuneration of directors and managers.	<ul style="list-style-type: none"> Independent Director Jeff Huang(convener) Independent Director Wen-Huai Chang Independent Director Pao-Kuei Chiu 	100%
Audit Committee's	Assessment of the effectiveness of internal control systems, material asset or derivative product transactions, material financing or lending, endorsements or guarantees, and the appointment and dismissal of finance, accounting, or the appointment of internal audit executives.	<ul style="list-style-type: none"> Independent Director Jeff Huang(convener) Independent Director Wen-Huai Chang Independent Director Pao-Kuei Chiu 	100%

2.1.3 The Salary and evaluation of the performance of the Board of Directors

I. Evaluation of Board performance

To enhance corporate governance and improve the functioning of the Board of Directors, OFCO has established the “Rules for Performance Evaluation of Board of Directors”. The Board of Directors conducts an annual self-assessment of the internal board’s performance, including the overall board, individual board members, and the performance of the Remuneration Committee and Audit Committee. The results of the 2022 Board of Directors performance evaluation met the assessment standards, indicating a well-functioning board overall.



The evaluation period for the Board of Directors, individual board members, and functional committee covers from January 1 to December 31 each year. The evaluation results were reported to the Board of Directors on March 22, 2023, and indicated excellent performance and smooth operation for year 2022.

Items	Performance self-assessment average score	Full marks
The assessment of the performance of the Board of Directors	4.43	5
The assessment of the performance of individual board members	4.62	5
The assessment of the performance of the	4.80	5

Items	Performance self-assessment average score	Full marks
Remuneration Committee		
The assessment of the performance of the Audit Committee	4.82	5

II. Board of Directors' Remuneration Policy

Compensation Policy

When the directors of OFCO perform their duties, regardless of the Company's operational profit or loss, they may be entitled to remuneration. The remuneration for all directors is determined by their level of participation and contributions to OFCO's operations and authorized by the Board of Directors as taking industry norms into account. Furthermore, if OFCO generates profits in a fiscal year, following "Article 23 of the Company's Articles of Association", the Board of Directors may decide to contribute an amount not exceeding three percent as the director's compensation. OFCO periodically evaluates the director's compensation according to "Rules for Performance Evaluation of Board of Directors". The Remuneration Committee and the Board of Directors review the relevant performance assessments and the reasonableness of compensation.

Compensation Procedure

OFCO has established "Rules for Performance Evaluation of Board of Directors" to assess directors' remuneration regularly. The performance evaluation of the Board of Directors includes various measurements, such as their level of involvement in the Company's operations and their supervision and evaluation of risk management. It references industry norms and is linked to the Company's operational performance indicators to reflect the achievement of performance indicators fully. The performance evaluation standards for the Chairman are based on the Company's annual operational indicators related to operations, governance, and financial results. The assessment scope includes: 23 indicators including pre-tax net profit, credit ratings or Taiwan Ratings, supervision of the execution of financial plans and others. In 2022, the self-assessment results for the Board of Directors, individual board members, and members of each Functional Committee were excellent, significantly surpassing the standards.

III. Directors' continuing education

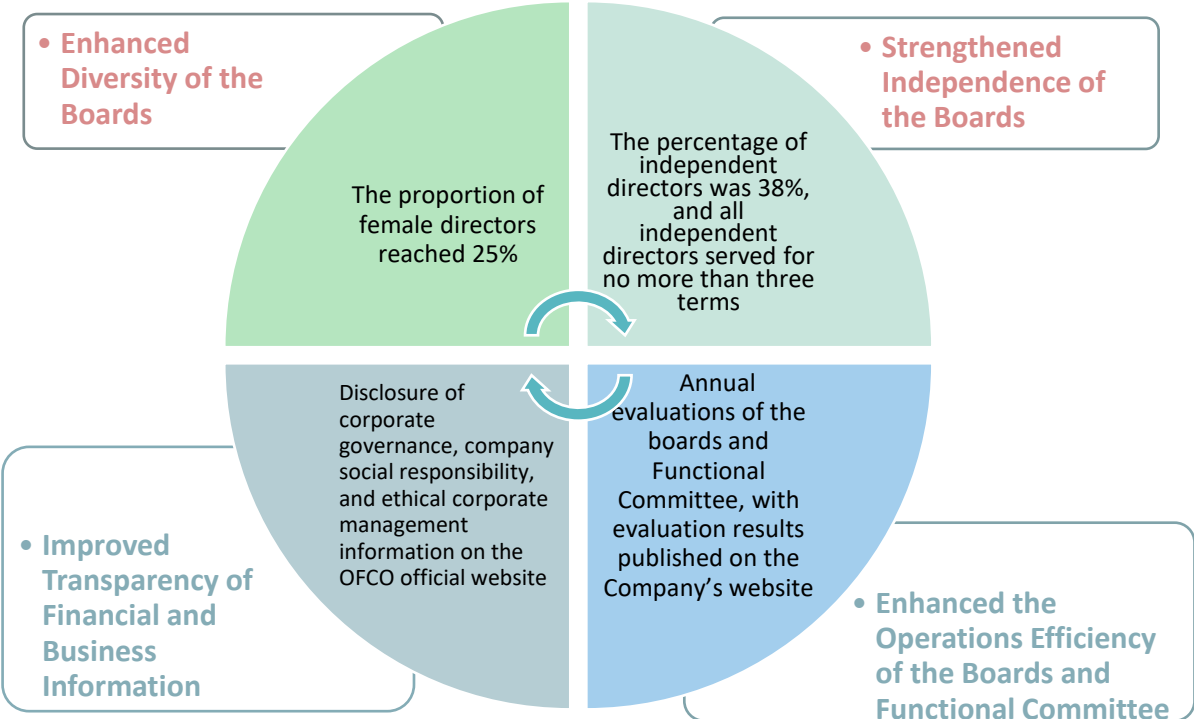
To strengthen the functions of the directors, OFCO provides further training on the latest legal, economic, corporate governance, and environmental issues, enabling directors to understand the latest industry trends, regulations, and policies of regulatory authorities. In 2022, OFCO directors completed a total of 56 hours of further training. All the directors have completed the mandatory further training courses. OFCO directors understand the importance of sustainability and actively participate in ESG-related courses, including topics such as Greenhouse Gas Inventory and Verification Advocacy, Competitiveness vs. Survival

under ESG Trends and Strategies, What Investors Are Thinking About - Corporate Sustainable Transformation through ESG Financing, and Trends in Carbon Management on the Path to Net-Zero Emissions and Strategies for Adaptation were attended. The expectation is to incorporate the latest sustainability concepts into the Company's operations, fostering sustainable growth and development. Details of the further training for each director can be found on pages 59 to 60 of the 2022 annual report, which is available on OFCO's official website (<https://www.ofco.com.tw/?q=tw/investors>) or can be downloaded from the Market Observation Post System (<https://mops.twse.com.tw/mops/web/index>).

2.1.4 Independence of Directors and Conflict of Interest Management

OFCO has established a policy to prevent conflicts of interest, identifying, supervising, and managing the risks of unethical behavior resulting from conflicts of interest. It provides an appropriate channel for directors, managers, and other stakeholders attending or participating in board meetings to disclose any potential conflicts of interest with the Company proactively. If an agenda item involves a conflict of interest with a director or represented legal entity, the director will not be allowed to participate in the discussion and voting and should abstain from them. It is also not allowed to represent other directors in exercising their voting rights. Furthermore, OFCO explicitly states that its directors, managers, employees, appointees, and substantial controllers cannot use their positions or influence within the Company to secure undue benefits for themselves, their spouses, parents, children, or any others. As of the end of December 2022, OFCO had not experienced any material conflicts of interest events.

Key Governance Achievements in 2022 for OFCO



2.2 Integrity Management

To establish a company culture of ethical corporate management and promote healthy development, establishing good business operation frame of reference, OFCO has formulated the “Ethical Corporate Management Best Practice Principles”, which serves as a policy for OFCO and its subsidiaries to adhere to ethical corporate management. It explicitly states the provisions and preventions against unethical conduct such as anti-corruption, anti-bribery, confidentiality mechanism, anti-monopoly, anti-unfair competition, and insider trading prohibiting, supervising and reporting. Furthermore, OFCO has established an audit unit to monitor and report unethical behavior to the Board of Directors, reinforcing a company culture of ethical corporate management and management mechanisms. OFCO has also progressively introduced “Rules for Prevention of Insider Trading Management” and “Rules for Measures for the Reports on Illegal, Immoral, or Unethical Acts”, enhancing guidelines for preventing insider trading by directors, managers, and regular employees, as well as providing a framework for reporting any unethical behavior by employees or suppliers. During 2022, the Company organized both internal and external educational training courses related to the issue of ethical corporate management (including ethical corporate management of regulation compliance, labor safety and health, quality inspection, prevention of insider trading, internal control, and so on). A total of 111 individuals participated in these courses, accumulating a total of 487 hours of training.

I. Prevention of Insider Trading





To prevent insider trading and establish a sound internal system for the handling and disclosure of material information within OFCO, the Company aims to avoid any unintentional or deliberate violations of insider trading regulations by the Company or its insiders, which could potentially harm the Company’s or internal reputation and individuals. OFCO has developed “Rules for Prevention of Insider Trading Management”, which are managed and monitored by the General Manager’s Office and the Shareholder Services Unit. These regulations are integrated into the Company’s Internal Control System. Regular understanding of compliance are conducted and audit reports are generated to enforce the execution of this operation procedure. If any personnel are found to violate these regulations, OFCO will hold them accountable and take appropriate legal measures. To ensure that all employees are well-informed about insider trading regulations, OFCO actively provides campaign and training on relevant legal requirements to its directors, managers, and regular employees. In 2022, a total of 21 individuals participated in an hour-long educational campaign, including 2 directors, 3 managers, and 16 employees. The course content covered elements and legal responsibilities of insider trading, regulations and penalties related to reporting changes in insiders’ shareholdings, and the regulations for percentage of insider shareholding.

II. Complaints and Handling of Immoral or Unethical Acts

To implement OFCO’s “Ethical Corporate Management Best Practice Principles” and ensure the sustainable development of the Company’s foundation, the Company encourages reporting any illegal behavior and which violates Codes of Ethical Conduct standards and Ethical Corporate Management Best Practice Principles. OFCO has established internal and external reporting channels and processing systems, which include a dedicated reporting mailbox and hotline, accessible through the Company’s website and intranet for use by both

internal and external personnel. All complaints received, investigation process, and investigation results should be documented in written or electronic form, with responsible handling and careful record-keeping. The Company ensures confidentiality and protection for informants or those involved in the investigation to safeguard them from unfair treatment or retaliation. Upon verifying the validity of a reported incident, it will be handled in accordance with the Company's internal disciplinary regulations. For cases where reported incidents are substantiated and material, it will be processed in compliance with applicable laws or relevant regulations of the Company. Additionally, to encourage reporting, OFCO may request the General Manager to provide appropriate rewards to informants based on the extent of their contributions and the economic benefits generated. In 2022, there were no confirmed cases or reports of corrupt practices or violations of ethical corporate management.

The following are the various complaint channels:

-  Reporting in person: Report to the dedicated unit responsible under Article 3 of this Rule.
-  Reporting by phone: Call to (07)6125899 ext. 421
-  Mailing to OFCO: No. 299, Yulin Road, Qiaotou District, Kaohsiung City. Auditor office.
-  Email: mei-yu@ofco.com.tw

2.3 Compliance

OFCO complies with government regulations and actively establishes various internal operating rules to stay informed about changes in regulatory requirements from supervisory authorities, thereby avoiding significant losses and impacts. As a result, OFCO regularly updates regulatory changes, conducts analysis and assessment and devises response strategies toward the changes. To ensure employees are well-informed about relevant regulations, OFCO assigns staff to participate in relevant courses organized by supervisory authorities and, when necessary, conducts educational training or internal campaigns to enhance the legal quality of all employees and reinforce their compliance. Furthermore, to uphold the Company's core values, OFCO engages in self-monitoring through internal audits and report complaint system to maintain the Company's reputation and attain the trust and confidence of stakeholders. In 2022, OFCO did not incur material violation events involving major fines ^{Note} due to regulatory violations such as corporate governance, environmental protection, labor rights, and product responsibility etc.

Note: OFCO defines an event in which it will be fined by supervisory authorities with an amount equal to or exceeding 1 million NTD as a material violation event

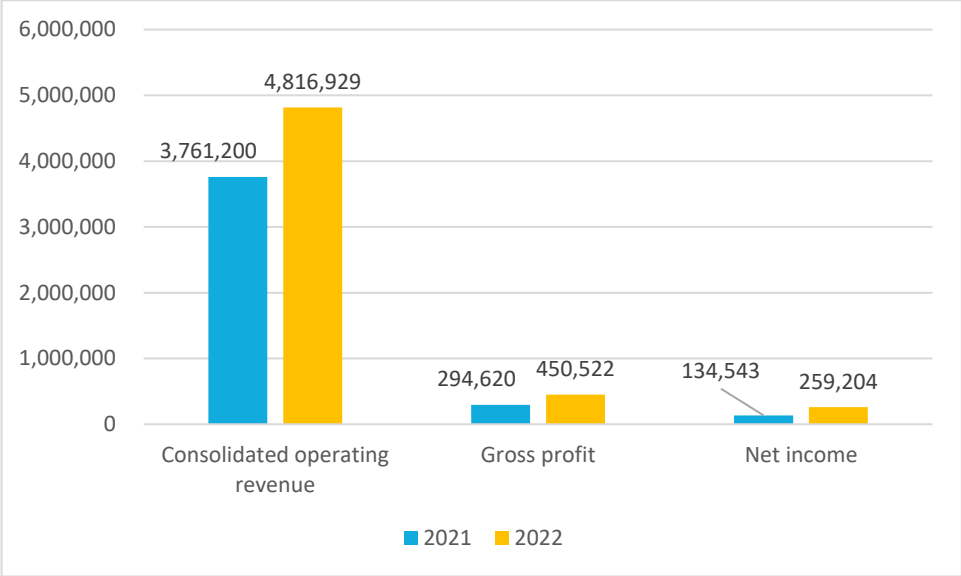
2.4 Economic Performance

Material Topic Management Policy	
Impact on the Organization of the Issue	The Company continuously improves operational efficiency and product competitiveness, expanding market share, creating substantial economic value in the market. By realizing the economic value and providing labor and health insurance as well as retirement schemes, OFCO generates wealth for stakeholders and safeguards labor income, positively contributing to the economy
Policies and Commitments	OFCO actively explores new markets and customer sources outside of Europe. It aligns with the group's joint procurement strategy to diversify the sourcing channels, reducing raw material costs. Additionally, by utilizing the group's self-produced raw materials, it expands its product range, paving the way for industrial upgrading.
Responsible Unit	Management Department
Resources	In 2022, the Company acquired 16 molding machines and 9 thread rolling machines.
Complaint Mechanism	Compliant channel for the public and employees when their rights are infringed: Call to (07) 6125899, extension: Administration Section
Short, Medium, and Long-Term Goals	Short-term: Enhance management efficiency. Adjust market distribution to reduce operational risks. Medium to long-term: Employee performance and bonus systems are linked to incentivize Production Unit and Sales Unit to improve product yield and enhance order quality and quantity.
2022 Action Programs and Performance	<ol style="list-style-type: none"> In 2022, the consolidated operating income was 4.817 billion NTD, an increase of 28% compared to 2021. The core business, screw manufacturing, achieved an operating income of 2.02 billion NTD in 2022, marking a 68% increase from 2021. This resulted in the highest revenue, gross profit, and net profit after tax in a decade. Earnings per share (EPS) was 3.02 NTD per share in 2022, representing a 74% increase from 2021
Effectiveness Assessment	Management review of various management systems

After the Company core business of screws moved from loss to profit in the second half of 2021, the fourth quarter of 2021 was spent on advance preparation for factory and production expansion, during which we purchased more production machines in batches and built Industry 4.0 using 5G AIoT system, improving quality product yield and reducing business costs. From February 2022, the EU imposed anti-dumping duties lasting five years on Chinese-imported fastener products. OFCO benefited from the effects of the transfer of orders, experiencing a massive surge in orders and shipments in its core business of screws in 2022. The Company experienced huge growth in business profits, marking a year of extraordinary performance for the company's primary business. Business volume and profits of the Company expanded significantly along with the trend and achieved stellar results on an ascending path of growth. Shipment and order volumes gradually rose in 2022, and

business data in various categories returned to a path of ascension, with multiple categories setting new highs in a decade.

OFCO’s consolidated operating revenue for the year 2022 was NT\$4,816,929 thousand with a growth of 28.07%, compared to NT\$3,761,200 thousand in 2021. There was mainly a significant increase in revenue for the core business of screws. Net profit after tax in 2022 was NT\$259,204 thousand, the earnings per share was NT\$3.02.





**Future Company
Development Strategies**

- Positioning the Company as a manufacturer of standard fasteners
- Leveraging and integrating group resources to create a win-win situation
- Implementing a 5G AIoT system to create a 4.0 smart factory, improve product yield, and reduce operational costs
- Actively expanding factories and increasing production to increase production capacity and lower costs
- Training talent at all levels to ensure the Company’s sustainable operation
- Developing diversified niche industries to boost profits

Unit: NT\$ thousand

Item	2020	2021	2022
Generation of direct economic value	644,553	1,089,823	2,038,178
Operating revenue	642,379	1,081,542	2,020,488
Interest income	440	291	1,012
Dividend income	3,423	2,633	5,003
Lease income	22	0	322
Other incomes	1,854	4,826	10,161
Gain on disposal of property, plant and equipment	(3,565)	390	1,192
Investment income	0	141	0
Distribution of direct economic value	768,744	1,038,765	1,795,076
Operating costs	620,996	874,606	1,479,034
Salary pays and employee benefits	137,464	150,977	189,981
Payments to capital providers	10,284	13,172	126,046
Payments to the government	0	0	0
Community investment	0	10	21
Retained economic value	(124,191)	51,058	243,096

Note 1: Unit: New Taiwan Dollars (in thousands)

Note 2: Rental income includes: Renting rooftop space for sub-subsidiaries to install solar panels

Note 3: Other income includes: Income from the sale of parts or molds from scrapped machinery, insurance claims for factory fires, advance payments received for goods not delivered within two years, etc.

Note 4: Community investments include: Sponsoring nearby neighborhoods for events expense such as Mother's Day and Mid-Autumn Festival, as well as providing donations of essential supplies to underprivileged families

Government financial subsidies in the last three years

Unit: NT\$ thousand

Year	Item	Basis for calculating the subsidy	Amount
2020	Subsidy	Subsidies during the COVID-19 pandemic from Taiwan Water Corporation, Taiwan Power Company, and the Executive Yuan for operating salaries	23,519
2021	Subsidy	Subsidies from Taiwan Water Corporation during the COVID-19 pandemic	4
2022	None		0

2.5 Risk Management



Material Topic Management Policy	
Impact on the Organization of the Issue	Through establishing a risk management mechanism, the Company can identify and evaluate the risks that the Company’s daily operations may encounter. This allows the Company to propose risk adaptation strategies, reducing its impact on the external environment, the economy, and society.
Policies and Commitments	By implementing regular self-risk reviews and internal control mechanisms, OFCO ensures that the Company’s various operations comply with relevant legal regulations. Additionally, the Company formulated “Cyber Security Policy” to address the information operating environment, incorporating it into security management system, which includes establishing a set of preventive and emergency response measures.
Responsible Unit	Board of Directors: Responsible for approving, reviewing, and supervising the Company’s risk management policies Audit Office: Supervises and audits the implementation of ethical principles in various operational departments of the Company
Resources	The internal audit executive regularly presents audit business reports and audit results to the independent directors at the quarterly Audit Committee meetings.
Complaint Mechanism	Compliant channel for the public and employees when their rights are infringed: Call to (07) 6125899, extension: Administration Section
Short, Medium, and Long-Term Goals	By employing a systematic and structured management approach, the Company effectively identify, prevent, and control risks to maintain normal operations and achieve sustainable operation of the Company.
2022 Action Programs and Performance	<ol style="list-style-type: none"> The Audit Office develops an annual audit plan based on risk assessment results and carries out various system audits according to the plan. This assists the Board of Directors in supervising and controlling potential risks associated with decision-making, ensuring that all operational risks are effectively managed and timely improvement suggestions are provided. The General Manager convenes weekly meetings with unit executives responsible for business, manufacturing, finance, management, and so on. These meetings coordinate relevant departments to conduct risk identification, assessment, and management in ongoing operations, as well as discussing and controlling business, production, and financial risks.
Effectiveness Assessment	<ol style="list-style-type: none"> Annual Audit Plan: Covering 16 aspects, in 2022, a total of 60 internal audits were carried out, with no deficiencies found. Regular Weekly Risk Meetings with Department Executives: In 2022, a total of 50 meetings were convened by the General Manager


OFCO actively manages risks to continually access domestic and international trends, conduct risk assessments against environmental, social, and governance aspects, regularly self-review, and continuously improve to enhance the Company’s resilience and safeguard the best interests of customers and stakeholders. To effectively manage operation-related risks, OFCO selects audit items and frequencies each year based on risk assessment results

and mandatory items specified by regulations and develops an audit plan following the Company’s internal control and audit mechanism. The plan is executed after obtaining the Board of Directors’ approval. The internal audit reports and working papers presented by the Audit Office assess various regulations and business processes within the internal control system to determine the adequacy of current regulations and procedure controls, whether management units and operating units effectively implement internal controls, and whether the effectiveness is reasonable. Improvement recommendations are made as needed.

Material Risk Items

OFCO assesses environmental, social, and economic aspects based on materiality principles to identify the potential material risks and formulate appropriate response measures. The material risks identified through the above process and their corresponding response measures are as follows:

Aspect	Potential Material Risks	Response Measures
 <p>Environment</p>	<p>Risk of Environmental impact</p>	<ol style="list-style-type: none"> 1. The company has realized the best use of water resources through sewage treatment and recycling, that is, the water consumed by the machine in production is recycled and reused after purification. 2. The company conducts pre-planning and evaluation, implementation and operation through the management system, and performs audits and corrective actions afterwards to ease the impact on the environment continuously. The company formulates environmental policies such as compliance with environmental protection laws and regulations, commitment to pollution prevention, and continuous improvement to promote environmental management and improvement plans. Also, formulates the indicators such as compliance with environmental protection laws and regulations, reduction of on-site oil fume, and noise reduction to monitor at any time and strive to achieve the objectives. 3. Effectively reduce pollution emissions and the impact on the environment through the implementation of process safety management and systemized management cycle.
 <p>Social</p>	<p>Risk of Occupational safety</p> <p>Risk of Product Safety</p>	<ol style="list-style-type: none"> 1. Hold fire drills and work safety education and training regularly twice a year to cultivate employees’ ability in responding to emergencies and self-safety management. 2. Employees must wear safety helmets, safety shoes, and other safety protection gears at the worksite to reduce occupational injuries of employees. <p>The Company’s products are in compliance with the governing laws and regulations of the government without containing any hazardous substance. Also, a customer service hot line and a communication website have been set up for ensuring the customer service quality and for enhancing the cooperative relationship with customers.</p> <p>OFCO also has product liability insurance to mitigate risks associated with customer disputes.</p>
	<p>Risk of</p>	<ol style="list-style-type: none"> 1. Set up firewalls and quarantine areas for internal and external network services, and strictly monitor the control and use of

Aspect	Potential Material Risks	Response Measures
 Governance	Information security	communication access protocols. 2. Plan and construct a data protection mechanism to reduce the risk of user data leakage. 3. Organize education and training programs to promote information security.
	Risk of Legal changes	1. Ensure that all personnel and operations of the company truly comply with relevant laws and regulations by establishing a governance organization and implementing an internal control mechanism. 2. Update relevant regulatory information occasionally and urge colleagues to comply.

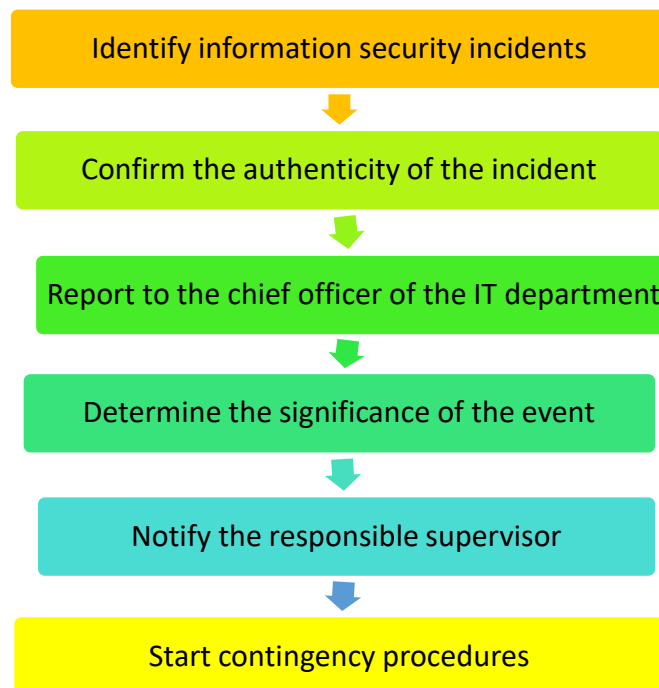
Information security risk management

To strengthen the Company's information security and improve the information security management system, the Information Office is responsible for establishing information security risk management rules. When the information system is improperly used or sabotaged by internal or external personnel, or when it has been subjected to emergency accidents such as improper use or sabotage, the following procedures shall be followed for trouble-shooting, or the head of the Information Office shall convene a meeting for heads of related department to involve the technical matters, and the information personnel in the Information Office will propose solutions and follow-up preventive and improvement measures; the Audit Office will conduct regular internal audits.

OFCO formulate the cyber security policy aims to incorporate the security management mechanism into the Company's computer system, network, data, equipment, personnel, anti-virus and anti-hacking and other related information operation environments, with a set of preventive and emergency response measures established, and information security promotions, to ensure the security of the Company's information operations.

In 2022, there were no losses due to material cybersecurity incidents.

Response Flowchart for External Intrusion into Information Systems



Cybersecurity Concrete management programs

Information Confidentiality

- Personnel at all levels must comply with the confidentiality regulations when accessing any information of the Company due to business reasons, and shall not disclose the information to others.
- If the information required for business involves personal data of others or confidential information, it is only provided with the consent of the responsible officers.
- Important documents and contracts must be kept properly. If there are documents to be delivered, the folder must be sealed tightly to prevent unauthorized personnel from viewing them.

Computer Equipment Confidentiality

- Computer passwords must be changed every six months. It is forbidden to use the same password and avoid posting passwords in places that are easy to leak.
- When leaving the seat for more than five minutes, the computer account must be locked or logged out, to prevent others from operating the computer.



Software Security Management

- It is forbidden to install unauthorized software on any computer. Any legal actions involved must be borne by the computer user.
- Unknown software, files and websites are often the sources of spreading viruses. To ensure computer safety, these must not be installed and used.

Information Maintenance and Management

- The computer system and data security must be managed and maintained by the user him or herself. If there is any system virus infection or abnormal situation, the personnel of the Information Office should be notified immediately to handle the issue.
- Various data should be backed up and stored regularly to avoid data damage caused by equipment failure or human factors from affecting the business.
- When getting off work, keep important documents properly, and shut down unused computer systems and peripheral equipment.

Internal Audit

To ensure the effective implementation of the Company's strategies and systems, OFCO has established internal control mechanisms and governance organizations to ensure that the Company's operations comply with relevant legal regulations. OFCO evaluates the effectiveness of the policies and procedures for the Company's internal control system (including financial, operational, information security, compliance with laws, and other control measures) through the Audit Committee. The Audit Committee also reviews the regular reports of the Company's Audit Department.

The Audit Committee believes that the Company's internal control system is effective, and the Company has implemented necessary control mechanisms to monitor and rectify any compliance violations. The audit executive of OFCO compiles a monthly written report summarizing the results of audits, audit deficiencies, and improvements or corrections made in the previous month. This report is submitted for review by independent directors. The independent directors instruct for clarifications or other recommendations based on the report. Additionally, the internal audit executive presents audit business reports and audit results explanations to independent directors and other directors at the quarterly Audit Committee and board meetings.

Chapter 3 Product Quality Management

3.1 Product Quality and Safety

Material Topic Management Policy	
Impact on the Organization of the Issue	<p>Positive Impact: OFCO primarily focuses on exports, thus it needs to closely monitor relevant regulations in the fastener industry, such as EU/ISO/REACH/RoHS/CBAM, in the EU and Americas regions, conforming to the latest regulatory standards for production and quality control</p> <p>Negative Impact: Quality control laboratory is equipped with high-standard testing equipment, which complies with TAF testing standards. It regularly participates in the mutual verification of testing techniques with CTS, a third-party testing organization. This rigorous control ensures that the Company's product quality aligns with international regulations and meets customer requirements</p>
Policies and Commitments	The Quality Policy is to follow international legal directions and objectives, as well as a commitment not to use conflict minerals and materials that do not comply with environmental regulations. The Company is dedicated to strict adherence to ethical, social, and labor-friendly regulations.
Responsible Unit	Business and Quality Management Department
Complaint Mechanism	<ul style="list-style-type: none"> • General public and employees: Call to (07) 6125899, extension: Administration Section • Raw material and material suppliers: Call (07) 6125899, extension: Procurement Section or Audit Office • Customers: Call to (07) 6125899, extension: Business Department • Annual customer satisfaction survey • Irregular customer visits
Short, Medium, and Long-Term Goals	<p>Short-term:</p> <ol style="list-style-type: none"> 1. Regular (monthly/quarterly/annually) calibration and maintenance of all machinery and testing equipment to ensure the production quality of machines and the accuracy of quality inspections. 2. Conduct quarterly assessments, classification, and evaluations of partner suppliers to ensure that all suppliers align with the goals and growth of OFCO. <p>Medium to long-term goals:</p> <ol style="list-style-type: none"> 1. Achieve a production yield of 99% and produce products that meet international regulatory requirements. 2. Establish mutually beneficial interactions with partner suppliers and customers to achieve a 3-ways-win goal.
2022 Action Programs and Performance	<ol style="list-style-type: none"> 1. Laboratory equipment and on-site inspection tools undergo regular internal and external calibration. 2. The Quality Management Unit establishes a detailed list of controlled equipment and implements regular calibration plans for each. 3. Following internationally recognized ISO 9001/TAF and Product and Management Regulations, the Company obtained relevant certifications and implemented management practices within the factory. 4. Internally established and implemented a comprehensive self-inspection mechanism for production procedures to achieve the goal of stable product quality.
Effectiveness Assessment	<ol style="list-style-type: none"> 1. The quality management department closely monitors the updates of various regulations to ensure that production items meet customer expectations. 2. In response to the legislation proposed by the European Union, such as the issue of not using Russian raw materials in 2023, OFCO immediately initiated a response initially and explicitly stated procurement standards, complying with the regulations. 3. OFCO consistently receives A - B or higher ratings in customer annual supplier assessments.

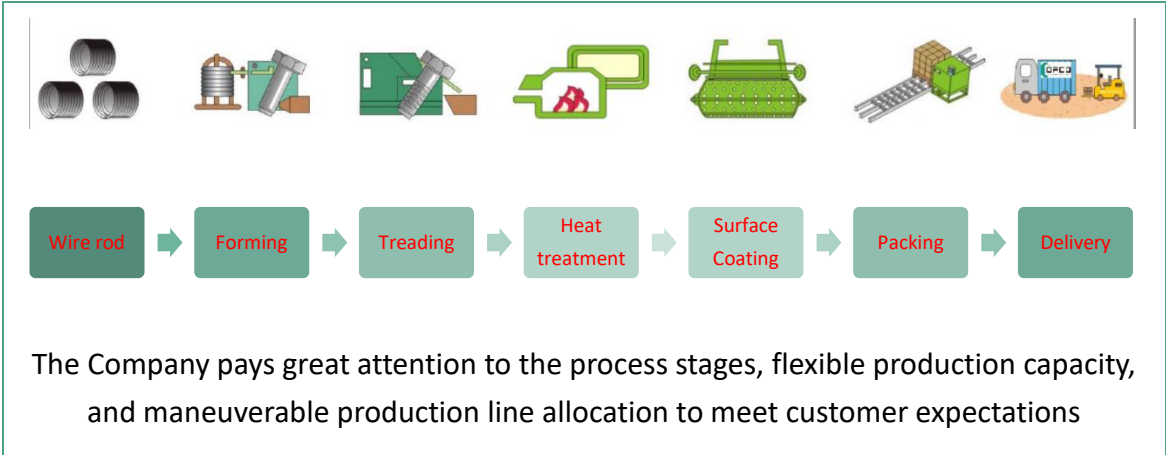
3.1.1 Industry Value Chain

With over three decades of expertise in R&D and manufacturing of screws, OFCO's primary products are Hexagon Bolts and Socket Screws. It is the largest Taiwanese manufacturer of medium carbon bolts exported to Europe, producing high-yield products. The Company is committed to being the leading company in the fastener industry, focusing on quality and service. With the integrated resources of its parent company, Taiwan Steel Group, OFCO offers a full range of services, from upstream steel materials to finished screws. It has a comprehensive layout from top to bottom, maximizing resources, reducing production costs, providing flexible capacity, and adaptable product line allocation. The Company ensures delivery schedules meet customer expectations and enhances the competitiveness of the comprehensive screw supply chain from raw materials to finished products.



【Ziguan Factory】

Manufacturing process





Forming



Treading



Heat treatment

3.1.2 Product Features and Standards

OFCO' main products are finished screws, they can be widely adopted in the fastening combination of industrial machinery, electrical machinery, appliances, construction, transportation equipment and the petrochemical industry among various industrial products.



Product Categories	Product Standards
<p data-bbox="199 237 496 266">Hex Head Cap Screw / Bolt</p> 	<p data-bbox="1129 315 1272 465">DIN 931 DIN 933 ISO 4014 ISO 4017 ASME 18.2.1</p>
<p data-bbox="199 546 443 575">Hex Socket Cap Screw</p> 	<p data-bbox="1150 667 1254 725">DIN 912 DIN 7984</p>
<p data-bbox="199 848 464 878">Hex Flange Screw / Bolt</p> 	<p data-bbox="1150 994 1254 1023">DIN 6921</p>
<p data-bbox="199 1171 504 1200">Hex Socket Flat Head Screw</p> 	<p data-bbox="1145 1290 1259 1348">DIN 7991 ISO 10642</p>
<p data-bbox="199 1469 517 1498">Hex Socket Button Head Bolt</p> 	<p data-bbox="1139 1599 1265 1657">ISO 7380-1 ISO 7380-2</p>

3.1.3 Product Responsibility and Safety

OFCO's production technology and experience are mature, and it has reliable upstream and midstream manufacturers providing efficient production equipment and molds, along with a responsive downstream processing system. This complementary collaboration forms a complete, robust industrial chain. OFCO places great importance on product quality and follows a Quality Policy of "strengthening quality and quantity, implementing management capabilities, and enhancing customer satisfaction". It has established a comprehensive quality inspection system and testing laboratory, working diligently to stabilize product quality over the long term.

Quality is a significant focus for OFCO, and it has implemented the ISO 9001:2015 Quality Management System to establish quality inspection system and inspection procedures that meet quality assurance requirements. The Quality Control Department is responsible for incoming inspection, production inspection, and final product inspection etc., according to standard specifications. All employees understand and share the concept of prioritizing quality, and pursuing superior quality is everyone's responsibility.

To manage product quality and its impact on safety and health, OFCO has a laboratory certified by the Taiwan Accreditation Foundation (TAF). By passing ISO/IEC 17025:2017 and CNS 170235:2018, the product specifications are ensured to comply with standards, covering testing items related to ring gauge, plug gauge, metallographic microscope, and more. Quality control is performed based on the specifications of different products.



Every screw produced by OFCO is marked with a registered trademark on its head, bearing the symbol **OF**. This marking serves as an identification of the manufacturer and is also a testament to the Company's commitment to product responsibility.



Testing Scope of OFCO Laboratory

- Ring gauge
- Plug gauge
- Metallographic microscope
- Eccentricity tester
- Thermocouple
- Torque wrench
- Projector
- 2.5D vision measuring machine
- 50-ton universal material testing machine
- 100-ton universal material testing machine
- Micro-Vickers hardness tester
- Rockwell hardness tester
- Temperature and humidity meters
- Signal generators
- Portable coating thickness gauge calibration foils
- Microscope optical rulers
- Eddy current coating thickness gauge calibration foils
- Salt spray machine
- Calibration foils
- Axial force gauge
- Gauge block
- Three-Wire thread gauges
- Outside micrometer
- Internal gauge calibration ring gauge
- Radius gauges
- Granite platform
- Internal hexagon depth gauges
- DIN 603 head thickness gauges
- Head inspection instruments
- Eccentricity tester with dial indicators



OFCO is equipped with a professional laboratory and various inspection equipment, and all products are controlled following relevant standard regulations to meet product specification requirements. In 2022, OFCO did not violate product health and safety, product information and labeling, and marketing and communication-related regulations.

3.2 Customer Service

Material Topic Management Policy	
Impact on the Organization of the Issue	Annual customer satisfaction reflects feedback on the quality of OFCO’s services. By providing excellent service, the Company can establish long-term customer partnerships, retaining customer and stabilizing revenue.
Policies and Commitments	<ul style="list-style-type: none"> • OFCO conducts an annual customer satisfaction survey to assess the status of customer service • Regular quarterly reviews are conducted with the Sales Unit to analyze customer feedback and make improvements to enhance service quality
Responsible Unit	Sales Unit
Complaint Mechanism	<ul style="list-style-type: none"> • General public and employees: Call to (07) 6125899, extension: Administration Section • Raw material and material suppliers: Call (07) 6125899, extension: Procurement Section or Audit Office • Customers: Call to (07) 6125899, extension: Business Department • Annual customer satisfaction survey

Material Topic Management Policy	
	<ul style="list-style-type: none"> Irregular customer visits
Short, Medium, and Long-Term Goals	Short-term: <ul style="list-style-type: none"> Collect feedback from over 80 valid customer satisfaction surveys annually. Achieve an average customer satisfaction score of 85 or higher for the top 10 customers of the year Medium to long-term: Within 10 years, attain an average customer satisfaction score of 90 or higher for the top 10 customers of the year
2022 Action Programs and Performance	<ul style="list-style-type: none"> The sales contact person irregularly communicates with customers via phone/email to gather feedback and understand their needs Regular business meetings are held to ensure service quality

3.2.1 Customer Satisfaction

Through customer satisfaction surveys and communication, as well as high-quality sales services, OFCO has gained the trust of its customers. Customer feedback and satisfaction ratings serve as the driving force for continuous improvement and the enhancement of service quality. By providing customers with comprehensive services and high-quality products, OFCO aims further to enhance its product competitiveness in the global market.

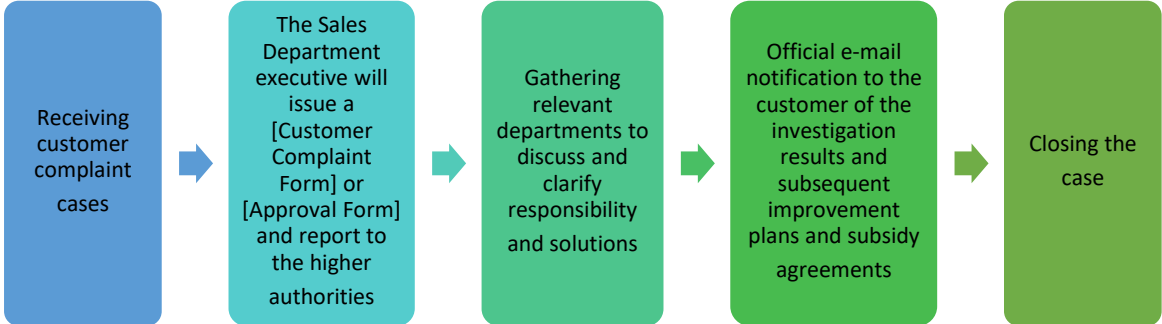
The goal for customer satisfaction is to achieve an average score of 85 or higher among the top 10 customers of the year. In 2022, the satisfaction survey results averaged 86.4, and the satisfaction score over past three years were all higher than 85, indicating customers’ views of OFCO’s services is positive. OFCO aims to raise the satisfaction score target to an average of 90 or higher within the next 10 years, continually pushing for self-improvement.



Satisfying customer needs and meeting customer expectations is the goal that OFCO is committed to achieving. OFCO has established a customer complaint handling process, providing channels for customers to give feedback and ask questions, hence implementing real-time handling of customer opinions.

OFCO sends out a customer satisfaction survey questionnaire at least once a year, including items such as quality, delivery schedules, responsiveness, production flexibility, and more. The customer response rate is approximately 70%, demonstrating close communication between OFCO and its customers and that customers greatly value OFCO.

Customer Complaint Mechanism and Handling Process



The channels OFCO obtaining customer needs and expectations does not only limit to customer satisfaction surveys, the irregular cooperation with customers’ requirements and audits in product, environment, and responsibility is also adopted, collaborating on prevention and continuous improvement.

In the fourth quarter of 2022, four European customers in total sent representatives to visit OFCO, and one European customer conducted process and shipment audits at the Company. Furthermore, OFCO actively participates in domestic and international relevant trade exhibitions to enhance visibility and to communicate face-to-face with customers. In November 2022, the Sales Unit sent representatives to participate in the Fastener Exhibition in Italy and visited local customers to exchange opinions about orders and product.



OFCO actively participates in domestic and international relevant trade exhibitions to enhance visibility

3.2.2 Customer Privacy

To protect customer information, the Information Technology Office has implemented cybersecurity risk management measures to strengthen cybersecurity management. This is done to safeguard customer privacy and data security. For details on cybersecurity risk management measures, please refer to Section 2.5 on Risk Management. In 2022, there were no complaints or incidents related to violations of customer privacy or loss of customer data.

3.3 Innovation and Research & Development

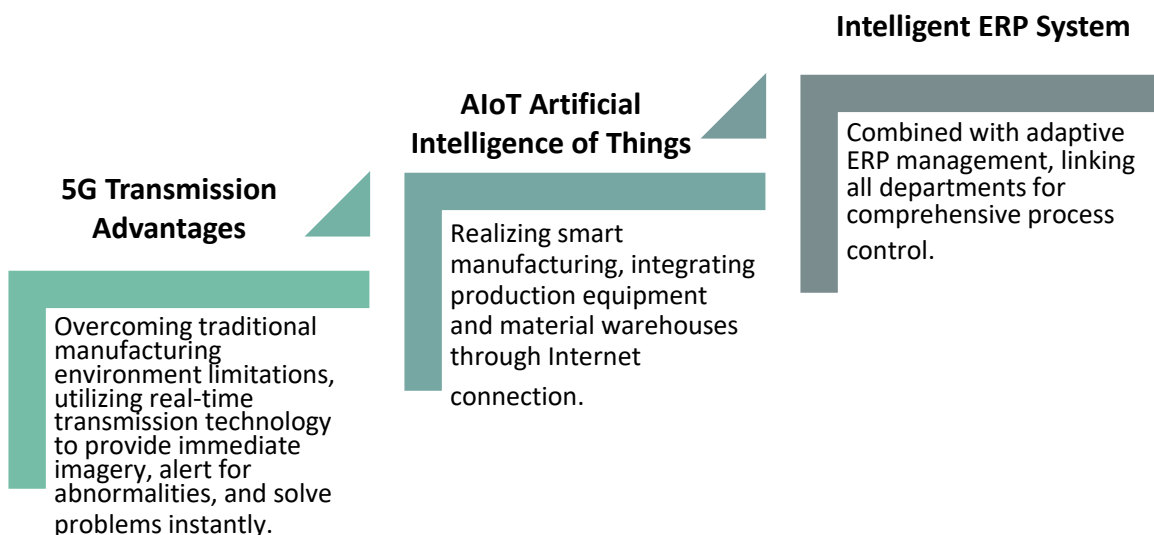
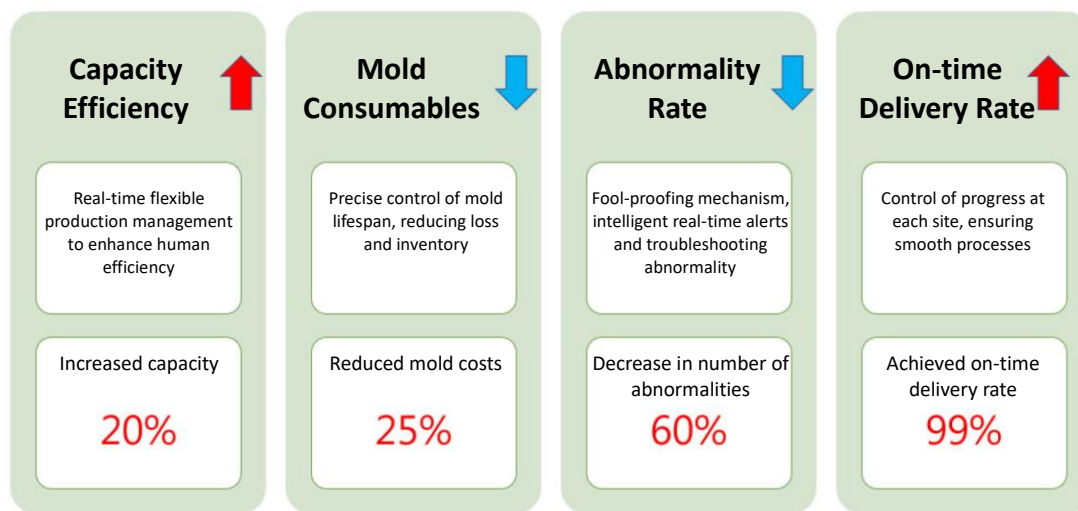
From 2020 to 2021, OFCO introduced a 5G AIoT Smart Factory solution, integrating smart digital technology into its processes. Through big data collection and model prediction, the system allows rapid measurement of machine's raw materials and output data, machine's production status and parameters, quality inspection data, mold consumables lifespan, and technician machine operation time. It also involves the establishment of a production platform with product QR codes and using smart manufacturing management system to optimize production processes, improve management quality, reduce error rates, and address labor-related issues.



By creating a Smart Factory 4.0, OFCO has gained comprehensive control over every trend and flow of screw production process, allowing for increased overall production capacity and enhanced on-site manufacturing efficiency. This improvement has led to significant enhancements in quality control and on-time delivery, including a 20% increase in production efficiency, a 25% reduction in mold costs, a 60% decrease in number of abnormalities, and an achievement of a 99% on-time delivery rate.





Effectiveness of 5G AIoT



3.3.1 Fostering an Innovation Culture

The Company irregularly organizes lectures and professional educational training to provide courses for employees to enhance their professional capabilities, stimulate innovation, and improve creative thinking. In addition to surface treatment techniques courses which provides and explanations and case sharing of screw electroplating processes, multiple management practice courses were specifically held to help employees understand the importance of inter-departmental communication and coordination. The goal is to shape an innovative company culture through effective and open communication.

Innovation Culture Building Courses in 2022	
 <p>Management Practice Courses</p> <ul style="list-style-type: none"> • The importance of communication • Practicing empathy and tools using • Understanding the essence of teamwork and work practice • The correlation between teamwork and company culture 	 <p>Surface Treatment Techniques Course</p> <ul style="list-style-type: none"> • Explanation of screw electroplating-related processes and practical case discussions

3.3.2 Intellectual Property Management

To achieve effective operational goals, maintain production results, expand revenue, increase profitability, and create brand value, an intellectual property strategy is integrated with the Company’s operational objectives. This strategy operates by enhancing the Company’s value through intellectual property rights, protecting operational freedom, strengthening competitive advantages, and enhancing the Company’s brand image.

Currently, OFCO has applied for two types of trademarks, including the Company’s LOGO and product head markings, in six regions or countries, including Taiwan, the United States, Canada, Mainland China, the United Kingdom, and the European Union.

- Brand layout: OFCO's trademark applications, after years of effort, have gradually been completed, with trademark applications filed in major countries/regions around the world according to the business location.
- To confirm trademark usage units using the approved patterns.
- A dedicated unit maintains and registers documents related to property rights.
- Regular maintenance and review: Review the usage of registered trademarks to assess the need for ongoing maintenance.
- Plan for future development and file new trademark registration applications in advance.



Response Measures for Addressing Intellectual Property-Related Risks

- Continuously optimize intellectual property management methods and establish necessary documents and procedures to implement for the acquisition and authorization of intellectual property rights to prevent infringement.

1



- Establish a dedicated reporting contact person for cases of infringement and immediately report and investigate upon discovery of suspected infringement.

2



- Implement personnel management, access control, and control over the storage of confidential data to increase the protection of confidential information.

3



- Conduct irregular internal training and campaigns to implement the protection of confidential information including non-compete, customer data confidentiality, insider trading preventing, and information security managing, thereby avoiding infringement on the intellectual property rights of others.

4







Chapter 4 Green Operations

4.1 Climate Change Risk Management

4.1.1 Climate Governance

Climate change has significantly impacted the global environment and socioeconomic systems. Under the trend of global climate change, rising temperatures will pose threats to infectious diseases such as malaria and dengue fever to many individuals. After data collecting and researching, *Scientific American* found that extreme heat and air pollution are pushing urban residents toward fatalities. The relevant impact of global climate change, leading to extreme weather conditions, can no longer be ignored. Responding to climate-related risks has become the most critical issue in company operations. In January 2023, Taiwan passed the “Climate Change Response Act”, which targets achieving net-zero carbon emissions by 2050. Based on long-term greenhouse gas reduction and various stage-controlled objectives, a carbon fee will be imposed starting in 2024.





In response to this, handling the impacts of climate change has brought to company sustainable operation, OFCO is committed to addressing climate change risks by focusing on four primary areas to promote low-carbon transition and climate adaptation:

 <p>The Top Executive approves the vision and strategies concerning climate change and reports them annually to the Board of Directors.</p>	 <p>Assess the severity of climate change and international trends, set performance indicators and quantifiable goals, and regularly review and disclose the outcomes.</p>
 <p>Integrate climate change into company risk management, quantifying the financial impact of its risks and opportunities.</p>	 <p>Implement strategies, undertake mitigation and adaptation actions, develop low-carbon manufacturing technologies, and lead the supply chain to enhance competitiveness.</p>

To address the impact of climate change on company operations and to specifically disclose information on climate change, OFCO has adopted the Task Force on Climate-related Financial Disclosures (TCFD) framework issued by the International Financial Stability Board since 2022. Departments have initiated a business inventory and risk identification regarding climate change, including analyzing the direct or indirect impacts of extreme weather, transition effects due to regulations, technology, or market requirements, and other risks and opportunities resulting from Company’s operations activities that being impacted in humanities and social aspects. Based on the analysis results, risk management strategies

have been devised as the core of the response to climate change actions. These plans are the basis of estimation of management costs and financial impacts. The aforementioned collected data reinforces the Company’s climate change governance and systematically evaluates financial associations to mitigate risks and seize opportunities.

OFCO adopts the TCFD disclosure framework, which explains the four core elements: Governance, Strategy, Risk Management, Metrics and Targets.

Hierarchy of Core Elements	Main Content	Specific Actions by OFCO
 <p>Governance</p>	<p>OFCO’s Board of Directors is responsible for overseeing climate-related risks and opportunities, bearing the responsibility for climate governance</p>	<p>The Company has established a Climate Change Response Team composed of the General Manager and the management team. This team is responsible for defining the vision, strategy, and medium-to-long-term goals for climate change adaptation. The team promote relevant specific actions and regularly reports strategies to the Board of Directors.</p>
 <p>Strategy</p>	<p>Identify short, medium, and long-term risks and opportunities and assess potential impacts</p>	<p>Through inter-departmental discussions and the identification of climate-related risks and opportunities, relevant department executives evaluate the likelihood and timing of the occurrence of climate-related risks and opportunities, along with their impact level on the Company. Risk identification and classification are also conducted, analyzing the potential operational and financial impacts of climate change on the Company.</p>
 <p>Risk Management</p>	<p>Identify and evaluate the process of climate change risks and integrate climate change risks into the company risk management process</p>	<p>OFCO refers to the TCFD framework to identify climate change risks and opportunities. Department executives consider OFCO’s current operational status and available resources and tailor specific, feasible, and effective climate change risk management policies for significant risk items.</p> <p>OFCO has initiated adaptive strategies and actions to address climate change, including promoting low-carbon and energy-saving measures, conducting greenhouse gas inventories, and promoting resource reusing. The Company progressively seeks opportunities to reduce energy consumption in the company and its products. There are plans to gradually enhance financial impact assessments to manage risks brought about by climate change effectively.</p>
 <p>Metric & Targets</p>	<p>Improving the disclosure quality of greenhouse gas emissions information</p> <p>Establish relevant metrics and track their achievement situation</p>	<p>OFCO has completed the inventories and external verification of the Scope 1 and Scope 2 greenhouse gas emission data for 2022. The relevant data information has been fully disclosed in the sustainability report.</p> <p>Setting climate-related performance indicators and quantifiable goals, tracking their achievement rate periodically and disclose to the public.</p> <p>Establishing the medium-to-long-term goal of “2050 Net-Zero Emission”.</p>

4.1.2 Climate Change Response Strategy

Identification Results of Climate Risks and Opportunities

The executives of relevant departments have considered OFCO's current operational status and available resources. They've gathered insights into various international initiatives or organizations related to sustainability and climate change, collecting main concerns from the same industry. Based on the type of organizational operations, they've sifted through relevant climate risk and opportunity topics into consideration. Following the TCFD's recommended lists of transition risks, physical risks, and opportunities, they've understood the definitions of each risk and opportunity. Subsequently, they've conducted assessments of strategies and financial impacts concerning the risk and opportunity items.

Climate Risk Identification Results				
Risk Category	Risk Issue Description	Impact on OFCO	Potential Financial Impact	Mitigation/Adaptation Response Measures
Physical risks - Immediacy	Frequent occurrences of extreme weather impact the supply chain and transportation	Extreme weather events (typhoons, floods, heavy rains, etc.) lead to equipment damage and operational interruptions in the factory. Interruptions in raw material supplies result in production halts, and road disruption or suspension of maritime transport make it unable to ship as scheduled.	Decrease in revenue	<ul style="list-style-type: none"> • Arrange for early or postponed procurement to avoid disruptions caused by extreme weather events. • Upon being informed of weather changes events such as typhoons, floods, or heavy rains, immediately report to higher executives. Establish an inter-departmental disaster prevention team, including the manufacturing, environmental safety, engineering, and management departments. Initiate disaster prevention measures, check if drainage systems are clear and unobstructed, ensure proper closure of doors and windows in each factory, and pull up flood barriers based on precipitation levels.
	Increased likelihood of water shortage due to climate	Because of water scarcity, decreased water pressure or water outages cause disruptions in water supply, impacting domestic water usage and necessitating	Increase in operating costs	<ul style="list-style-type: none"> • The Company's production processes use minimal water and can be reused, so water restrictions or outages have minimal impact on the production line. • The Company's dull water tank capacity can provide daily

Climate Risk Identification Results				
Risk Category	Risk Issue Description	Impact on OFCO	Potential Financial Impact	Mitigation/Adaptation Response Measures
	change	water outsourcing.		water needs of the staff for one day. Pre-storing water and implementing water-saving practices should be managed to come through water outages.
Transition risks - Policy and legal risks	Various countries are implementing carbon taxes/fees regulations	The “Climate Change Response Act” enacted on February 15, 2023, established government-imposed carbon fees, expected to be applicable from 2025, resulting in increased operating costs. Due to government restrictions on total emissions or pressures from NGO, companies must purchase carbon credits through carbon market trading to offset their emissions. If the Company fails to reduce carbon emissions, it needs to purchase carbon credits through carbon market trading, which will increase the Company’s operating costs. Facing the EU’s CBAM and the United States Clean Energy and Security Act, if the Company cannot reduce the product’s carbon footprint, customers will bear the carbon tax on imported goods, leading to decreased competitiveness in order acquisition, resulting in reduced revenue.	Increase in operating costs Decrease in revenue	<ul style="list-style-type: none"> • OFCO has completed the greenhouse gas inventory for 2022 and has undergone external verification, disclosing full data information in the sustainability report. • Replaced energy-efficient machinery, educated employees on always turning off unused power and energy-saving tips. • Conducted a comprehensive inventory of energy consumption and gas emissions for factory equipment and production lines, subsequently manage and analyze with the collected data.

Climate Risk Identification Results

Risk Category	Risk Issue Description	Impact on OFCO	Potential Financial Impact	Mitigation/Adaptation Response Measures
	Government is raising the standards for the use of renewable energy	Companies are required to increase the proportion of renewable energy usage by government. As the Company has not yet installed renewable energy generation equipment, the Company needs to additionally purchase green energy, which will increase its capital expenditure or operational costs.	Increase in operating costs	Finding a suitable location to build solar panel
	To respond to the low-carbon trend in product carbon footprint, it may be necessary to adjust or replace cooperating suppliers	Climate change or increased awareness of climate change caused customers' preference change among products, which might prompt them to revise procurement policies for responding carbon-reduction policies and trends. The Company needs to upgrade or replace low-carbon equipment to reduce greenhouse gas emissions, which will increase capital expenditure by investing relevant equipment. Increasing operational expenses will also be associated with training staff to operate upgraded equipment.	Increasing operational expenses	<ul style="list-style-type: none"> • In response to the global consensus on low carbon requirements, business trips prioritize the lowest carbon itinerary. Exported products transportations also follow arrangements for the lowest carbon shipping. • Prioritizing the purchase of products with carbon labels to support manufacturers in disclosing their product's carbon footprint. Cooperate in reducing carbon emissions during product usage and waste disposal, achieving the goal of reducing greenhouse gas emissions.

Identification Results of Climate Opportunities

Categories and Descriptions of Opportunities	Impact on OFCO	Potential Financial Impact	Mitigation/Adaptation Response Measures
Rolling out low carbon products	In response to the trend of environmental conservation among customers, the Company has rolled out low-carbon products. The Company plans to obtain product carbon footprint certification and align our efforts with trends and regulations to respond to market needs. This response will drive opportunities for increased product sales and boost revenue.	Increase business revenue	<ul style="list-style-type: none"> • By developing low-carbon products to meet end customer demands and address market needs. • By adjusting our production processes to reduce carbon emissions below the industry average and collaborating with upstream and downstream partners to collectively decrease carbon output, such implement will increase the value of our products. Our clients will also benefit from paying lower carbon emission fees, thereby increasing the competitiveness of OFCO's products.
Utilizing more efficient production and distribution processes	Developing production technologies that are more carbon-efficient to increase production efficiency and achieve energy-saving production targets, resulting in reduced production costs. It can also enhance productivity, improving yield and on-time delivery rate, stimulating customers' ordering willingness while boosting both sales volume and product quality, consequently increasing revenue.	Production cost reduction	<ul style="list-style-type: none"> • Research and develop new designs to enhance material efficiency and mold lifespan, reducing production costs, minimizing carriage arrangements to improve efficiency. Modify and reuse scrapped molds to effectively decrease the need for mold purchases. • Introducing a new system enhances data processing and operational efficiency, reducing working overtime and increasing productivity. By integrating IoT smart control to manage and control various production processes, the yield and on-time delivery rate are both improved. • Upgrading outdated equipment, such as replacing diesel forklifts with electric ones. Procuring variable frequency drive allows the motor to transition from fixed speed to variable speed operation, providing control over airflow and water output and resulting in energy savings. Eliminating outdated air conditioning units and refrigerators, replacing them with new variable frequency systems.

4.2 Energy Management

Material Topic Management Policy	
Impact on the Organization of the Issue	Positive Impact: Comprehensive energy management and energy-saving improvements leading to energy-saving and carbon reduction Negative Impact: Failure to implement energy-saving improving programs resulted in increased power use and intensified carbon emissions.
Policies and Commitments	OFCO’s main energy consumption is electricity. Therefore, in terms of energy saving, the mission is to reduce the power consumption in production per unit and to achieve effective use of energy through continuous monitoring systems and independent management of production unit.
Responsible Unit	Administration Section, Manufacturing Department.
Complaint Mechanism	Compliant channel for the public and employees when their rights are infringed. (07) 6125899, transfer to the Administration Section or the Environmental Safety Section.
Short, Medium, and Long-Term Goals	Short-term goal: Energy saving rate of over 1% during the year
2022 Action Programs and Performance	<ul style="list-style-type: none"> • OFCO has updated the machines and used Chunghwa Telecom’s 5G network to build a 4.0 smart production line since 2021 Q4 so to improve production efficiency and save electricity and energy consumption. • Office energy saving campaigns and replacement with LED lighting fixtures.
Effectiveness Assessment	Through monitoring systems and autonomous management at the production units, striving towards a 1% energy-saving target annually. The increase in electricity consumption in 2022 was due to increased production volumes and will be continually managed and monitored to reduce energy consumption.

The primary energy source for OFCO production sites is outsourced electricity, accounting for about 97% of the OFCO total energy usage. Other energy sources include diesel, gasoline, and liquefied natural gas, with diesel being used for forklifts and transportation vehicles. Due to the addition of electric forklifts in the 2022 Qiaotou Factory, the reduction in diesel usage for forklifts was about 1,614 liters (56.77 GJ). Moreover, the total energy consumption increased due to the rise in production volumes, showing a growth of 9,905.56 GJ in 2022 compared to 2021. Considering energy intensity, it was 1.82 GJ per thousand dollars in 2022, showing a 12% decrease compared to 2021.

OFCO total energy consumption in the past three years

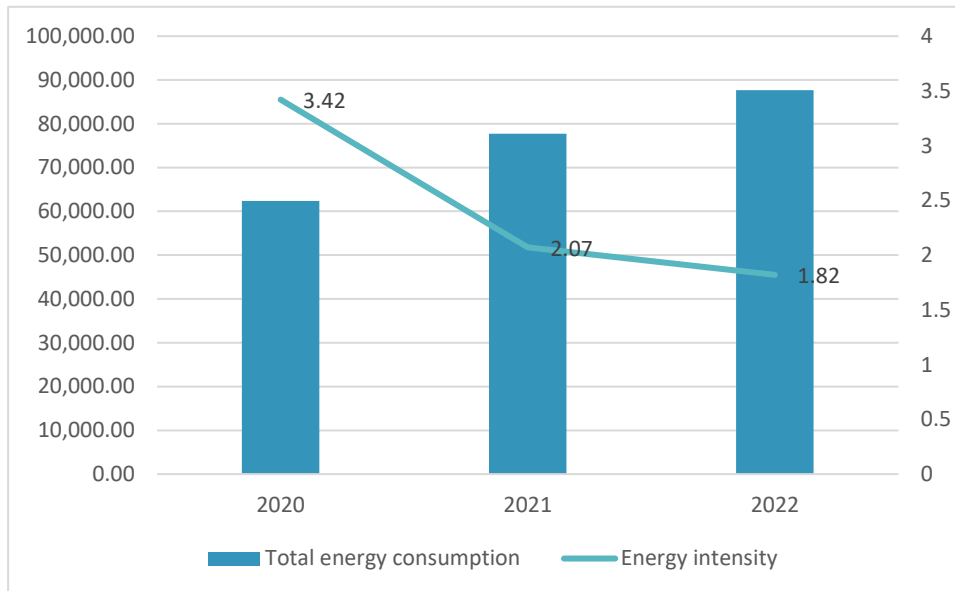
Non-renewable Energy (GJ)	Year 2020	Year 2021	Year 2022
Diesel	799.54	885.14	2681.65
Liquefied natural gas	2.06	3.32	4.22
Gasoline	341.28	399.94	51.21
Outsourced Taipower electricity	61,260.9	76,440.4	84,897.3
Total energy consumption	62,403.78	77,728.79	87,634.35
Energy intensity ^{Note 1} (GJ/thousand dollar)	3.42	2.07	1.82

Note 1: **Energy intensity** = Total energy consumption (GJ)/ Annual revenue (thousand dollars).

Note 2: Diesel heating value = 8,400 kcal/L, Liquefied natural gas heating value = 9,000 kcal/m³, Gasoline heating value = 7,800 kcal/L, Electricity heating value = 860 kcal/kWh; the factors are from the Heat Content of Energy Products table of Bureau of Energy, Ministry of Economic Affairs.

Note 3: The energy data statistics cover the Qiaotou Factory, Ziguan Factory No. 1, and Ziguan Factory No. 2.

Total energy consumption in the past three years



Energy-Saving Measures

OFCO continues to implement various energy-saving measures. Regular monthly reviews of water, electricity, fuel, and raw material consumption are conducted to reduce unnecessary energy waste and achieve the goals of energy saving, carbon reduction, and greenhouse gas reduction.

Specific energy-saving measures for factories and offices include the followings:

Factory

- The Company has updated the machines and used Chunghwa Telecom's 5G network to build a 4.0 smart production line since 2021 Q4 so to improve production efficiency and save electricity and energy consumption.
- Operate the new factories and new machines for production with top priority. Arrange a production with highly-efficient machines first before using the old machines for production in order to save power consumption.
- The machines used for production should be with the expected production capacity fulfilled, and improve the availability of the machines, that is, centralize the production with the use of highly-efficient machines to reduce low-efficiency production.
- Installing transparent roofing panels on the roof to reduce lighting fixtures.
- Replacing mercury lights with LED bulbs.

Office

- Indoor air conditioning is basically set at 26~28°C.
- Turn off the lights after meals during the lunch break, and turn off the power by zone after get off work.
- Replacing mercury lights with LED bulbs.

4.3 Greenhouse Gas Emissions

Material Topic Management Policy	
Impact on the Organization of the Issue	<p>Positive Impact: Conducting an inventory on greenhouse gas emissions, implementing carbon reduction plans to reduce greenhouse gas emissions, and addressing economic losses related to energy-related risks at operational sites through energy management and energy-saving strategies.</p> <p>Negative Impact: Failure to manage greenhouse gas emissions will contribute to the greenhouse effect. Future carbon taxes may increase operational costs and may not meet customer expectations. Continuing to use non-renewable energy and failing to implement energy-saving programs will result in increased greenhouse gas emissions, exacerbating global warming.</p>
Policies and Commitments	In line with the global strategy for reducing greenhouse gas emissions, a sustainable energy development goal that considers resource efficiency, energy saving, and environmental protection.
Responsible Unit	The Administrative Section and the Environmental Safety Section
Complaint Mechanism	Compliant channel for the public and employees when their rights are infringed Call to (07) 6125899, extension: Administration Section and the Environmental Safety Section.
Short, Medium, and Long-Term Goals	The carbon intensity decreased by 20% in 2025 compared to 2021.
2022 Action Programs and Performance	To manage greenhouse gases more efficiently, a greenhouse gas inventory was conducted at the factory to understand the emission status. This serves as the foundation for proposing strategies to reduce greenhouse gas emissions. Content includes: Identification of emission sources, data collection, and emission calculation.
Effectiveness Assessment	Completed the 2022 ISO 14064-1:2018 greenhouse gas inventory and completed the external verification

4.3.1 Greenhouse Gas Reduction

The growing awareness of energy saving and carbon reduction over years has become a global focus for countries and businesses. In response to this trend, OFCO is actively developing and planning the use of renewable energy, implementing and promoting energy-saving measures in the office environment, and conducting greenhouse gas inventories to understand the current greenhouse gas emissions in the factory area. Through a series of measures, the aim is to achieve the government’s 2050 net-zero carbon emissions goal.

With Taiwan’s continued focus on climate change and the implementation of relevant policies, 2022 marked OFCO’s baseline year for greenhouse gas inventory. Following ISO 14064-1:2018 standards, a greenhouse gas inventory was conducted to understand the greenhouse gas emission status at various operational sites. The aims to effectively achieve the goals of “energy saving, carbon reduction, and environmental friendliness”. A third-party verification statement has already certified the greenhouse gas emission volume for 2022.

As of 2022, the total greenhouse gas emissions amounted to 58,259.61 metric tons of CO₂e. Direct emissions of Category 1 greenhouse gases totaled 645.62 metric tons of CO₂e. The indirect emissions from the outsourced energy sources (Category 2) totaled 12,000.79 metric tons of CO₂e. Additionally, Category 3 indirect emissions from transportation amounted to 1,162.00 metric tons of CO₂e, and Category 4 indirect emissions from organizational use of products or services totaled 44,451.19 metric tons of CO₂e. The greenhouse gas emission statistics for OFCO in 2022 are as follows:

Item	Emission volume
Category 1 Direct Greenhouse Gas Emissions	645.62
Category 2 Indirect Greenhouse Gas Emissions from Outsourced Energy Sources	12,000.79
Category 3 Indirect Greenhouse Gas Emissions from Transportation	1,162.00
Category 4 Indirect Greenhouse Gas Emissions from the Organization’s Use of Products or Services	44,451.19
Total	58,259.60
Emission Intensity (Category 1 + Category 2)	0.26

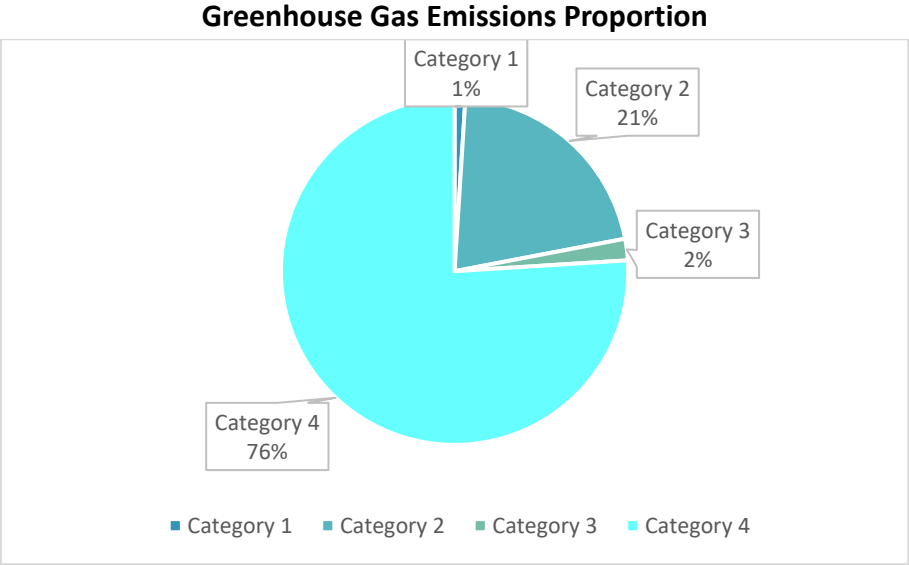
Note 1: The unit for greenhouse gas emissions is metric tons of CO₂e. The inventory scope follows operational control regulations, encompassing various greenhouse gases, including carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆), and nitrogen trifluoride (NF₃).

Note 2: Emission Intensity = Category 1 + Category 2 total greenhouse gas emissions (Metric tons of CO₂e) / Annual revenue (thousand dollars)

Note 3: Sources of greenhouse gas factors: Environmental Protection Administration’s Greenhouse Gas Emission Factor Management Table Version 6.0.4 announced in 2007, GWP values referenced from the IPCC’s Sixth Assessment Report (2021), and the Bureau of Energy’s announcement of a carbon emission factor of 0.509 kg of CO₂e/kWh for the year 2021.

Note 4: The greenhouse gas data statistics cover the Qiaotou Factory, Ziguan Factory No. 1, and Ziguan Factory No. 2.

Analysis revealed that Category 4, which represents the indirect greenhouse gas emissions from the organization’s use of products or services, accounts for the most significant portion at 76% of the total. This includes the organization’s electricity, fuel, and raw materials procurement. Following that, Category 2, the indirect greenhouse gas emissions generated from outsourced electricity, accounts for 21%. The remaining emissions from Categories 1 and 3 constitute only 3% of the total.



4.3.2 Gas Emission Control

OFCO primarily generates air pollutants like sulfur oxides (SOx), nitrogen oxides (NOx), volatile organic compounds (VOCs), and suspended particulates in the manufacturing process. OFCO utilizes electrostatic dust collectors and constantly monitors emission data for management purposes, actively deploying measures to reduce and prevent air pollution.

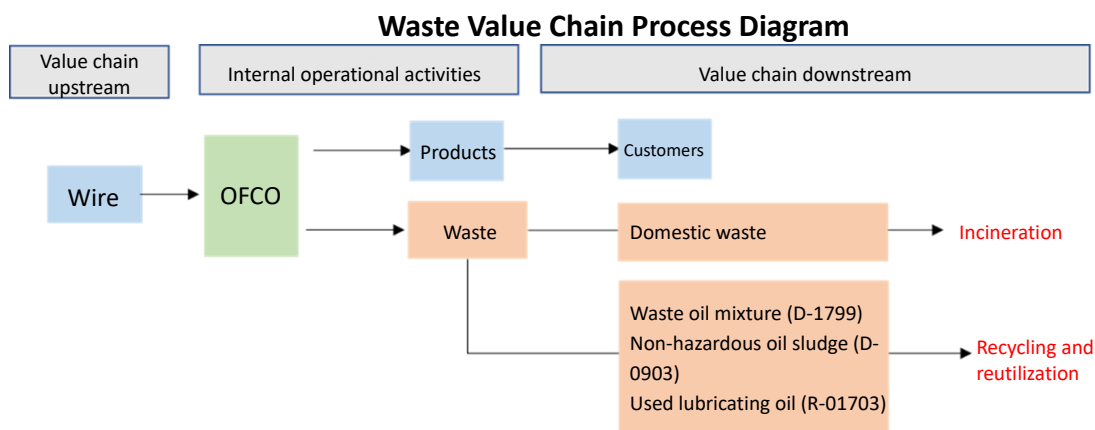
With increased production capacity in 2022, emissions of VOCs, SOx, NOx, and suspended particulates have shown an increasing trend compared to 2021. OFCO continually monitors pollutant emissions, being compliance with regulatory standards and achieving the same preventing effect as the end-of-pipe treatment. This indicates that OFCO’s purification facilities and inspection systems have been effective. Future measures will continue being invested to focus on reducing air pollution, aiming to decrease absolute air pollutant emissions even with increased production levels.

Item	Unit	Regulatory standard value	Years		
			2020	2021	2022
SOx	Kg	399	1.64	7.09	9.07
NOx	kg	1,198	20.81	89.77	114.71
VOCs	Kg	23,855	162.47	1,723.12	3,438.71
suspended particulates	kg	397	19.99	89.38	143.23

4.4 Waste Management

Material Topic Management Policy	
Impact on the Organization of the Issue	<p>Positive Impact: Reducing waste generation through the usage and management system of raw materials</p> <p>Negative Impact: Outsourcing waste removal and disposal. If the removal and disposal service provider violates environmental regulations by indiscriminately dumping waste, the Company is jointly responsible under Waste Disposal Act.</p>
Policies and Commitments	<p>OFCO strictly adheres to environmental protection regulations, implementing effective control measures to prevent any form of pollution and waste generation. The Company requires employees to engage in proper waste sorting and recycling. It also insists that contractors cooperatively implement the controlling of the subsequent flow of waste. This demonstrates the commitment to an eco-friendly environment, reduced environmental impact, and optimized use of natural resources.</p>
Responsible Unit	The Administrative Section and the Environmental Safety Section
Complaint Mechanism	<p>Compliant channel for the public and employees when their rights are infringed</p> <p>Call to (07) 6125899, extension: Administration Section and the Environmental Safety Section</p>
Short, Medium, and Long-Term Goals	<ul style="list-style-type: none"> • Strict adherence to government regulations is ensured by implementing waste disposal plant inspections and car-following to ensure compliance with legal requirements. • To achieve a circular economy and maximize resource reuse, waste oil is recycled for process use to maximize the value of resource reuse.
2022 Action Programs and Performance	<ul style="list-style-type: none"> • Increased waste recovery rate through recycling and reusing etc. • Regular campaign to employees to sort domestic waste and to recycle, including plastics, paper, glass, etc., to reduce waste. • Business waste is managed in compliance with Waste Disposal Act by employing authorized waste management companies, and periodic reporting to the supervisory authorities is carried out to track the waste flow accurately.
Effectiveness Assessment	The waste in 2022 was all handed over to legal, professional recycle, removal and disposal service providers for recycling and disposal.

In response to reducing waste, promoting resource reusing, and reducing waste pollution risks, OFCO strictly adheres to Waste Disposal Act. The Company enforces stringent in-house waste control measures at operational sites, actively seeks recycling and reusing channels, and conducts regular site visits and car-followings to waste removal and disposal facilities. The goal is to minimize the negative environmental impact to the greatest extent possible.



OFCO's waste is classified as non-hazardous industrial waste, with a total waste generation of 727.18 metric tons in 2022. The increase in waste generation is attributed to the expansion of production capacity during that year. In response, the Company is committed to ongoing planning of waste management programs to reduce waste generation.

The waste management practices include incineration and recycling, with an 84% recycling rate for non-hazardous waste in 2022. OFCO outsources waste collection to qualified waste treatment facilities, with annual contracts signed with approved waste cleaners. By making sure of relevant regulations and practices, the cleaners will regularly do the cleanings based on the waste production situation. Conduct at least one annual visit to waste cleaners. The environmental safety personnel will do the car-following, gaining insights into the operations and managements of handling, removing, disposing, and reusing the entrusted waste. During each cleaning, a controlled three-part form is delivered to verify that the waste is handed over to legal entities and the records are retained. No contractual breaches occurred with waste cleaners in 2022.





2022 Waste Cleaner Car-following and Inspection Operations

Waste production in the past three years

Unit : tons

Waste details		Year 2020	Year 2021	Year 2022	Disposing method
Non-hazardous waste	Household garbage (D-1801)	77.53	77.73	119.38	Incineration (Non-energy recovery)
	Non-hazardous oil sludge (D-0903)	27.1	75.3	112.6	Created into solid fuel after physical recycled processing
	Waste oil mixture (D-1799)	27.1	285.26	428.55	Created into solid fuel after physical recycled processing
	Used lubricating oil (R-1703)	191.18	66.84	66.65	Recycled
	Total	322.91	505.13	727.18	

Note: The waste data statistics cover the Qiaotou Factory, Ziguan Factory No. 1, and Ziguan Factory No. 2.

4.5 Water Resource Management

In recent years, the risk of insufficient domestic water resources has gradually increased due to factors such as Taiwan’s limited land, dense population, and finite soil and water resources. The water resource issue has become a key and concerning challenge. OFCO has always valued and efficiently utilized water resources. In managing water resource risks, the Company adopts the Aqueduct Water Risk Atlas from the World Resources Institute (WRI) to identify each factory’s water resource pressures and risks. All OFCO factories utilize water from the Nanhua Reservoir. The identification results indicate a moderate to low level of risk, not categorizing the areas as high-risk regions for water resources. This suggests no significant impact on water sources .

OFCO is located in Low Medium water risk area



OFCO sources its water from a third party (Taiwan Water Corporation), primarily for domestic use. In 2022, the water consumption was 23.19 million liters, representing a 12% increase compared to 2021. In line with promoting water resource recycling, OFCO employs a water recycling system through screw heat treatment for cleaning. This system recycles water from pre- and post-cleaning tanks, resulting in an annual water saving of approximately 0.65 million liters.

OFCO’s manufacturing process ensures no wastewater discharge from the production of goods. The only wastewater generated within the facility is from employees’ daily activities. The wastewater from daily use is collected and properly treated, meeting regulatory requirements and being discharged into the municipal public sewage system. The sewage is unified through sewage pipelines to nearby water resource recovery centers (sewage treatment plants). It is released after treatment until meeting environmental standards to reduce the pollution load on rivers, drains, and other water bodies.

Water withdrawal in the past three years

Unit : million liters

	Year 2020	Year 2021	Year 2022
Total water withdrawal	21.67	20.73	23.19
Water consumption intensity	0.0012	0.0006	0.0005

Note 1: Water consumption intensity = Total water consumption (million liters) / Annual revenue (thousand dollars)

Note 2: The water resource data statistics cover the Qiaotou Factory, Ziguan Factory No. 1, and Ziguan Factory No. 2.


Chapter 5 Social Inclusion



5.1 Employee Diversity and Inclusion

To fulfill corporate social responsibility and safeguard the fundamental human rights of all employees, customers, and stakeholders, OFCO adheres to the principles outlined in International Bill of Human Rights, such as the “Universal Declaration of Human Rights”, “United Nations Guiding Principles on Business and Human Rights”, “United Nations Global Compact”, and “International Labour Organization”. The Company respects internationally recognized fundamental human rights, including freedom of association, concern for underprivileged groups, prohibition of child labor, elimination of all forms of forced labor, and the eradication of employment and workplace discrimination. OFCO also complies with labor-related regulations in Taiwan and takes actions consistent with the “Responsible Business Alliance Code of Conduct”, treating all employees, contract and temporary workers, interns, etc., with dignity and respect.

OFCO does not conduct any different treatment on language, attitudes, and behaviors based on individual gender, race, socioeconomic status, age, marital status, family status, language, religion, political affiliation, nationality, appearance, facial features, disabilities etc. The Company guarantees equal treatment in employment policies, implementing fairness and equity in employment, remuneration and benefits, training, evaluation, and promotion opportunities. Adequate and appropriate complaint mechanisms are provided to prevent and address situations that may harm employee rights, aiming to create a working environment of equal employment free from discrimination and harassment. No events such as discrimination, child labor, forced labor, or violations of freedom of association occurred in 2022.

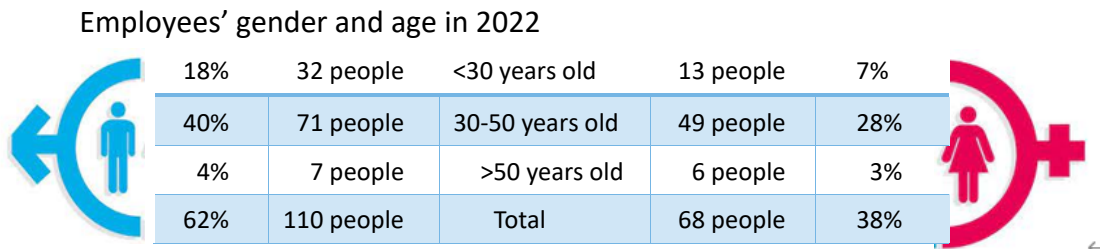
Human Rights-related Execution in 2022

Content of Human Rights Policy	Execution Programs and Implementation Status
Providing a safe and healthy working environment	 Establishing a safe and healthy working environment, preventing accidents, and ensuring employee safety. OFCO mandates that new and existing employees undergo regular one-hour labor safety and health training sessions on a rotating basis. In 2022, 12 lectures were held in total, for a total of 73 attendees/hours.

Content of Human Rights Policy	Execution Programs and Implementation Status
Assisting employees in maintaining physical and mental health as well as work-life balance	<p> One-hour lunch break, providing colleagues with an ample break.</p> <p> Hosting regular company travel and welfare events to promote physical and mental health. In 2022, a total of two company travels were organized to places such as the National Museum of Marine Biology and Aquarium and Formosan Aboriginal Culture Village. Additionally, an employee barbecue event for approximately 380 participants was held at the Qiaotou Sugar Factory Park. In 2022, employees were arranged to watch two professional basketball games. A total of about 70 employees participated. The Company provides diverse leisure activities, allowing employees to relax and enhance their physical and mental well-being during their leisure time outside of work. The Welfare Committee actively encourages employees to organize club activities and provides financial support. In 2022, a group of colleagues formed a dance club with 10 participants in total. The club hires a professional instructor once a week to guide colleagues in enjoying limb movement and promoting physical and mental well-being.</p>
Eliminating unlawful discrimination and ensuring equal job opportunities	Not to conduct different treatment or any form of discrimination based on personal factors such as race, class, language, ideology, religion, political affiliation, place of origin, birthplace, gender, sexual orientation, age, marital status, appearance, facial features, disabilities, zodiac sign, blood type, etc., and to implement the respect for workplace diversity.
Prohibition of child labor	As of the end of December 2022, the number of child laborers is 0.
Prohibition of forced labor	If there is a need to extend working hours beyond regular working hours, the consent of the employee must be obtained first.
Creating a communication-friendly environment and establishing an open management style	The Company has diverse communication channels to promote harmonious labor-management relations, including an employee suggestion box and regular management meetings. In 2022, a total of four labor-management meetings were convened.

5.1.1 Diversity in Employee Structure

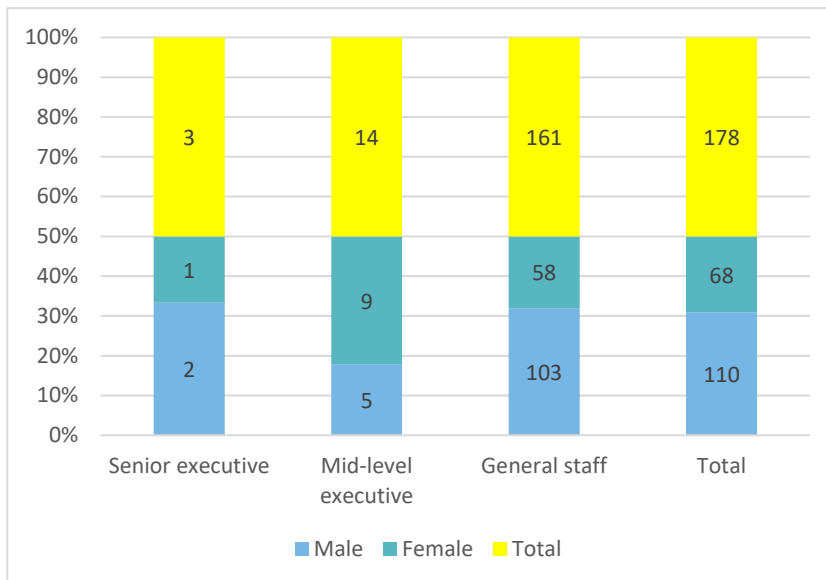
OFCO has 178 official employees (including 6 security personnel stationed by an outsourcing firm). Due to the industry’s labor-intensive nature, in 2022, approximately 60% of employees are male. Although there is a majority of male employees, there is no gender-based employment discrimination or any unfair treatment. Colleagues between 30 and 50 years old constitute the most significant proportion, accounting for approximately 68% of the workforce. The breakdown of employees includes 3 senior executives (male: female = 2:1), 14 middle-level managers (male: female = 0.56:1), and 161 general staff (male: female = 1.78:1), aligning with the characteristics of OFCO’s industry chain. Additionally, OFCO supports the employment of individuals with disabilities and hired 2 employees with disabilities in 2022.



Note 1: Employee count and distribution as of December 31, 2022

Note 2: The employee count data statistics cover the Qiaotou Factory, Ziguan Factory No. 1, and Ziguan Factory No. 2.

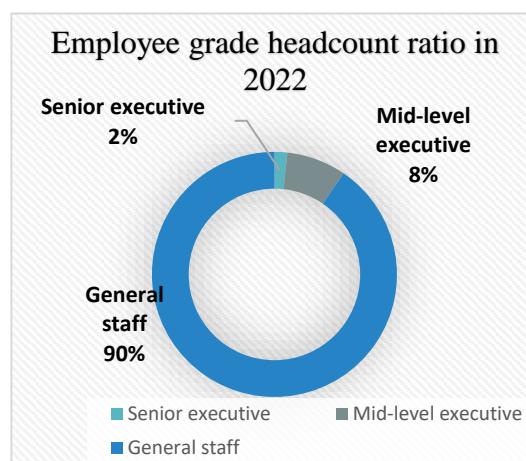
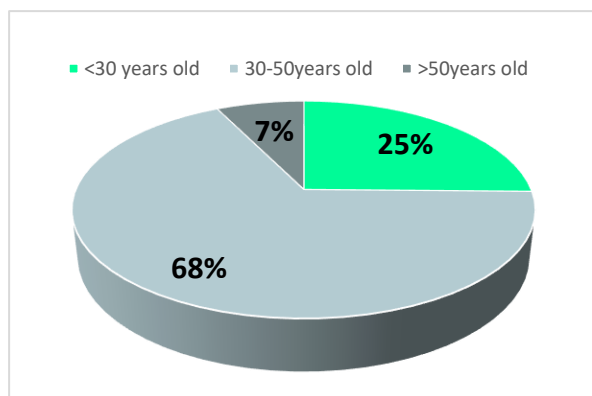
Employee gender and job level details for the year 2022



Note 1: Senior Executives include: General Manager, Deputy General Manager, and levels above

Note 2: Middle-level Managers include: Department Manager, Deputy Department Manager, and levels above

Employee age ratio in 2022



5.1.2 Equal Wages and Compensation System

To achieve equal pay for equal work and equal promotion opportunities of both genders, implement a friendly workplace, promote gender equality and develop sustainable and co-prosperous operating performance, OFCO’s promotion, rewards and disciplinary actions and wages does not discriminate based on gender. OFCO has the same wage determination conditions for male and female employees and without difference between genders. Based on the Company’s personnel management regulations, the Company employs the selected personnel according to the qualifications of each grade and pays wages based on the standards set in the employee wages and job grade schedule. The wages of personnel at each level does not differ due to gender, to establish a working environment with equal pay for equal work and truly implement the concept of gender equality in the workplace.

5.2 Talent Attraction and Retention

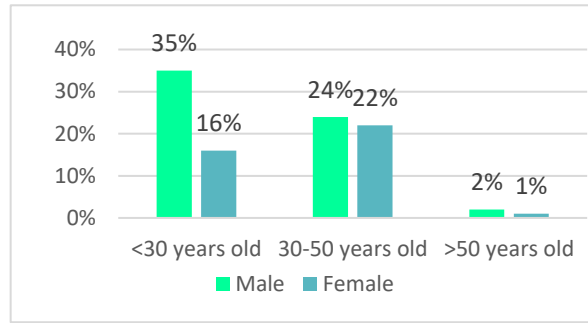
Material Topic Management Policy	
Impact on the Organization of the Issue	OFCO offers comprehensive remuneration, promotion, and benefits systems in compliance with legal requirements to safeguard employees’ rights. The Company aims to create a safe and stable working environment that allows employees to utilize their skills, grow with the Company, provide employment opportunities in the local community, and contribute to regional economic growth.
Policies and Commitments	<p>Policies: Adhering to the belief that employees are the Company’s most valuable assets, we strive to create a stable and secure working environment for employees</p> <p>Commitments:</p> <ol style="list-style-type: none"> 1. Providing equal employment opportunities, safeguarding labor rights 2. Promoting talent retention plans to enhance retention rates of suitable personnel

Material Topic Management Policy	
	3. Enhancing industry competitiveness by improving remuneration, benefits, and promotion systems
Responsible Unit	General Manager and Labor-Management Committee Members
Resources	<ol style="list-style-type: none"> 1. Salary and welfare adjustment: A 10% raise for office support personnel in 2021 2. Promoting industry-academia collaboration: Collaboration with Kao Yuan University, providing part-time and internship opportunities for foreign and overseas Chinese students, allowing them to learn industry knowledge and skills through work. In 2022, 60 students were benefited from this program.
Complaint Mechanism	<ol style="list-style-type: none"> 1. Labor-Management Meetings 2. Complaint hotline: ☎ 07-6125899#125
Short, Medium, and Long-Term Goals	<p>Short-term (2023): New employee retention rate 75%; turnover rate 25%</p> <p>Medium to long-term: New employee retention rate 80%; turnover rate 20%</p>
2022 Action Programs and Performance	<ol style="list-style-type: none"> 1. Each year, according to the Company's profit, employee compensation is allocated to the staff in accordance with the Company's Articles of Association. In May 2022, a 1.5% employee compensation was distributed (1% was allocated in the previous year). 2. A free physical check is provided to employees every year. A hospital is contacted to send medical staff to the plants, to provide medical consultation and inspection for employees (the physician visit is once a quarter, and the nurse visit is twice a month). In October 2022, the annual employee physical check was completed. 3. The Employee Welfare Committee provides gift money for Chinese new year, Dragon Boat Festival, Mid-Autumn Festival and Labor Day. In 2022, a total of NT\$1.77 million were provided in cash and gift certificates.
Effectiveness Assessment	<ol style="list-style-type: none"> 1. Employee performance assessments are conducted annually. 2. Have held regular labor-management meetings every three months. 3. Each year, an annual educational training plan is formulated and implemented effectively.

Employees are the Company's vital assets and are crucial to maintaining the enterprise's competitiveness. Attracting excellent talents and establishing a manpower development system are the critical foundations of a fulfilling workplace. OFCO opens public recruitment according to business needs and actively develops diverse recruitment channels. Selections are based on suitability without influence from factors like race, religion, skin color, nationality, gender, etc. Additionally, OFCO has established defined systems for promotion, assessment, training, reward and punishment to ensure everyone has fair opportunities for career development.

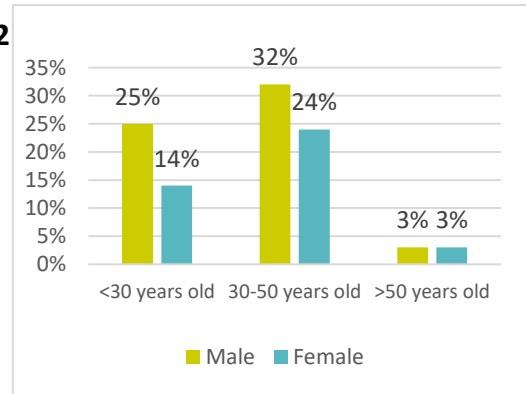
Number and % of newcomers in 2022

Male	Ages	Female
58	<30 years old	27
40	30-50 years old	36
3	>50 years old	2
101	Total	65



Number and % of resigned employees in 2022

Male	Ages	Female
37	<30 years old	20
47	30-50 years old	35
5	>50 years old	4
89	Total	59



5.2.1 Labor-Management Communication and Exchange

OFCO establishes a diverse communication system, fostering an honest and harmonious work atmosphere to maintain good labor-management interactions. It includes an employee suggestion box, a dedicated employee complaint hotline, regular management meetings, and periodic labor-management meetings to build consensus for a win-win labor-management relationship. OFCO holds quarterly labor-management meetings. In 2022, four meetings were convened, with 4 representatives from labor and 4 from management participating in discussions in each meeting. Following legal regulations, employees are protected by group agreements. Over the past three years, no labor-management disputes have occurred, and no losses have resulted from such disputes.

In cases of significant operational changes, employees are notified in compliance with relevant laws. When adjustments in work hours, remuneration, job responsibilities, or announcement of new policies is needed, OFCO ensures adherence to government regulations and procedures. Employees are proactively informed and provided with necessary explanations in a timely manner. Employees are given prior notice if labor contracts need to be terminated, as required by the “Labor Standards Act”. Those terminated without proper notice receive the wages for the notice period.

Standard Notification Period for Companies

For employees who have served more than three months but less than one year	Notify ten days in advance
For employees who have served more than one year but less than three years	Notify twenty days in advance
For employees who have served for more than three years	Notify thirty days in advance

5.2.2 Complete Benefit Measures

OFCO values the health and welfare of employees, offering comprehensive welfare measures. The Company formulates employee welfare policies following the Labor Standards Act and relevant laws to establish organization functions with a sound management system. Moreover, establish an “Employee Welfare Committee” within the organization to plan employee welfare measures. This aims to provide stability in their lives, safeguard their rights, and foster harmonious labor-management relations. The Employee Welfare Committee of OFCO is responsible for coordinating the use of funds for employee welfare. It actively promotes various welfare programs, embodying the Company’s responsibility to care for and support its employees, ensuring their quality of life, and promoting a balance between work and life.

Benefit item	Content
Employee insurance	from the day employees go onboard, they are insured with the labor insurance, national health insurance and group insurance (life insurance, accident insurance, hospitalization insurance, cancer insurance), international travel safety insurance.
Employee dormitory	Dormitories are provided for foreign laborers to meet the accommodation needs of foreign employees.
Year-end party	The year-end party is coordinated by the management department, for all employees to gather to dine and have fun, with various programs, competitions, lucky draw and other activities to form the loyalty of employees.
Employee uniforms	Employees are provided with summer and winter uniforms every year based on the nature of their works
Health check	In addition to the physical check required for new employees, a free physical check is provided to employees every year. A hospital is contacted to send medical staff to the plants, to provide medical consultation and inspection for employees (the physician visit is once a quarter, and the nurse visit is twice a month). In October 2022, the annual employee physical check was completed.
Recreational activities	Employees are arranged to watch various ball games to improve their physical and mental health. In 2022, employees were arranged to watch two professional basketball games. Tickets, round-trip fares, and lunch were all paid by the Company. A total of about 70 employees participated.
Employees' subscription warrants	The subscription warrant project is set up as a long-term incentive. Employees of the Company and the subsidiaries with outstanding job performance are included in the incentive plan. Each year, depending on the operating conditions, a certain quantity of employee subscription warrants is issued and distributed to qualified employees. The Company issued 3,000 units of employee subscription warrants upon the approval of the competent authority in 2020. From October 2022, the warrants may be converted to subscribe the Company's common shares. In the fourth quarter of 2022, a total of six employees of the Company and its subsidiaries executed the conversion to common shares for 180,000 shares.
Subsidies for weddings and funerals	Employees may apply for subsidies according to regulations for their weddings, childbirths or death of family members. In 2022, a total of ten employees applied for subsidies.
Gift money for festivals	The Employee Welfare Committee provides gift money for Chinese New Year, Dragon Boat Festival, Mid-Autumn Festival and Labor Day. In 2022, a total of NT\$1.77 million were provided in cash and gift certificates.
Travelling	Depending on the operating conditions, employees are arranged to go on travels, to promote their physical and mental health and enhance friendship among employees. In 2022, a total of two employee domestic tours and a barbecue event were held, with a total of about 380 participants.

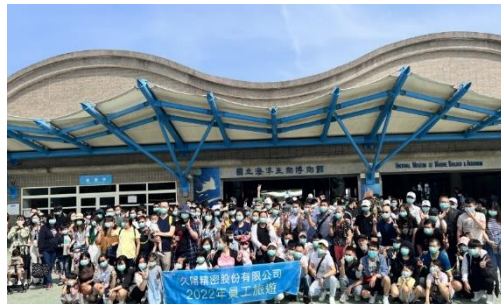
Benefit item	Content
Employees' clubs	The Employee Welfare Committee subsidizes related expenses for employees for organizing sports and other leisure activities. In 2022, employees have formed a dance club, with a total of ten people participating and with dance practice for one hour per week.



Barbecue Event



Company Travel



Company Travel

Maternity Support

To help employees balance personal and family care needs, OFCO allows colleagues facing extended periods of leave due to situations like maternity, major illness, or significant events to apply for suspension without pay. They can reapply for reinstatement before or after the expiration. The Company also supports employees to nurture their next generation diligently and with ease by providing nursing rooms equipped with recliners, power outlets, internally lockable doors, emergency button or other assistance options, hand-washing facilities, and a discreet, secure environment. In 2022, 9 people applied for suspension without pay due to paternal leave, and those who had previously applied for and returned in 2022 displayed a 100% rehiring rate, showcasing how the Company's policies support employees in smoothly transitioning back to their roles, maintaining a balance between work and family life while

tending to personal career development and family care.

Item	Number of Male	Number of Female	Total
Employees who actually applied for parental leave in 2022(A)	4	5	9
Employees who actually used for parental leave in 2022(B)	1	3	4
Number of employee reinstatements after parental leave in 2022 (C)	1	3	4
2Actual number of employee reinstatements after parental leave in 2022(D)	1	3	4
Total number of employee reinstatements after parental leave in the previous year in 2021(E)	0	0	0
The number of people who have served for one year after being reinstated following a parental leave in 2021(F)	0	0	0
Application rate for suspension without pay due to paternal leave (B/A)	25%	60%	44%
Reinstatement rate (D/C)	100%	100%	100%

Retirement system

To take care of employees and stabilize their lives after retirement, the Company has formulated labor retirement regulations in accordance with the provisions of the Labor Standards Act. Pursuant to the regulations, 2% of the total salary paid is contributed to the retirement reserve fund every month (the full amount has been provided and the provision has been suspended upon the approval of the competent authority). For the employees applicable to the new system of retirement methods, 6% of the monthly salaries are provided as their pension in accordance with the regulations.

	New pension system	Old pension system
Specific content	To take care of employees and stabilize their lives after retirement, the Company has contributed 6% of the monthly salaries as the pension for the new recruits and employees who opted to apply the new retirement system since from July 1, 2005, to their individual accounts monthly.	For employees who opted to apply the old pension system, 2% of the total salary paid is contributed to the retirement reserve fund every month to the pension account with Bank of Taiwan.
Implementation	Paid on time as required by laws Total NT\$5,113 thousand was contributed as the new system pension for 2022.	This pension has been fully provided and has been suspended upon the consent of the competent authority. In 2022, a total of four people applied for pensions for totaling NT\$4,503 thousand, and the balance of the pension account was NT\$7,227 thousand by the end of December.

Note: The full amount has been provided and the provision has been suspended upon the approval of the competent authority)

5.3 Talent Development and Educational Training

To enhance the overall competence of the colleagues and facilitate employees in gaining the required knowledge and skills for their positions, OFCO quantifies the Company’s annual training objectives based on goals, members, and organizational structure. These objectives are specifically delegated to authorized project teams for planning. With participative leadership as its primary focus, OFCO’s executives often adopt a leadership style involving minimal guidance and increased support, fostering an open Company culture. Once the General Manager approves the Training Policy, the “Training Policy and Commitment Notice” is posted on the bulletin board for all colleagues to be informed.

Two-core Training	Training Contents
New employee training	OFCO provides new employee training for all new employees, allowing them to gain an understanding of the working environment and job requirements through a series of planned courses. For administrative and engineering staff, additional professional trainings related to processes and operations are

	included, aiming to provide colleagues with a deeper understanding of production, processes, and product services.
Systematic training for various specialist systems	Each specialist follows relevant certification systems for training operations. Each year, specific themes align with the training agenda, providing related personnel with thematic training courses of all functions. Apart from specialists, training is also conducted for different management levels as per their role requirements.

In 2022, the total training hours for OFCO employees reached 351 hours, averaging 18.47 hours per employee. Male employees received a total training time of 173 hours, averaging 19.22 hours, while female employees received a total of 178 hours, averaging 17.8 hours of training.

2022 Educational Training Statistics

Average Training Hours (hours)	Total Headcount	Total Training Hours	Employee Categories	Total Training Hours	Total Headcount	Average Training Hours (hours)
3	1	3	Senior Executives	0	0	0
12	5	60	Middle-level Managers	18	6	3
36.67	3	110	General Staff	160	4	40
19.22	9	173	Total	178	10	17.8

- Note 1: Senior Executives include: General Manager, Deputy General Manager, and levels above
- Note 2: Middle-level Managers include: Department Manager, Deputy Department Manager, and levels above
- Note 3: The employee count data statistics cover the Qiaotou Factory, Ziguan Factory No. 1, and Ziguan Factory No. 2.

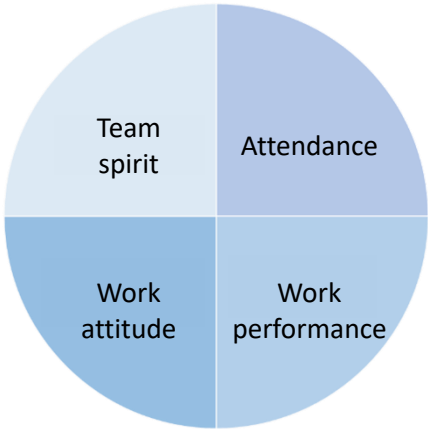


Educational Training

Performance Management Mechanism

To effectively understand the work performance of colleagues for purposes such as promotions, training and development, salary adjustments, employee compensation, and performance improvement, OFCO has established a performance assessment system. Department executives assess and score their subordinates based on attendance, work performance (achievements or disciplinary actions), work attitude, team spirit, and similar criteria. This annual assessment doesn't include employees who have worked for less than three months, but will have their performance assessed separately by their immediate supervisor to determine their continued employment according to the onboard time. OFCO offers a performance-based reward system to motivate outstanding departments and employees. Performance bonuses and production rewards are provided based on business conditions, departmental and individual performance, and adhering to Labor Standards Act and relevant regulations in salary adjustments. Furthermore, besides accomplishing the Company's established work goals, OFCO emphasizes environmental friendliness, integrating nature-centric and societal benefit concepts into the incentive reward system throughout the company to give back to hard-working colleagues. The system incorporates various indicators such as occupational safety, environmental-friendly pollution disposal, carbon reduction, and quality indicator etc., ensuring the continuation of social responsibility within the Company's operations, thereby fostering sustainable business practices. For 2022, male employees completed the assessment at a 100% rate, and female employees also achieved a 100% completion rate, excluding newly employed individuals who have worked for less than three months and those who left during the year.

Performance Assessment Standards



Employee Category	Number of Employees to be Assessed	Actual Number of Employees Complete Assessment	Assessment Completion Rate
Senior executive	1	1	100%
Mid-level executive	16	16	100%
General staff	185	185	100%

5.4 Occupational Safety and Health

Material Topic Management Policy	
Impact on the Organization of the Issue	OFCO is committed to creating a safe and stable working environment. The Company implement hazard identification and risk assessment to reduce potentially dangerous events and actively promotes employee well-being through various physical examination and environmental checks, fostering a balanced physical and mental state for employees while ensuring the highest product quality in a safe and healthy working environment.
Policies and Commitments	OFCO is committed to building a safe and healthy working environment, ensuring employees' physical and mental well-being. The Company provides various resources to enrich the professional value of our employees, enhancing the Company's competitiveness.
Responsible Unit	Management Department
Resources	<ol style="list-style-type: none"> 1. Employee physical examination: In 2022, an employee physical examination was conducted in 2022, and the Company covered the costs 2. In 2022, two workplace environmental inspections were conducted, totaling 70,000 NTD 3. In 2022, 73 participants attended internal employee health and safety training session organized by the Company 4. In 2022, two fire drills were conducted internally
Complaint Mechanism	Employee complaint hotline: (07) 6125899
Short, Medium, and Long-Term Goals	Short-term (2023): FR ≤ 3.34; SR ≤ 30 Medium to long-term: Creating a workplace environment with 0 occupational injuries and 0 accidents 2.FR ≤ 0; SR ≤ 0
2022 Action Programs and Performance	Achieved external audit verification for ISO14001 and ISO 45001
Effectiveness Assessment	Following ISO 45001, the dedicated unit regularly conducts hazard identification, risk assessment, and control for the working environment and operational hazards. Unacceptable moderate to high-level risks are included in the management programs to reduce the risk level. Internal audits and external verification methods are employed for continuous monitoring and improvement to ensure the management system's effectiveness and compliance with legal regulations

To prevent occupational safety accidents, provide a friendly working environment, and protect the safety of employees and employees of contractors (suppliers), since 2020, the occupational safety and health management system was introduced and assessment the impact on everyone involved in the company, including all employees, contractors, visitors, the ISO 45001 certificate was obtained in 2020, valid from April 30, 2020 to April 29, 2023.

Regarding the implementation status of the ISO 45001 Management System, OFCO has designated personnel from the Occupational Safety and Environmental Protection Department to check the progress of relevant programs periodically. In case of delays, corrective and preventive measures proposed following the “Occupational Safety and Health Correction and Preventive Measures Management Procedure” are submitted to the responsible unit. The effectiveness of their implementation is to be tracked and confirmed. If the expected results are not achieved, the improvement measures will be re-planned until confirmation of correction.



5.4.1 Involvement and Communication of Occupational Safety and Health Personnel

To ensure consensus within the Company’s internal Occupational Safety and Health Management System and establish effective channels for communication and consultation with stakeholders such as customers, government agencies, suppliers, and contractors. OFCO has established an Occupational Safety Committee, convening regular meetings of the Occupational Safety and Health Committee every quarter. Each meeting involves 2 representatives from the management side and 5 from the labor side. Both sides engage in discussions and communication and propose improvement suggestions. OFCO considers all records of internal and external communication as essential references for the implementation of the Occupational Safety and Health Management System, preserving them for three years following the “Occupational Safety and Health Documents and Records

Control Procedure”. Key Communication Topics of the Occupational Safety and Health Committee Meetings in 2022 are as follow:

Communication Topics	Improvement of Facilities and Completion Time
1. Renovation project related to the breastfeeding room	Completed in April 2022
2. Site 5S related matters	Daily safety personnel inspections. Any deficiencies are immediately reported to the supervisor for improvement. Weekly reports during management meetings
3. Indoor air quality ventilation project and installation of ventilation fans	Completed in July 2022
4. Improvement of the Ziguan Factory employee rest area.	Completed in May 2022

In addition, OFCO actively promotes new occupational safety and health knowledge to employees (such as regulations, unacceptable risks, relevant emergency responses, etc.) through educational training, online announcements, promotional cards, emails, internal signatures, posters, and other methods. All colleagues are required to read and understand, and executives of all units are requested to cooperate in strengthening the promotion for effective implementation.

5.4.2 Prevention and Handling of Occupational Accidents

OFCO considers the importance of identifying occupational safety and health hazards for company operations. OFCO has established the Taiwan Occupational Safety and Health Management System Project Promotion Team under the General Administration Department to promptly respond to situations that may pose risks and opportunities and implement measures or controls. This team is responsible for conducting hazard identification and risk assessment for occupational safety and health and conducting environmental monitoring for labor operations twice a year. The table below indicates potential risks identified in 2022 and the corresponding measures taken by OFCO:



Noise

- Provide Employees with Earplugs to Reduce Harm to the Human Body.



有機溶劑

Organic Solvents

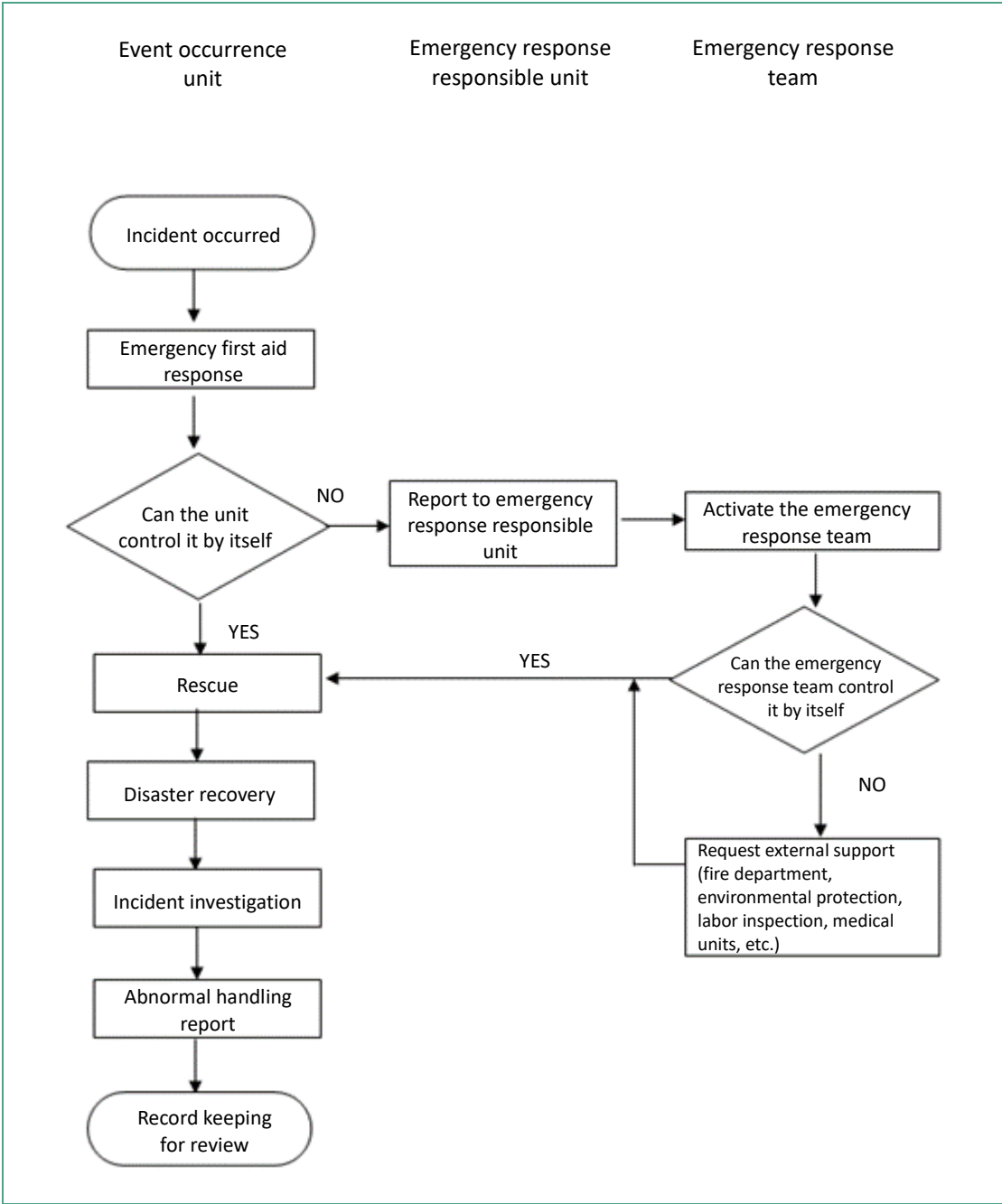
- Provide Protective Equipment such as Goggles
- Install Preventive Devices, Electrostatic Dust Collection and Exhaust Equipment.



High Temperature

1. Strictly adhere to regulatory rest hours to avoid prolonged exposure of personnel and equipment to high temperatures.
2. Install solar panels or ventilation balls on the roof to reduce production line temperature and improve ventilation quality.
3. Provide water dispensers and beverage vending machines to meet the hydration needs of employees.
4. Provide industrial electric fans at the workplace to reduce heat-related injuries.

OFCO has established the “Occupational Safety and Health Emergency Response Management Procedure” for all personnels, including visitors and contractors, to outline the response processes in the event of accidents and emergencies. OFCO designates units with high operational risks to propose relevant emergency response plans and conduct drills. At least one emergency response drill, including a fire protection plan, is conducted annually. The Occupational Safety Department is responsible for occupational safety inspections and safety and health promotion in the park, formulating and reviewing emergency response plans, and tracking implementation to prevent accidents. To enhance employee protection in their operations, OFCO spent 619,000 NTD in 2022 in total. This included procuring 6,085 dozens of gloves, 658 boxes of masks, 211 pairs of safety shoes, 142 helmets and other protective equipment to reduce the probability of occupational injuries among employees.



Occupational Safety and Health Emergency Response Management Flowchart

Contractor Safety Management

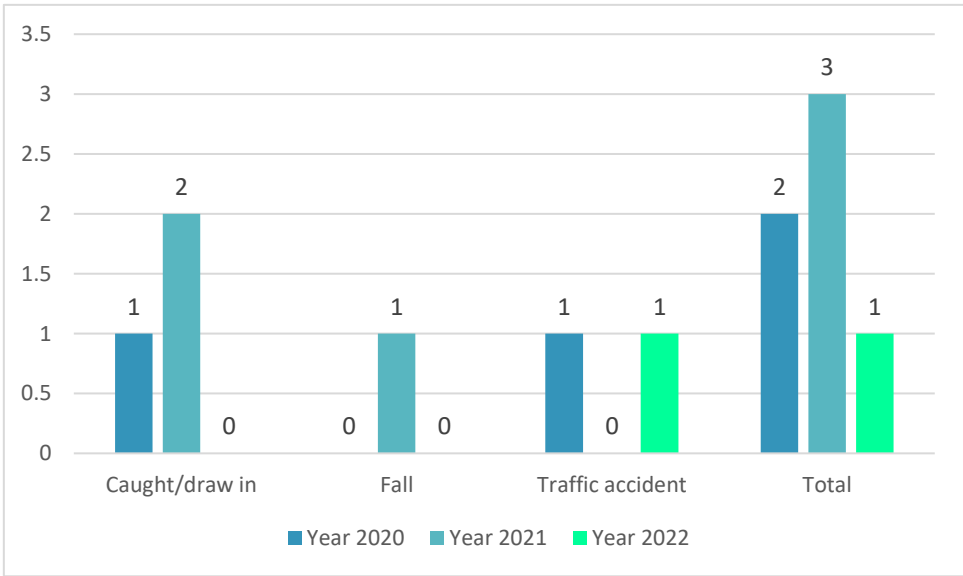
To ensure that contractors who come to the Company adopt relevant safety measures to reduce employee harm, OFCO communicates its latest occupational safety and health policy to suppliers or contractors when entering into contracts. This information is conveyed through fax, email notifications, inclusion in contracts, or during “work safety agreement team” meetings. OFCO encourages owners to conduct their own occupational safety and health-related education and training or delegate this responsibility to the unit undertaking the contracted business. Before commencing any project, regardless of the amount involved, the unit undertaking the contract is required by OFCO to sign the “Project Contracting Labor Safety and Health Precautions”. It aims to comprehensively prevent occupational disasters and safeguard the safety and health of labors.

5.4.3 Occupational Safety Performance

OFCO places great importance on immediate reporting, thorough investigation, and re-occurrence prevention after every incident. The Company regularly monitors employees’ health and the working environment’s condition. Over the past three years, neither OFCO’s employees nor external contractors have experienced any cases of occupational diseases. Furthermore, from 2020 to 2022, no fatalities or severe occupational injuries resulted from work-related accidents involving OFCO employees and external contractors.

In 2022, one traffic accident involved an OFCO employee who returned to work after one day. Throughout the year, there were no general occupational injuries caused by machine operation errors or adverse working conditions. OFCO is committed to continuously improving occupational safety, implementing the Labor Safety and Health Regulations. The Company aims to reduce the number of occupational injuries and strives to achieve the goal of zero occupational injuries in the future.

2020 - 2022 Occupational Accident Categories and Figures



OFCO's Occupational Safety Performance over the Years			
Item/year	Year 2020	Year 2021	Year 2022
Annual work hours for all employees	481,260	486,048	602,640
The number of general occupational injuries cases	2	3	1
Occupational injury loss days	8	7	1
Number of deaths due to occupational injuries	-	-	-
Occupational fatality rate due to occupational injuries	-	-	-
Number of severe occupational injuries (Excluding number of deaths)	-	-	-
Severe occupational injury rate (Excluding number of deaths)	-	-	-
Frequency rate of disability injuries (FR)	4.15	6.17	1.65
Severity rate of disability injuries (SR)	16	14	1

Note 1: Death rate caused by occupational injuries = (Number of deaths due to occupational injuries / Total annual working hours) * 1,000,000.

Note 2: Severe occupational injuries: Refers to injuries where workers are unable or have difficulty recovering to their pre-injury health status within six months (excluding those resulting in death due to occupational injuries).

Note 3: Rate of severe occupational injuries = (Number of severe occupational injuries (excluding deaths) / Total annual working hours) * 1,000,000.

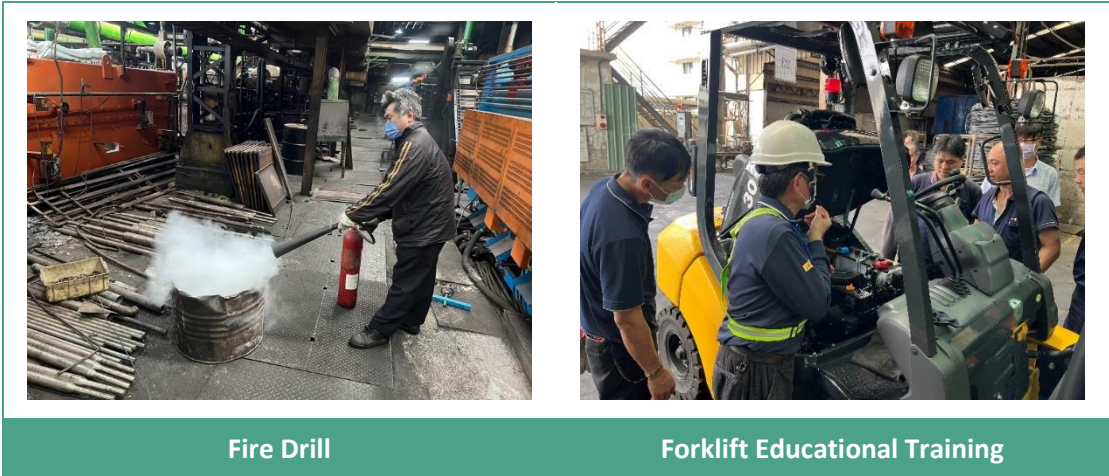
Note 4: Frequency rate of disability injuries = The number of registered occupational injuries per million working hours, calculated as the number of injuries to be recorded x 1,000,000 ÷ Total accumulated work hours.

Note 5: Severity rate of disability injuries = The number of days lost due to disabling injuries per million working hours, calculated as the number of days lost due to disabling injuries x 1,000,000 ÷ Total accumulated work hours.

5.4.4 Occupational Safety and Health Training

To effectively reduce occupational disasters, at the end of each year, the Occupational Safety and Health Unit at OFCO compiles the “Occupational Safety and Health Training Request Form” for the following year based on the actual operational needs of each department for the following year, Occupational Safety and Health Act requirements (including statutory on-the-job training for specialists), and considering the results of hazard identification. The Company has designated personnel responsible for labor safety and health management, organizing monthly labor safety and health training sessions to familiarize all employees with safety and health regulations. In 2022, a total of 12 sessions were held, with 73 participants per hour. In addition, for machinery used in the workplace, such as manufacturing machines, forklifts, overhead cranes, etc., employees are irregularly assigned to receive operation training to provide a healthy, comfortable, and safe working environment for workers. OFCO conducts fire drills every six months to familiarize employees with fire service concepts and equipment usage, providing additional protection in case of disasters. In 2022, fire drills were held in June and December at the Ziguan and Qiaotou Factories, with each department assigning approximately 20 to 30 colleagues to participate in each drill. Training content includes fire extinguishing, reporting, evacuation guidance, and more.

Training Course	Number of Participants	Educational Training Hours	Amount (NTD)
Fire safety administrator training	2	24	6,400
Occupational safety and health administrator training	2	230	20,000
Radiation protection training course	1	18	5,000
Fire drill	50	4H/person	0



Fire Drill

Forklift Educational Training

5.4.5 Occupational Health Service and Health Promotion

OFCO provides health protection services, physical examination, and abnormality management for all workers, taking on the responsibility of safeguarding employee health services, physical examinations, and health promotion. This ensures that employees receive comprehensive health care. Additionally, the Administrative Section is responsible for managing employees’ health-related information to protect employee privacy. The following are the health services items offered by OFCO in 2022:

Health Service Items	Service Content
Employee physical examination	<p>In caring for the well-being of colleagues, OFCO conducts an annual employee physical examination. The Company covers the cost, ensuring the staff’s physical and mental health. In October 2022, the annual employee physical examination was completed, with a total of 175 individuals having undergone the examination. The checkup included the following items:</p> <ul style="list-style-type: none"> • General physical check-up (height, weight, waist circumference, blood pressure, hearing, color blindness, vision test), Systemic physical check-up of head and neck, respiratory system, cardiovascular system, digestive system, nervous system, musculoskeletal system, skin system, Inquiry (self-reported symptoms and sleep conditions, etc.), Chest X-ray, Urine examination (urine protein, occult blood), Blood examination (hemoglobin, white blood cell count), Biochemical examination (total cholesterol, serum glutamic pyruvic transaminase (GPT), fasting blood sugar, creatinine, triglycerides, high-density lipoprotein cholesterol, low-density lipoprotein cholesterol). • For colleagues in units with high risks of noise, high temperature, and organic solvent exposure, additional special physical check-up items were arranged for 77 individuals. The added check-up items included hearing tests (testing frequencies of at least 500, 1000, 2000, 3000, 4000, 6000, and 8000 Hz pure tone, establishing an audiogram), high-temperature and organic solvent lung function tests (including forced vital capacity (FVC), forced expiratory volume in one second (FEV1.0), and FEV1.0/FVC), and electrocardiogram tests).
Health consultation	<p>OFCO regularly invites factory doctors and nurses to provide health consultations for colleagues. The factory doctor and nurse also take the initiative to conduct face-to-face interviews with colleagues whose physical examination results show abnormalities. They assist employees in understanding their health conditions and provide health information, encouraging them to undergo more detailed examinations and treatment as soon as possible.</p>

5.5 Social Engagement and Public Welfare

In addition to emphasizing the Company’s sustainable operations, OFCO actively participates in social welfare with the belief of taking from society and giving back to society, giving back to the society with our own effort and promote local development. OFCO engages in various forms of social care, including cash and material donations, providing part-time opportunities, organizing blood donation, and more. It extends the care to areas such as energy saving, education, caring the underprivileged, and medical issues, as well as encouraging employees to participate together with the neighboring community in creating a better home. The table below shows the charitable activities participated in 2022:

Issue	Initiative	Implementation Effectiveness
Energy saving	Responding to government’s environmental protection policies - donating energy-saving appliances	To promote energy saving and carbon reduction and respond to the government’s environmental protection policies, OFCO donated energy-efficient air conditioners to the Yong’an District Public Health Center in Kaohsiung City in October 2022. This assistance aims to support their efforts in promoting energy saving and carbon reduction initiatives. The Company plans to continue contributing to organizations by donating energy-saving equipment in the future.
Education	Dream Fulfillment Project - Donating scholarships and teacher counseling funds for indigenous children	Recognizing the challenges faced by economically underprivileged children in indigenous areas in pursuing education. In 2022, OFCO donated 90,000 NTD to the Pingtung Indigenous Cultural and Educational Association for scholarships and teacher counseling, expressing support for the education of indigenous children
	Industry-Academia Collaboration - Providing part-time opportunities for foreign and overseas Chinese students	OFCO collaborates with Kao Yuan University, offering part-time and internship opportunities for foreign and overseas Chinese students. This initiative allows students to gain industry knowledge and skills through practical work. In 2022, 60 students were benefited from this program.
Caring the underprivileged	Caring to underprivileged families - Donating essential supplies	OFCO extends care to underprivileged groups in nearby neighborhoods, including elderly individuals living alone and single-parent families. In 2022, OFCO donated a batch of essential supplies such as rice and cooking oil to support them.
Medical	Hosting blood donation event	In 2022, OFCO brought together employees, suppliers, nearby companies, and residents to join in a charitable blood donation during the severe COVID-19 pandemic, helping more lives in danger. Approximately 85 people participated in this initiative.



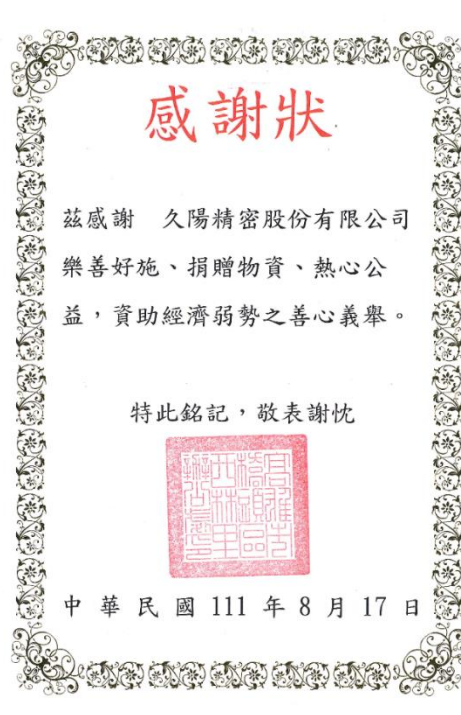
Donating Scholarships and Teacher Counseling Funds for Indigenous Children



Blood Donation Event



Responding to government's Environmental Protection Policies - Donating Energy-saving Appliances



Caring to Underprivileged Families - Donating Essential Supplies

Appendix 1 GRI Index table

GRI Standards	Disclosure Items	Corresponding Chapters	Page	Supplementary Explanation
GRI 2: General Disclosure (2021)				
GRI 2: General Disclosure (2021)	2-1 Organization details	About OFCO	9	
	2-2 Entities included in the organization sustainability report	About this report	3	
	2-3 Reporting period, frequency, and contact person	About this report	3	
	2-4 Information restated	No restatement for the initial report	-	
	2-5 External assurance/certification	About this report	3	
	2-6 Activities, value chain, and other business relationships	About OFCO	11	
	2-7 Employees	5.1 Employee diversity and inclusion	67	
	2-8 Non-employee workers	5.1 Employee diversity and inclusion	67	
	2-9 Governance structure and composition	2.1 Corporate governance	20	
	2-10 Nomination and selection of the highest governance unit	2.1 Corporate governance	21	
	2-11 Chair of the highest governance unit	2.1 Corporate governance	22	
	2-12 Role of the highest governance unit in supervising impact management	2.1 Corporate governance	19	
	2-13 Person responsible for impact management	2.1 Corporate governance	19	
	2-14 Role of the highest governance unit in sustainability reporting	About this report	3	
	2-15 Conflicts of interest	2.1 Corporate governance	26	
	2-16 Communication of key material events	1.2 Material topics analysis 1.3 Response to the Impact of Material Issues	15 17	
	2-17 Collective intelligence of the highest governance unit	2.1 Corporate governance	25	
	2-18 Performance evaluation of the highest governance unit	2.1 Corporate governance	24	
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	2-20 Remuneration determination process	2.1 Corporate governance	25	
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	2-23 Policy commitments	Message from the operator; policies on material topics	5	
	2-24 Incorporated into policy commitments	Message from the operator; policies on material topics	5	
	2-25 Remediation procedures for negative impacts	2.2 Integrity Management	27	

	2-26 Mechanisms for seeking advice and raising concerns	2.2 Integrity Management	27	
	2-27 Compliance	2.3 Compliance	28	
	2-28 Membership for the association	About OFCO	11	
	2-29 Stakeholder engagement policy	1.1 Stakeholder engagement	12	
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GRI 201 (2016): Economic performance	201-2 Financial impacts and other risks and opportunities arising from climate change	4.1 Climate change risk management	52	
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	305-4 Greenhouse gas emission intensity	4.3 Greenhouse gas emissions	59	
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GRI 306 (2020): Waste	306-1 Generation of waste and significant impacts related to waste	4.4 Waste management	62	
	306-2 Management of significant impacts related to waste	4.4 Waste management	62	
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	403-4 Worker participation, consultation, and communication in occupational health and safety	5.4 Occupational health and safety	79	
	403-5 Workers training for occupational safety and health	5.4 Occupational health and safety	84	
	403-6 Promoting worker's health	5.4 Occupational health and safety	85	

	403-7 Preventing and mitigating occupational health and safety impacts directly related to business operations	5.4 Occupational health and safety	85	
	403-8 The workers covered by the occupational health and safety management system	5.4 Occupational health and safety	78	
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GRI 201 (2016): Economic performance	201-3 Define service plan obligations and other retirement plans	5.2 Talent attraction and retention	74	
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GRI 205 (2016): Anti-corruption	205-1 Operational locations where corruption risk evaluations have been conducted	2.2 Integrity Management	27	
	205-2 Communication and training on anti-corruption policies and procedures	2.2 Integrity Management	27	
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GRI 206 (2016): Anti-competitive behavior	206-1 Legal actions against anti-competitive, anti-trust, and monopolistic practices	2.2 Integrity Management	27	
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GRI 303 (2018): Water and discharged water	303-1 The mutual impact of shared water resources	4.5 Water resource management	63	
	303-2 Management of impacts related to drainage	4.5 Water resource management	64	
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GRI 404 (2016): Training and education	404-1 Average hours of training received per employee per year	5.3 Talent development and educational training	75	
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GRI 413 (2016): Local community	413-1 Operational activities involving local community communication, impact evaluations, and development planning	5.5 Social engagement and public welfare	86	
Innovation and research & development				
Custom topics are not applicable	No corresponding GRI standards	3.3 Innovation and research & development	46	

Appendix 2 Climate-Related Information for TPEX Listed Companies

Item	Disclosure Content	Page	Corresponding Chapters
I	Describe the monitoring and governance of climate-related risks and opportunities by the Board of Directors and the management	50-51	4.1 Climate change risk management
II	Elaborate on how the identified climate risks and opportunities impact the Company’s operations, strategies, and finances in the short, medium, and long term	52-55	
III	Describe the financial impact of extreme weather events and transition actions	52-55	
IV	Describe how the process of identifying, assessing, and managing climate risks is integrated into the overall risk management system	52-55	
V	If scenario analysis is used to assess resilience to climate change risks, details should be provided regarding the scenarios, parameters, assumptions, analysis factors, and key financial impacts	-	Under planning
VI	If there is a transition plan to address climate-related risks, explain the plan’s content, including the indicators and goals used to identify and manage physical and transitional risks	51	4.1 Climate change risk management
VII	If internal carbon pricing is used as a planning tool, please explain the basis for determining the pricing	-	Under planning
VIII	If climate-related goals are set, please provide information on the covered activities, greenhouse gas emission scopes, planned schedule, annual achievements, etc. If carbon offsetting or Renewable Energy Certificates (RECs) are employed to achieve these goals, explain the source and quantity of the offset carbon emissions or the number of RECs	-	Under planning
IX	Greenhouse gas inventory and verification status	58	4.3 Greenhouse gas emissions