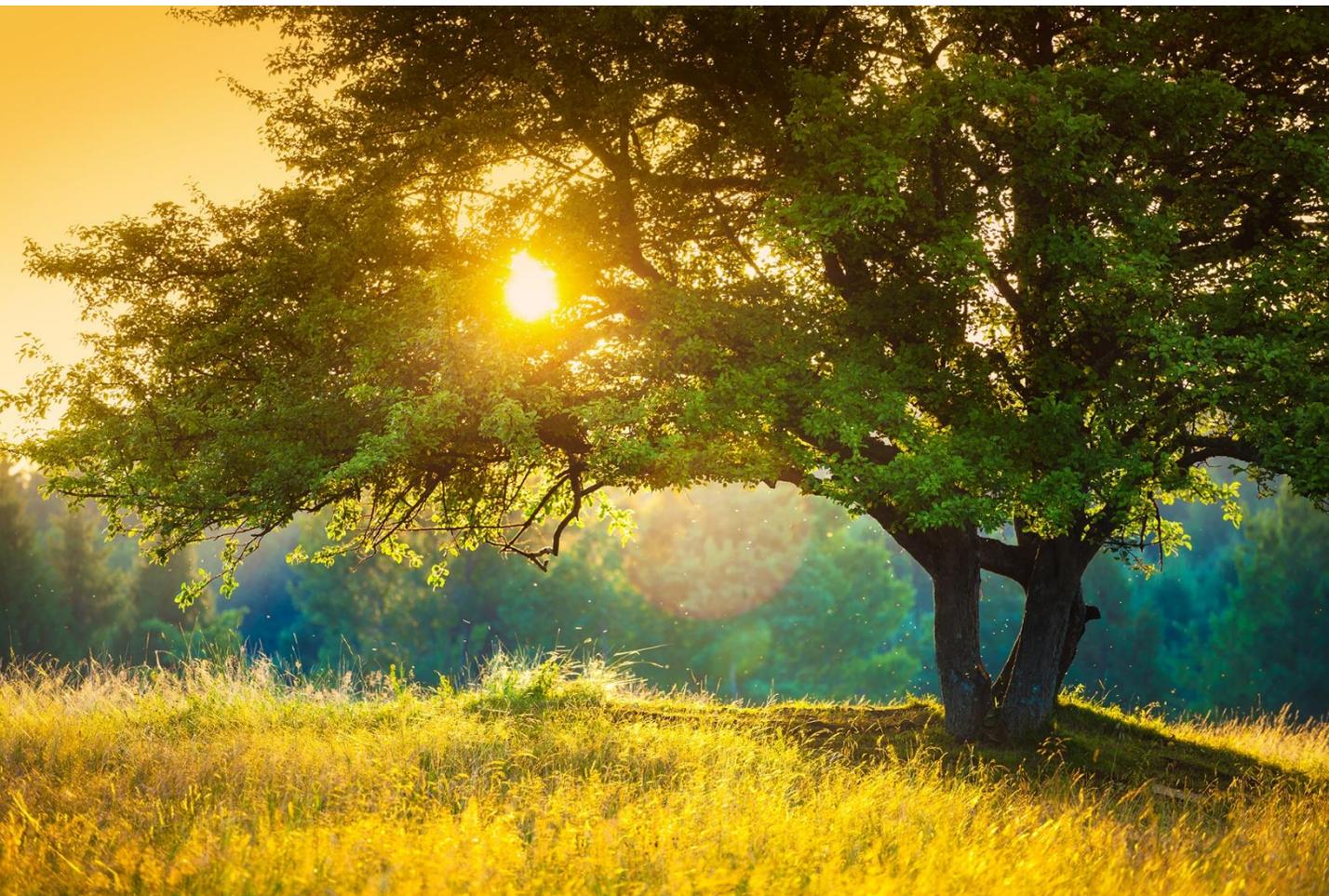




NANPAO RESINS CHEMICAL GROUP



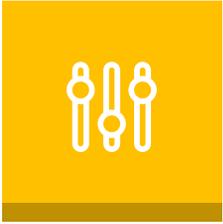
The 2020 NANPAO Sustainability Report

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ABOUT THIS REPORT



ABOUT THIS REPORT

This is the Sustainability Report of NANPAO Resins Chemical Co., Ltd. (hereinafter referred to as "NANPAO") listed in Taiwan under the ticker 4766. This Report discloses the economic, environmental, and social performance of NANPAO's head office (Main Plant, Plant 1, Bao Li Plant, and Plant 5) in 2020 (from January 1 to December 31, 2020). The reporting period, topics, and boundaries of the 2020 Report are the same as the 2019 Report.

Publications:

Publication of first issue: September 2014

Publication of previous issue: June 2020

Publication of this issue: June 2021

Reference Guidelines:

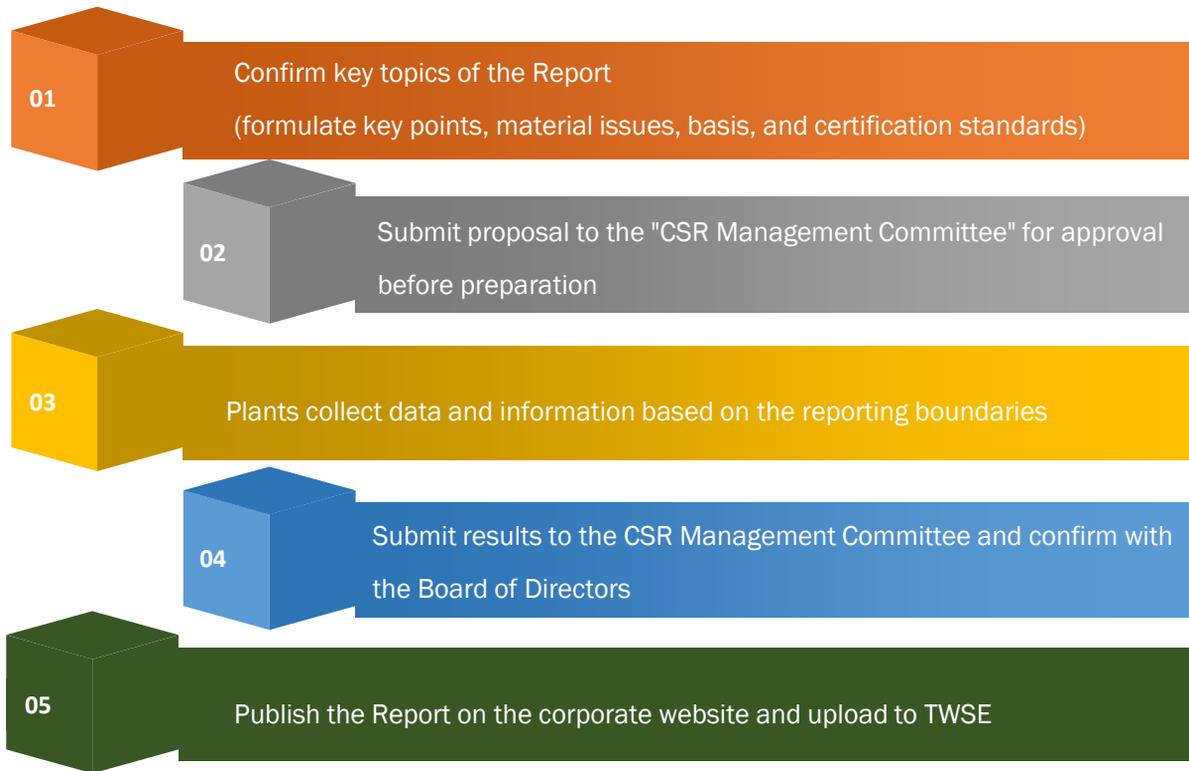
To continue to enhance the comparison and substantive information on performance in the Report, all data published in the Report are compiled in accordance with the Global Reporting Initiative (GRI) Standards for sustainability reporting. Statistics are portrayed with universal indicators and all estimates are specified in each chapter.

- i. Global Reporting Initiative's Sustainability Reporting Standards (GRI Standards)
- ii. Materiality, inclusivity, and responsiveness of AA1000 – Account Ability Principles Standard.
- iii. Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies
- iv. Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
- v. United Nations Sustainable Development Goals (SDGs)

Topics in the Report:

NANPAO has adopted corporate values of "leadership, integrity, teamwork, and efficiency" as the highest guiding principles for business development. The Company engages in business management, production, and fulfillment of environmental protection and social care on the basis of these principles. and aim to always achieve solid progress, full disclosure, truthfulness, immediate improvement, and refinement. We focus on innovation and continuous improvement to ensure sustainable development. We have always upheld the principles of honesty and transparency in the disclosure of the Company's sustainability goals and practices.

Report Preparation Process



Report Issuance Information

Feedback

If you have any questions or suggestions about the contents or activities of the report, please contact us.

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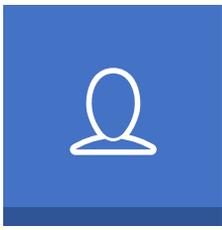
Contact person: Feng-wen Hung ext. 227

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Company website: www.nanpao.com



CHAIRMAN'S MESSAGE



CHAIRMAN'S MESSAGE

With more than 50 years of history, NANPAO has continuously progressed focused on growing our brand as well as enhancing technologies and our services. NANPAO has made substantial investments in developing water-based sustainable products with low pollutants as well as low carbon emissions and reduced energy consumption, in response to global warming and deteriorating environmental pollution. We also continue to develop further cost-effective solutions to satisfy our customers' demand for products that focus on carbon emission reduction, water consumption reduction, better building insulation performance, and optimization of materials. We seek to use products that support the circular economy to help NANPAO and our customers increase competitiveness in a sustainable way.

Employees are NANPAO's most valuable asset, and we regard employee safety and health as one of the primary goals of the Company. We have introduced and complied with ISO 45001 International Occupational Health and Safety Standards and aim to minimize or eliminate occupational accidents. We also remain vigilant to the safety of contractors that perform operations in our plants. NANPAO's principle for occupational safety is to "maintain order with zero risks". We believe that prevention is more important than improvements after accidents, and we conduct risk assessments to manage all potential risks and improvements in the work environment. We also continue to provide training for our employees to develop their risk awareness and establish a safe work environment with zero occupational accidents.

We take responsibility for our economic, social and environmental impact on the world and we firmly believe that companies must create positive impacts in order to create higher value and contributions for all stakeholders. We shall continue to challenge ourselves to become a top world-class company and continue to develop green products and innovative technologies to ensure coexistence and growth with this beautiful world and society.



Wu Cheng-Hsien



Sustainable Development Strategy and Performance

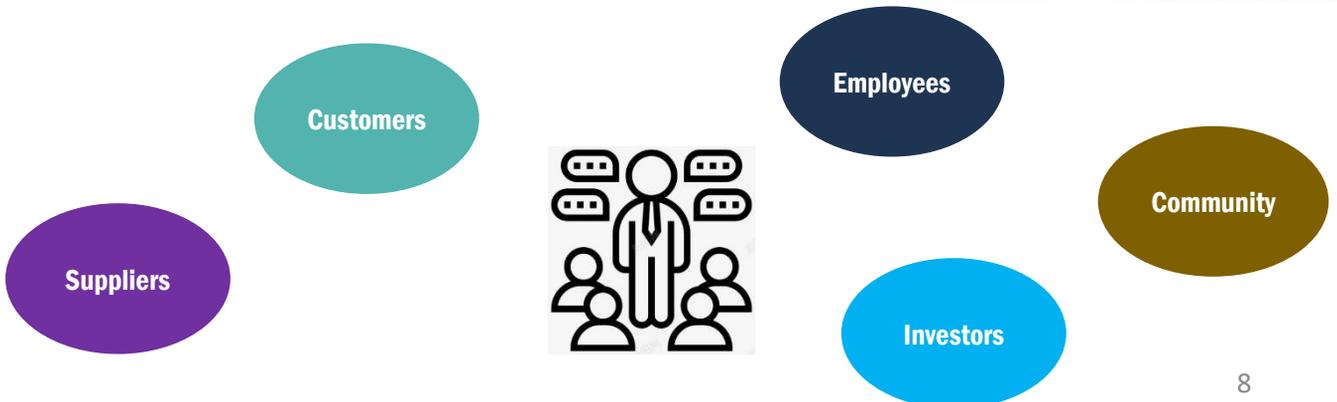
NANPAO's Sustainability Strategy



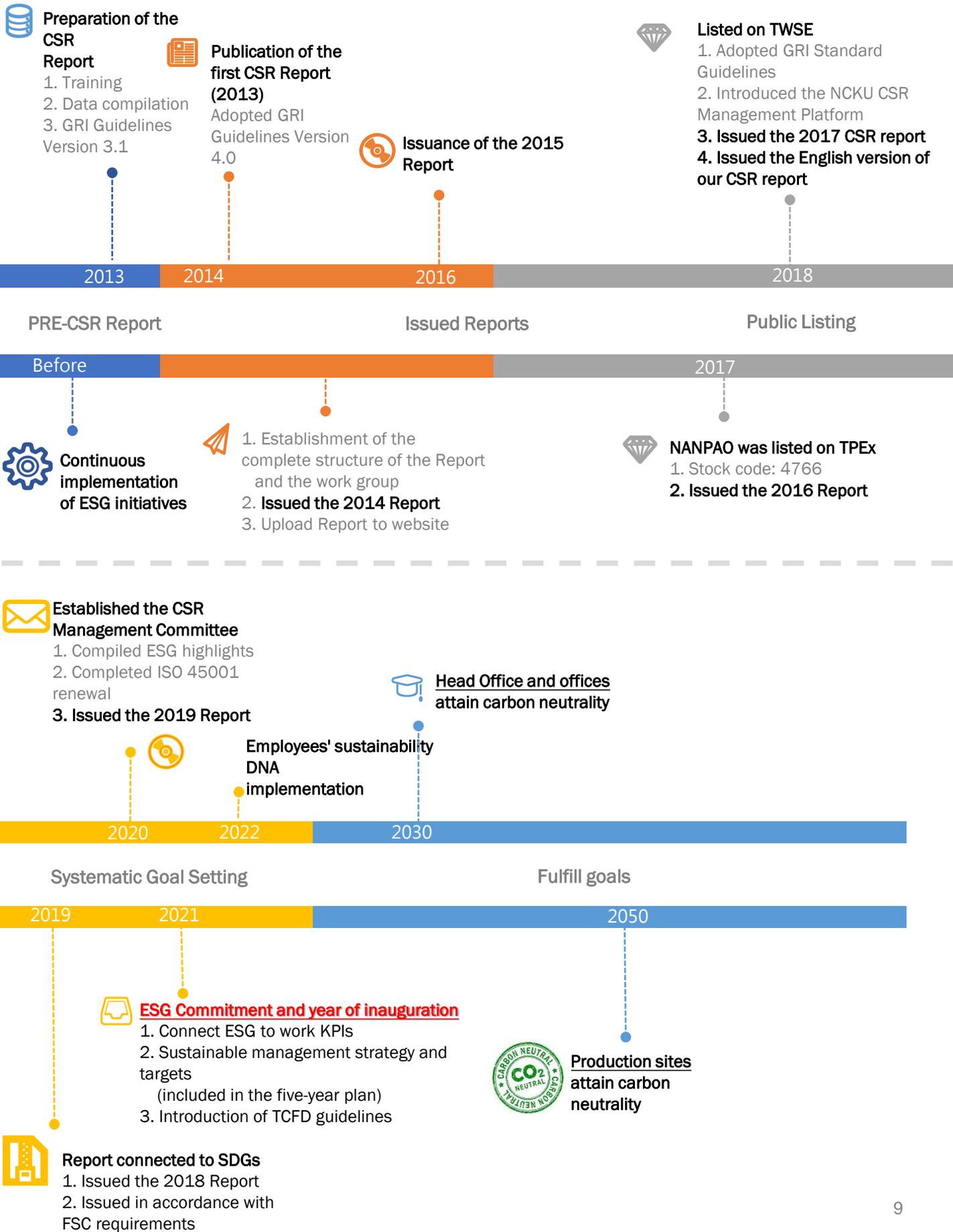
NANPAO's Sustainability Value



Communicate and share knowledge to create sustainable values for our society



NANPAO's Sustainability Path



2020 Performance Highlights



Growth in both Revenue and Profitability
Global Views Monthly **A+ CSR Awards of the Year**



Overall product portfolio of environmentally friendly products

72%

Nike Global Chemical Engineering Summit

Recognition for Best Adhesives Vendor



Received bluesign certification and became a bluesign® System Partner



Foshan NANPAO Great-Will Advanced Materials Limited won Foshan Hi-tech Industrial Development Zone's

Individual Manufacturing Championship

Ministry of Labor's 18th
Golden Wingspan Awards for "Outstanding Deed"



The employee Tzu-Hung Lin won Tainan City's
Professional Role Model Award for People with Disabilities



ABOUT NANPAO



About NANPAO

About NANPAO

NANPAO is a world-class producer of adhesives and special chemicals that provides high-quality products and services with advanced processes. We meet customer requirements and offer total solutions that help customer products succeed amid competition in the market.

Full Company name	NANPAO Resins Chemical Co., Ltd.
Number of employees	681 in head office in Taiwan; 2,954 worldwide
Year of establishment	1963
Primary products	Adhesives, shoe materials, coatings, specialty chemicals, hot-melt adhesives
Business operations of affiliates	Electronic materials, biotechnology research
Head office address	No. 12, Nanhaipu, Nan Hai Village, Xigang District, Tainan City, Taiwan
Group operations	Taiwan, China, Vietnam, Thailand, Indonesia, India, Philippines, Malaysia, Singapore, Australia
Company organization	Listed on TPEX in July 2017 and listed on TWSE in November 2018 Stock code: 4766

★ Refer to page 96 to 97 of NANPAO's Annual Report for information on changes in locations or operations in 2020

NANPAO plays a crucial role in the global chemical industry. NANPAO was founded in 1963 and specialized in the production of adhesives. Our company later began producing liquid and powder coating, footwear adhesives, and hot-melt adhesives. We continued to grow our operations and began expansion to foreign markets in 1987 with the establishment of Thai NANPAO Resins Chemical., Ltd. We later set up production sites in China, Indonesia, and Vietnam which strengthened our foundations in the adhesives industry on both sides of the Taiwan Strait and in Southeast Asia.

To increase profitability, NANPAO continues to optimize the product portfolio and has expanded our product line to electric components, health supplements and pharmaceuticals, medical adhesives, sanitary adhesives, pressure sensitive adhesive (PSA), and carbon fiber materials. NANPAO is the one of the top adhesive brands in Taiwan and one of the top three footwear adhesive brands in the world. We are the main supplier to major shoe brands and strive to maintain our leading position in the industry and in innovations.

Our History

Foundation

- ◉1953 - Establishment of the NANPAO dyeing and finishing plant which produced dyes for synthetic resin
- ◉1963 - Changed the company name to **NANPAO Resins Chemical Co., Ltd.**
- ◉1964 - First company in Taiwan to produce **cement paint (815)**
- ◉1965 - Production of footwear adhesives
- ◉1968 - Production of chloroprene-based graft adhesives

1953-1970

1971-1990

1991-2010

2011-2020

Growth and Specialization

- ◉1993 -Establishment of a shoe material plant in Huangjiang (Dongguan)
- ◉1994 - Establishment of P.T Indo NANPAO Resins Chemical Co., Ltd.
- ◉1996 - Establishment of NANPAO Resins (China) Co., Ltd.
- ◉1999 - Establishment of NANPAO Resins (Vietnam) Co., Ltd.
- ◉2005 - Adopted new trademark and business group
- ◉2008 - Entered the construction and distribution market
- ◉2010 - Entered the biotechnology market
- ◉2011 - Establishment of NANPAO Resins Chemical Philippines., Inc.
- ◉2012 - Establishment of NANPAO Resins India Pvt Ltd.

Technology development

- ◉1971 - Establishment of NANPAO Research Institute
- ◉1973 - Partnership with Hoechst AG of west Germany in the production of water-based resins
- ◉1983 - Manufactured powder coating with Ripolin license
- ◉1987 -Establishment of the first overseas plant Thai NANPAO Resins Chemical Co., Ltd.

Diversified development

- ◉2013 - Establishment of NANPAO Resins (Australia) Co., Ltd.
- ◉2014 - Merged Prince Pharmaceutical Co., Ltd. and RLA Polymers in Australia
- ◉2015 - Entered the optical adhesives market
- ◉2017 - Dai Dang Plant in Vietnam received LEED Gold certificate
- ◉2018 - Stock listed on TWSE
- ◉2019 - Carbon fiber products received the AS9100D Aviation, Space, and Defense quality management certification
- ◉2020 - Establishment of NANPAO New Materials (Huai'an) Co., Ltd.

Business Philosophy





FINANCIAL PERFORMANCE



FINANCIAL PERFORMANCE

Material Topic

Continuing yearly revenue growth

Management Approach

Expanding capacity, building a diversified manufacturing base and products

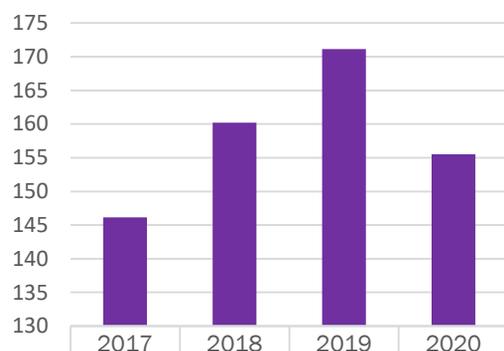
The Consolidated Financial Statement in 2020 comprises 57 companies, including NANPAO Resins Chemical Co., Ltd., NANPAO Electronic Material Company, ITLS International Development Co., Ltd., Prince Pharmaceutical Co. Ltd., Phytomed Bio-Tec, Biorich Bio Technology Co. Ltd., NANPAO Advanced Materials, NANPAO Resins (China) Co., Ltd., NANPAO Resins (Dong-Guan) Co., Ltd., NANPAO Resins (Fo Shan) Co., Ltd., Fuqing NANPAO Resins Co., Ltd., Thai NANPAO Resins Chemical., Ltd., NANPAO Resins (Vietnam) Co., Ltd., P.T Indo NANPAO Resins Chemical Co., Ltd., NANPAO Resins India Pvt Ltd., NANPAO Resins Chemical Philippines., Inc., NANPAO Materials Vietnam, and NP Australia Pty Ltd.

(Please see the Consolidated Financial Statement information in the Annual Report for the full list of companies included in the Consolidated Financial Statement.)

Item/Year	Unit : NT\$,000		
	2018	2019	2020
Operating Revenue	16,022,220	17,113,546	15,551,344
Operating Margin	12,214,806	12,396,017	11,181,051
Operating Gain	3,807,414	4,717,529	4,370,293
Non-operating Revenue and Expense	2,906,404	3,035,500	2,868,593
Pre-tax Net Profit	901,010	1,682,029	1,501,700
Net Income for Continuing Operations	134,802	110,653	104,392
Net Income (Loss)	1,035,812	1,792,682	1,606,092
Other Comprehensive Gain or Loss (After-tax net)	319,182	477,458	338,970
Total Comprehensive Income	716,630	1,315,224	1,267,122
Earnings Per Share (EPS)	716,630	1,315,224	1,267,122
Employee Benefits	(267,886)	(482,222)	23,934
Dividend Paid to Shareholders	448,744	833,002	1,291,056
Taxes Paid to the Government	6.15	10.19	10.12

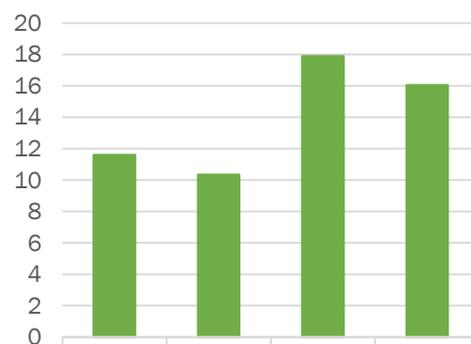
Consolidated Financial Statement Charts :

Consolidated Revenue
(Unit:NT\$100 million)



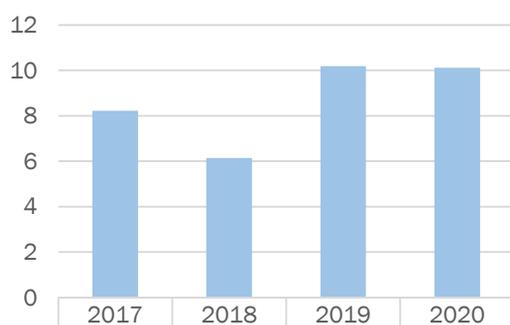
Year	2017	2018	2019	2020
Consolidated Revenue (Unit:NT\$100 million)	146.15	160.22	171.14	155.51

Pre-tax Income
(Unit:NT\$100 million)



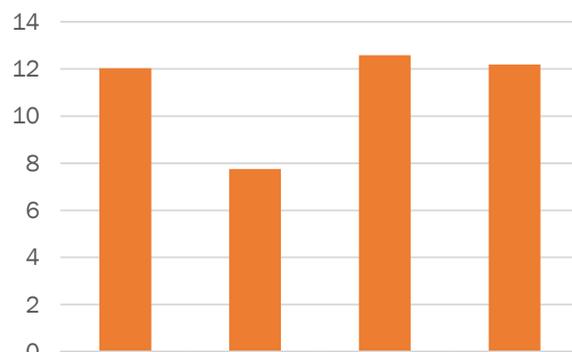
Year	2017	2018	2019	2020
Pre-tax Income (Unit:NT\$100 million)	11.61	10.36	17.9	16.06

EPS
(NT\$ /per share)



Year	2017	2018	2019	2020
EPS (NT\$ /per share)	8.22	6.15	10.19	10.12

ROE(%)



Year	2017	2018	2019	2020
ROE(%)	12.03	7.76	12.58	12.19

The following is a list of financial support that NANPAO received from the government in 2020

Item	Department Providing Support	Amount (NT\$)
Covid 19 Corporate bail out	Ministry of Economic Affairs	33,129
Utility relief package	Taiwan Power Company, Taiwan Water Corporation	8,712
Aluminum extrusion chrome-free anti-rust coatings treatment and development	Institute for Information Industry	4,468
Total		46,309



ROBUST GOVERNANCE





1. Stable Corporate Governance

Material Topic

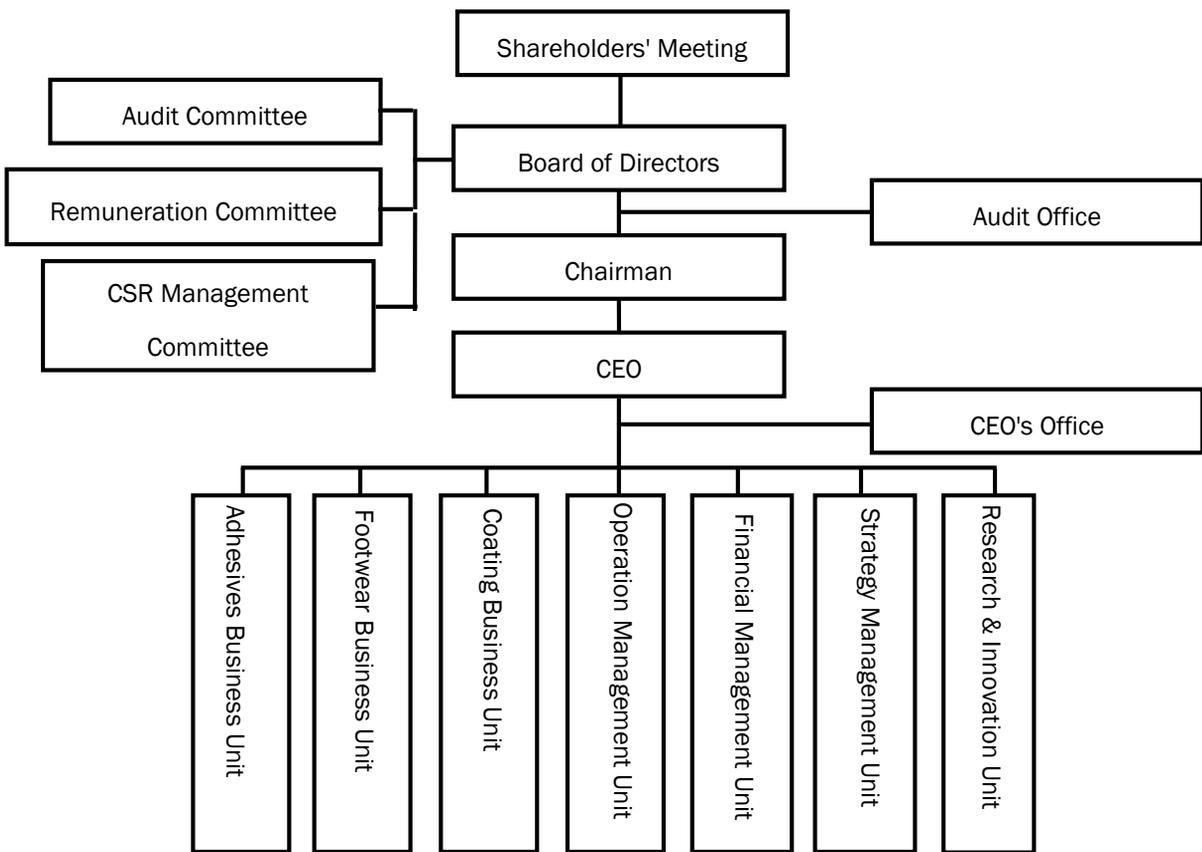
Implement Corporate Governance and Fulfill Sustainability

Management Approach

The Company convenes for regular board meetings and other management meetings to monitor and control results. The CSR Management Committee reviews items that require improvements and proposes specific plans. It regularly reviews the development goals, action plans, and their completion status to use them as models for corporate sustainability.

1.1 Management Team

NANPAO Operations and Management Structure



Board of Directors

NANPAO complies with laws and regulations from our Articles of Incorporation. We also established a corporate governance system based on the following principles: 1. Protect the rights and interests of shareholders; 2. Strengthen the powers of the board of directors; 3. Fulfill the function of supervisors; 4. Respect the rights and interests of stakeholders; and 5. Enhance information transparency.

NANPAO firmly believes that an effective and efficient Board of Directors is the foundation of good corporate governance and we have established an internal audit unit that regularly audits the operational processes and performance of the head office, subsidiaries, and affiliates each year, and submits audit reports to the Board of Directors.

The Company has adopted high standards for corporate governance and succession planning. We introduced the independent director system in 2017 and established the Audit Committee and Remuneration Committee in the same year. Independent Directors may serve no more than 9 years to avoid any conflicts regarding their independence. The nomination and election of the directors are conducted in accordance with the Company Act and related regulations to create fair and open procedures for the election of Directors. The Board of Directors leads our corporate culture, business models, and long-term development. We also implemented a board member diversification policy stipulated in the "Corporate Governance Best Practice Principles" of the Company. Board members must possess knowledge, skills, and experience necessary for the execution of their duties. The Board of Directors must, as a whole, retain capabilities including business judgments, accounting and financial analysis, business management, crisis management, industry knowledge, international market perspective, leadership skills, and decision-making skills.

To enhance supervisory and management functions, NANPAO has established 3 functional committees under the jurisdiction of the Board of Directors:

(The conveners of the following committees are Independent Directors)

- **Audit Committee:** Assist the Board of Directors in the supervision of the Company's related accounting, auditing, and financial report procedures and the quality and integrity of financial control.
- **Remuneration Committee:** Assist the Board of Directors in evaluating the Company's overall remuneration and benefits policy and the remuneration for Directors and managerial officers.
- **CSR Management Committee:** Assist the Board of Directors in promoting corporate social responsibility and sustainable management to strengthen the Company's corporate governance, environmental protection actions, and fulfill corporate social responsibility.

Note: For more information on the experience and skills of board members, please refer to page 6 to 9 of the Company's 2020 Annual Report. For more information on the continuing education of the Directors, please refer to the Market Observation Post System.

Operations of the Board of Directors

The Company convenes for at least one board meeting each quarter in accordance with the requirements set in the Articles of Incorporation to supervise and monitor the implementation of the business plan, financial statements, audit reports, and their implementation status. The Board of Directors held 7 board meetings in 2020 and the average attendance rate (excluding the appointment of proxies) of all Directors was 100%. The Board of Directors has rigorously supervised and monitored the implementation of the business plan. For more information on the important resolutions of the Board of Directors, please refer to page 51 to 52 of the Company's 2020 Annual Report and the "Investors" section on the Company's website.

Number of board meetings:	Average attendance rate of all Directors:	Establishment/amendment of important regulations:
7 meetings	100%	Passed the amendment of the Company's "Management procedures for the Preparation of Financial Statements" and "R&D Cycle". Passed the Company's 2019"Internal Control System Statement", etc.

Connection between the Remuneration of Directors and Sustainability Performance

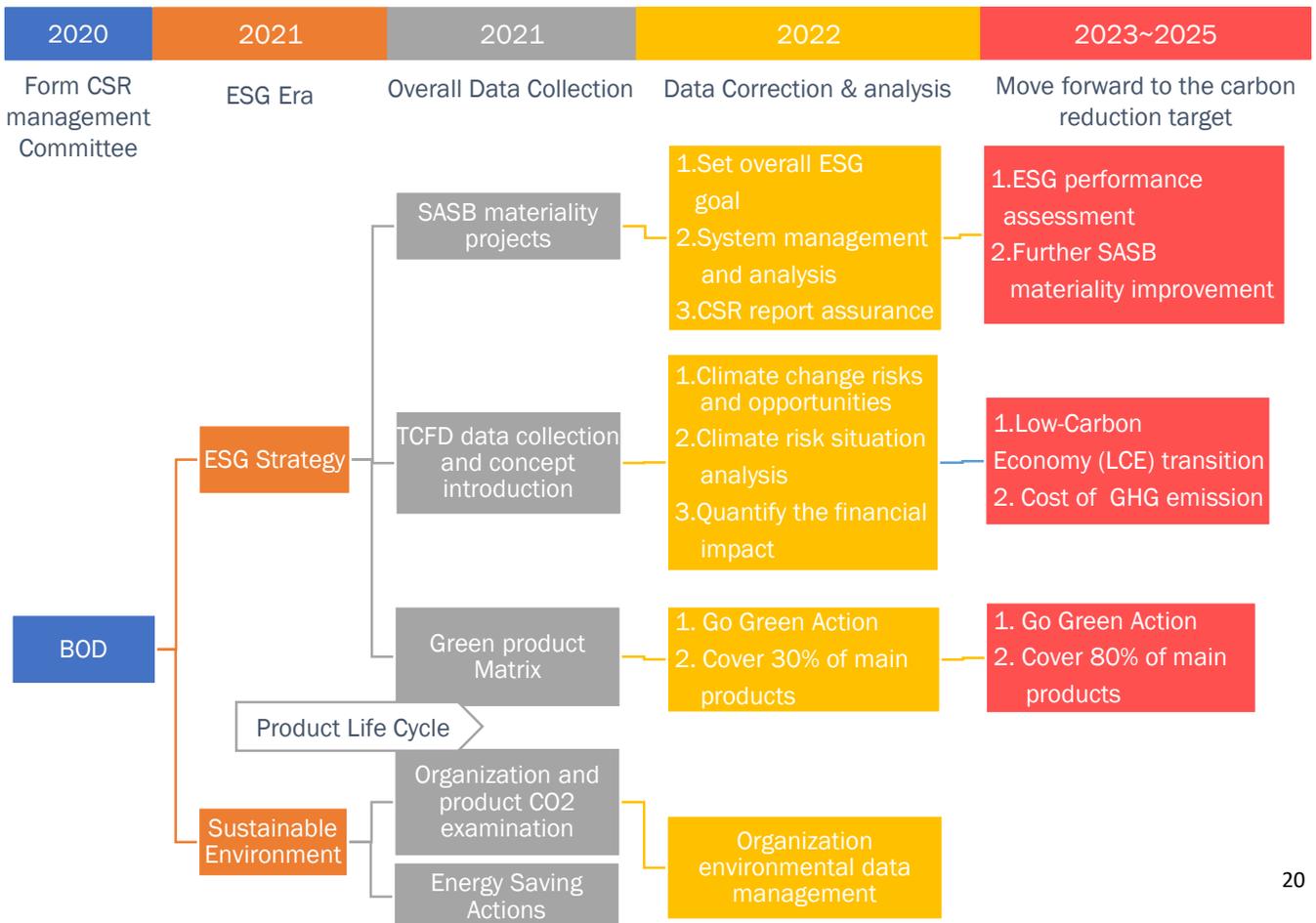
The remuneration of the Directors of NANPAO is based on the Company's "Regulations on the Remuneration of Directors, Functional Committees, and Managerial Officers". It is determined based on factors such as the Company's overall performance, future business risks of the industry, and development trends. The Company also considers personal performance and contributions to the Company's business performance to determine a reasonable amount of remuneration with positive correlation to business performance. Performance evaluations and the reasonableness of salary and remuneration are reviewed by the Remuneration Committee and the Board of Directors. The Company also reviews and adjusts the remuneration system where necessary based on actual business operations and changes in related regulations.

Unit Responsible for Economic, Environmental, and Social Topics: CSR Management Committee

NANPAO established an independent CSR in 2012 and established the CSR Management Committee in 2020. The Board of Directors serves as the highest authority for CSR operations and NANPAO's sustainable development results and plans are reported in board meetings. The Committee explains economic, environmental, and social development issues as well as international trends to help the highest governing body of NANPAO understand sustainability.

The vertical management and horizontal communication of the governance structure and operation system of NANPAO's Board of Directors, management, and all operation departments cover the implementation and response for economic, environmental, and social issues of concern to stakeholders.

ESG Strategy



The representatives of the CSR Management Committee include the Chairman and President of NANPAO. They regularly report the Company's corporate governance and environmental and social issues, including safety, health, and environment (SHE), operational strategy and performance, research and development, risk management, financial conditions, and stakeholder communication. In addition, each department reports and reviews the impact of the issues on the Company and response measures to the highest level of governance through regular meetings.



Preventing Conflict of Interests

The Company's Procedures for Board of Directors' Meetings have clearly defined conflict of interest prevention clauses for the directors, *"if a director, or the corporate entity that the director represents, is an interested party with respect to a given agenda item, the important aspects of the relationship between the director and the item shall be stated at the meeting. When the relationship is likely to prejudice the interests of the Company, the director may state opinions but may not participate in discussion of or voting on that agenda item, and shall recuse himself or herself during discussion and voting, and may not act as another director's proxy to exercise the voting right to that matter."* The Company currently has three independent directors, who will provide suggestions based on his/her professionalism and experiences from an objective and fair standpoint. When discussing any motion at the Board meeting, the Board of Directors shall fully consider the opinions from the independent directors, and keep a record of their approval or opposition of agenda items in the meeting minutes to support the prevention of conflicts of interests and effectively protect the Company's rights.

※ Refer to pages 7 to 8 of NANPAO's annual report for the list of directors holding multiple appointments.

Shareholder's equity

The board of directors is the highest level of governance and vital to important decision-making, which includes appointing and monitoring the managers, operational performances, law and regulation compliance, articles of association, shareholders' meeting decisions and maximizing shareholders' equity. Board meetings take place at least once every three months, and meetings can be called anytime for emergency issues. All of the directors on the board engage in assessing the business strategy, risk management, annual budgets, sales performance and monitoring capital expenditures and investments.

Encourage shareholders to take part in corporate governance

NANPAO Resins respects all shareholder rights and treats all shareholders fairly. At NANPAO's shareholders' online meetings, e-voting is offered to shareholders to approve each agenda item to be ratified and discussed and to be voted on one by one with the voting results disclosed in the meeting. The company offers shareholders multiple channels to vote so that the shareholders can exercise their rights and increase the corporate governance effectiveness.

Transparent information disclosure

NANPAO upholds business philosophies of integrity, responsibility and trustworthiness, and communicate with stakeholders throughout our official website, Market Observation Post System, annual report, CSR report, press conferences, road shows and multiple transparent information channels to enhance the communication with stakeholders and increase the speed, quality, balance and credibility of information disclosure.

★For the shareholder equity structure in 2020, please refer to page 59 of the annual report



Integrity Principle

NANPAO has established a Code of Ethical Conduct for all managerial officers and employees to follow. We seek to enhance behavioral conduct and business integrity throughout the Company.

No breach of our Code of Ethical Conduct had occurred in 2020. In the future, we will continue to strengthen educational training for employees to facilitate more understanding of ethical conduct, preventing conflicts of interests and seeking self-interest, the responsibility to confidentiality, fair trade, protection and the appropriate use of Company property, and compliance with legal regulations.

The Company has set up a confidential mailbox for employees to report any violations of the company regulations and any other laws to the Audit Officer and/or managers. (E-mail : audit@nanpao.com)

Legal Compliance

Legal compliance is held to the highest reference and standard in all of NANPAO's operations and practices. Besides strengthening the awareness of legal compliance for managerial officers and operating personnel through educational training and meetings, we also ensure legal compliance and anti-fraud measures such as asset safety protection through comprehensive implementation of internal control and audit mechanisms. The Legal Department is responsible for promoting ethical management and legal compliance, striving to prevent illegal conduct that breaches the principles of ethical management for NANPAO employees.

Members of Associations

Association	Position	Association	Position
Southern Taiwan Textile Research Alliance	Director, Member	Taiwan Synthetic Resin & Adhesives Industrial Association	Member
Taiwan Paint Industry Association	Member	Global Research and Industry Alliance	Member
Taipei Association of the Interior Designers	Member	Southern Taiwan Automotive Research Alliance	Member
Union of Associations of Tainan City	Member		



1.2 Risk Management

Risk Management Mechanisms

NANPAO must consider all potential risks and evaluate operations to ensure sustainable development. We remain vigilant of global risks that could impact our company, and established a comprehensive risk management system, including environmental, social, and technological risks. We actively face and manage all risks that must be considered in operations in accordance with the established management and organization system and internal control cycle. We work with different business units to assess the possibility of occurrence and the impact before reporting to management to implement adjustments of the Company's operational strategy.



Business and Strategic Risks

NANPAO's operations continuously compiles statistics on the production capacity of suppliers and implements emergency response measures to reduce the risks of shortages which may be caused by concentrated purchases, insufficient capacity of suppliers, factory accidents, or natural disasters. The Joint Procurement Center continues to monitor changes in the prices of raw materials and supply stability to ensure the stable supply of materials for the Company.

Information Security Management Risks

NANPAO has implemented active information security enhancements and introduced the next-generation firewall, intrusion prevention system, malicious mail filtering, operating system updates, anti-virus software, and other security prevention mechanisms. We have established tiered network blocking mechanisms to ensure the isolation of independent systems for different network services. The mechanisms allow us to prevent external network attacks from penetrating the Company's internal networks and prevents full-scale infections that may cause harm. We have established high-availability data backup mechanisms and remote host backup to respond to internal threats and ensure uninterrupted information services. The Company understands the importance of the confidentiality of trade secrets so the Company provides training on the protection of intellectual properties and trade secrets for key personnel who may later serve as peer instructors.

Interest Rate Fluctuation Risks

NANPAO's short-term borrowings consist mostly of debts with fixed interest rates. Although market interest rates have increased, the changes in interest rates have little impact on cash flow risks. NANPAO's long-term borrowings consist of a small number of bank loans based on floating interest rates but they are mostly of debts with fixed interest rates. Like short-term borrowings, they pose little risks on the Company's cash flow.

Exchange Rate Fluctuation Risks

As NANPAO focuses mostly on exports, exchange rate fluctuations have a significant impact on the Company. The main purchases and sales are denominated in USD and thus create natural hedging effects.

Climate Change Risks and Opportunities

The continuous rise of global temperature averages and the frequent natural disasters caused by extreme weather across the world has made climate change control a critical global action. NANPAO dedicates its efforts to mitigating climate impact. NANPAO initiated planning for the introduction of the "Task Force on Climate-Related Financial Disclosures (TCFD)" standards at the end of 2020 and invited professional teams to provide TCFD training. We also plan to implement the official introduction of the TCFD framework from 2021 to 2022 to analyze the risks of climate change on operations.

Governance

- The CSR Management Committee is governed by the Board of Directors and is responsible for formulating the Company's sustainability and climate-related governance strategies. The Independent Director Dr. Yun Chen serves as the chair of the Committee and the Chairman Mr. Cheng-Hsien Wu serves as the Vice Chairman. The Committee reports to the Board of Directors every six months and accepts the supervision and recommendations of the Board of Directors.
- The CSR Management Committee includes the ESG Sustainability Implementation Committee and ESG Sustainability Strategy Committee. The CEO Mr. Ming-Hsien Hsu serves as the Sustainability Strategy Officer and members of the Operation Management Unit serve as the team leaders of subsidiaries. They integrate the routine management activities of the Company's plants based on climate change and energy issues, review the quality and effectiveness of their implementation, and regularly report to the Chairman.
- The Company also established the Energy Management Committee to convene for regular meetings on energy conservation. It learns about the best practices in the industry and develops energy conservation plans suitable for each plant.

Strategy

We developed a list of material items for the chemical industry framework in 2020 based on the Sustainability Accounting Standards Board (SASB) Standards. We will also identify the potential risks in the Company's operations starting from 2021.

Risk Management

We referenced related industry trends in changes in international environmental regulations and identified the top climate risks in 2020 (GHG regulations, energy management, and water resource management). We adopted internal management and introduction of external resources to respond to risks and prevent negative impact on operations.

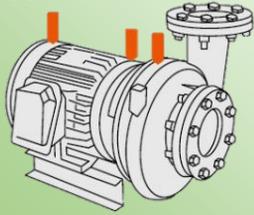
Indicators and Evaluation

We are currently collecting key climate-related data from places of operations to effectively manage the risks and opportunities of climate change. After the data is consolidated, we plan to set key indicators for short, medium, and long-term goals for the Company to respond to climate change factors such as greenhouse gas emissions, energy consumption, and water resource consumption and recycling.

1.3. Smart Management

Digital Transformation in the Digital Era

Real-world AI applications



Motor vibration spectrum analysis

50 motors inspected

The technology can be used to collect data from hundreds of motors running in the plant. It predicts the health status of motors and provide early warning of anomalies such as imbalance, bent shafts, or poor alignment to schedule maintenance and repairs and eliminate risks of interruption of production.

Technical improvements for mobile solutions



Full mobile access to self-developed systems

Completed 3 mobile system solutions

To achieve the simultaneous use of the computers and mobile platforms of the self-developed system, NANPAO has fully adopted RWD technology and implemented the transition of the system to facilitate mobile access. Its increased system use and convenience, eliminates the difficulties in the use of different versions of the computer platform, and provides a mobile solution for the system.

Online and offline work platform



Separated work schedules in response to the epidemic

520 users, 380 meetings, 130 calls, and 350G of data uploaded within 90 days

The Company created an online and offline work integration platform to provide reliable digital infrastructure and achieve digital transformation of work through real actions. We also expanded the strategy to our global operations to achieve uninterrupted business operations before the global pandemic subsides.

Information security enhancement



Annual information security inspection

Servers included in security inspections: 155 servers

The Company used external information security risk detection services to enhance information security. We conducted comprehensive inspections of all servers across the globe including penetration testing, vulnerability scanning, dormant malware, network architecture vulnerabilities, and analysis of irregular packets in the network. We tested and removed relevant vulnerabilities, strengthened endpoint detection and response (EDR) of the servers, and implemented regular information security test cycles.



STAKEHOLDER ENGAGEMENT INITIATIVES

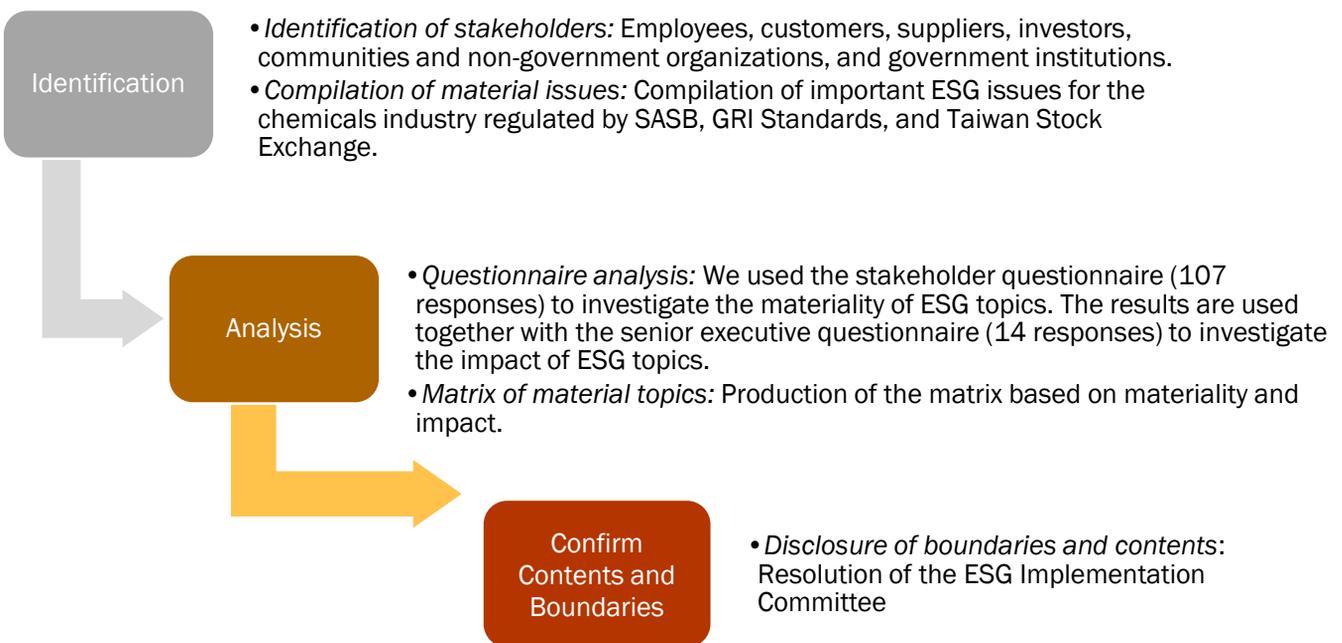


2. Material Topics and Stakeholder Engagement

The Company uses the materiality analysis process to learn about the issues of concern to stakeholders and measure the impact of the issues on the Company. The results are used as the basis for the preparation of the Report. We aim to use information disclosure and communication channels to engage stakeholders in bilateral communication and communicate our commitment to business management, environmental protection, and social welfare.

We referenced the "GRI Standards" published by the Global Reporting Initiative (GRI) and the topics of concern to benchmark industry peers listed on Taiwan Stock Exchange. Starting from 2020, we also referenced the list of material issues of concern to investors in the chemicals industry proposed by the Sustainability Accounting Standards Board (SASB) to compile a list of 14 sustainability topics related to NANPAO.

2.1 Procedures for the Identification of Material Topics



2.2. Stakeholder Engagement

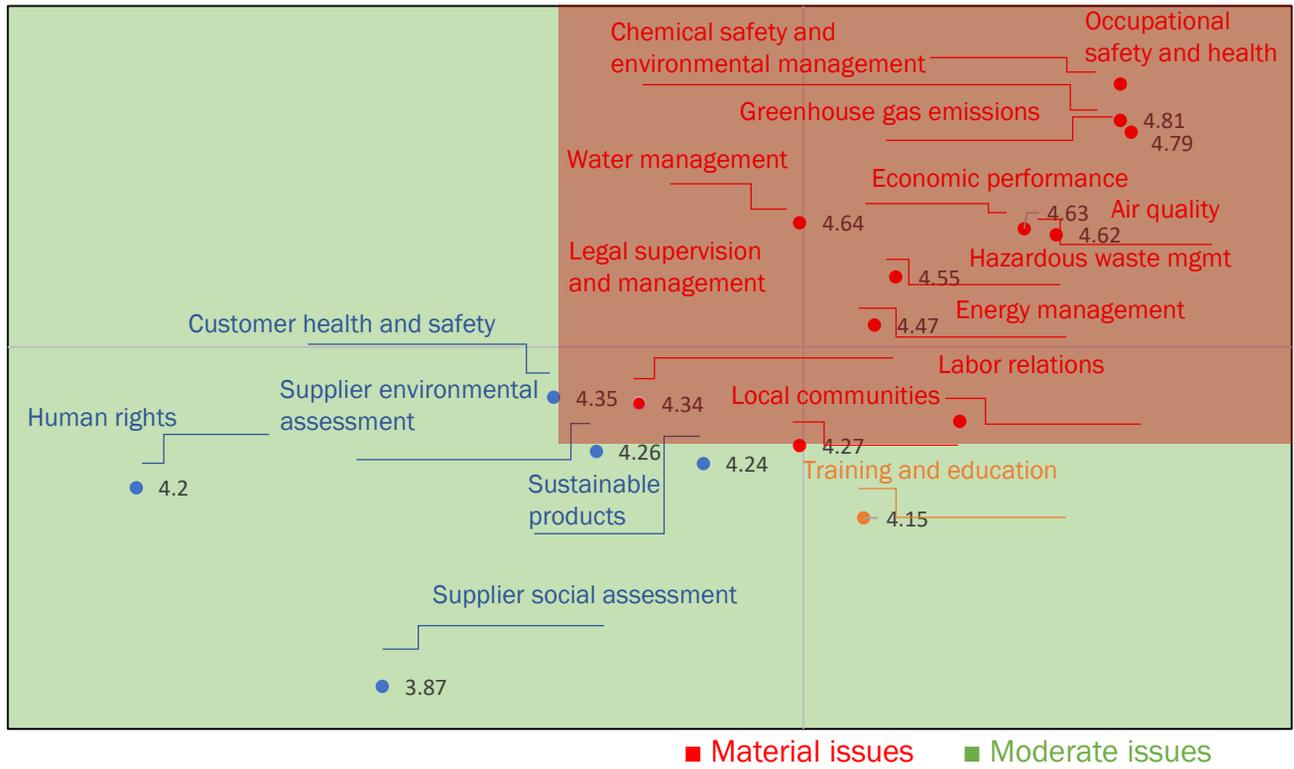
NANPAO has actively established transparent, effective, and real-time multilateral communication channels to help stakeholders understand the Company and gain their trust. These communication channels are our first step for fulfilling corporate social responsibility. After reviewing the actual operations of the Company, we identified 6 types of major stakeholders including employees, customers, suppliers, investors, communities and non-government organizations, and government institutions. We use questionnaires to collect feedback from each type of stakeholder, resolve their questions, and respond to their requirements.

Communication and response channels with stakeholders

Stakeholders	Topics of Concern from Stakeholders	Channels and Frequency	Methods of Communication and Response
Employee	<ul style="list-style-type: none"> ✓ Increase the operating performance and policy ✓ Enhance safety and health management ✓ Workplace well-being ✓ Complete the employee career planning 	<ul style="list-style-type: none"> ✓ E-bulletin board (in real time) ✓ Bi-weekly meeting (bi-weekly) ✓ Toolbox meeting (weekly) ✓ Union meeting (every season) ✓ Labor conference (every season) ✓ Employee welfare committee (every season) ✓ Email (in real time) 	<ul style="list-style-type: none"> ✓ Managers share the current situation of business operating and technology development ✓ Establish a complete rotation policy, encourage employees to accept new challenges ✓ Set up a emergency response team and regularly drill responses ✓ Bi-annual health checks for all employees
Customer	<ul style="list-style-type: none"> ✓ Innovative products and services ✓ Customer management ✓ Circular economic and product life cycle ✓ Information safety and customer privacy 	<ul style="list-style-type: none"> ✓ Email and phone calls(in real time) ✓ Questionnaire (yearly) ✓ CSR report (yearly) ✓ Customer service email (info@nanpao.com) (in real time) ✓ Sales representatives (in real time) ✓ Innovation fair (yearly) 	<ul style="list-style-type: none"> ✓ Participate in the annual Innovation Fair ✓ There was no record of the customer complaints or privacy invasion in 2019 ✓ Won the best adhesive supplier award in Nike's WHQ Campus Global Chemistry Conference in 2019 ✓ Annual customer satisfaction survey and visit
Supplier	<ul style="list-style-type: none"> ✓ Code of business conduct and ethics ✓ Product quality ✓ Safety and health management ✓ Waste management 	<ul style="list-style-type: none"> ✓ CSR questionnaire (yearly) ✓ Supplier questionnaire (irregular) ✓ Service mailbox (info@nanpao.com) (irregular) 	<ul style="list-style-type: none"> ✓ Establish the supplier evaluation mechanism, require the code of conduct and ethics commitment from suppliers ✓ Before suppliers begin any high risk operations, describe the safety procedures and precautions thoroughly ✓ 100 % qualification rate of ex-factory products in 2019, 4 years in a row of the 100% qualification rate

Stakeholders	Topics of Concern from Stakeholders	Channels and Frequency	Methods of Communication and Response
Investor	<ul style="list-style-type: none"> ✓ Financial performance ✓ Risk management ✓ Climate change 	<ul style="list-style-type: none"> ✓ Shareholders meeting/Institutional investor conference (yearly) ✓ Company annual reports, seasonal reports and CSR reports (yearly) ✓ Roadshow (yearly) ✓ Web page for investors (monthly) 	<ul style="list-style-type: none"> ✓ Annual shareholder meeting for the operating and developing report ✓ Uploading annual and seasonal report in time ✓ Completing corporate governance evaluation ✓ Collecting the comments from investors and reporting to the top management and the board
NGO & NPO	<ul style="list-style-type: none"> ✓ Community communication ✓ Donations ✓ Charity events 	<ul style="list-style-type: none"> ✓ CSR reports (yearly) ✓ Official website (in real time) ✓ Charity programs (in real time) 	<ul style="list-style-type: none"> ✓ NANPAO Charity Foundation completed the management procedure with the Social Welfare Bureau ✓ Held a beach cleanup event with the community ✓ Held a blood donation event in the neighborhood, the blood donation rate reached a record high of 416 bags in half of a day ✓ Funding the afterschool lessons in 7 elementary schools in the neighborhood for many years ✓ Total accumulated donation: NT\$56 million
Competent Authorities	<ul style="list-style-type: none"> ✓ Corporate governance ✓ Transparent disclosure ✓ Energy and climate change 	<ul style="list-style-type: none"> ✓ Official letters and visiting (irregular) ✓ Public communication platform (irregular) ✓ Thematic meetings- Such as conferences, lectures and other meetups (irregular) 	<ul style="list-style-type: none"> ✓ Completing corporate governance evaluation ✓ Disclose the company relevant information in annual report, CSR report and on the website ✓ Import the smart energy management program for the systematic energy saving project since 2018 ✓ Established the climate risk adjustment system to decrease the losses from the nature disasters since 2018

2.3 Matrix of ESG Material Topics and Level of Stakeholder Concern



Significance of Material Topics to NANPAO

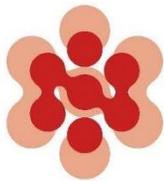
Category	Topic	Significance and Risks	Level of Involvement		Corresponding Topic		Corresponding Chapter
			NANPAO	Upstream	Down-stream	GRI	
S	Occupational safety and health	Ensure workplace safety, establish a safe and comfortable work environment, and continuously reduce and limit the occurrence of occupational accidents to avoid injuries and other hazards.	●	○	403: Occupational Safety and Health	Employee health & safety Occupational safety emergency response	5. Inclusive Growth
E	Greenhouse gas emissions	NANPAO implements regular inventories of GHG emissions and established GHG control measures to strengthen the Company's resilience for sustainable development.	●	○	305: Emissions	Greenhouse gas emissions	4. Environmental Sustainability
E	Chemical safety and environmental management	Chemical safety is a key management point for NANPAO. We effectively manage the storage and labeling of chemicals in the plants to avoid the use of chemicals with potential health hazards.	●	○	306: Effluents and Waste	Chemical safety and environmental management	3. Innovation Momentum

Category	Topic	Significance and Risks	Level of Involvement			Corresponding Topic		Corresponding Chapter
			NANPAO	Upstream	Down-stream	GRI	SASB	
E	Air quality	Specific air pollutants produced in the manufacturing process may affect nearby environment if they are not adequately processed.	●			305: Emissions	Air quality	4. Environmental Sustainability
G	Economic performance	The Company maintains stable operations to ensure continuous profitability and provide investors with stable returns on investment and sustainable value.	●	○	○	201: Economic Performance	-	Economic performance
E	Hazardous waste management	We process and dispose of the hazardous waste produced during the manufacturing process and actively implement waste reduction to reduce pollution.	●		○	306: Effluents and Waste	Hazardous waste management	4. Environmental Sustainability
E	Energy management	Establish energy management regulations and review contingency measures in response to power shortages or interruptions.	●			302: Energy	Energy management	4. Environmental Sustainability
E	Water management	Extreme climate conditions may cause heavy rainfall and droughts and water resource risks may severely affect company operations.	●		○	303: Water and Effluents	Water management	4. Environmental Sustainability
S	Labor relations	Provide a safe work environment, strengthen employee training and career development, and provide diverse communication and engagement channels.	●	○		401: Employment		5. Inclusive Growth
S	Local communities	Avoid causing negative impact on nearby residents in production activities, actively interact with community residents or organizations, and listen to their opinions.	●			413: Local Communities	Community relations	6. Community Engagement

Category	Topic	Significance and Risks	Level of Involvement			Corresponding Topic		Corresponding Chapter
			NANPA 0	Upstream	Down- stream	GRI	SASB	
G	Legal and supervisory management	Legal compliance is the most critical cornerstone of the corporate operations. Companies must implement internal and external supervision and risk assessment mechanisms to ensure stable corporate governance.	●	○		307,419: Environmental Compliance and Socioeconomic Compliance		1. Stable Corporate Governance
S	Customer health and safety	Implement material source reviews, inspection procedures and product labeling to prevent health hazards to customers as a result of using products.	●	○	○	416: Customer Health and Safety		3. Innovation Momentum
E	Sustainable products	Actively develop environmentally friendly products to reduce the impact on the environment and create economic value for customers.	●	○		302: Energy	Product design for use-phase efficiency	3. Innovation Momentum
S	Training and education	Develop comprehensive training courses for corporate culture, safety management, and career development.	●			404: Training and Education		5. Inclusive Growth
E	Supplier environmental assessment	To avoid supply chain disruptions, the Company must control environmental impacts in supply chain management, reduce negative environmental impacts, and promote environmental protection.	●	●		308: Supplier Environmental Assessment		5. Inclusive Growth

● Direct impact ○ Indirect impact

Note: The sequence of material topics is mainly determined by the scores given by stakeholders.



INNOVATION MOMENTUM





3. INNOVATION MOMENTUM

Material Topics

Product innovation / Customers' safety and health

Management Policy

Goal :

Research on sustainable green products and circular recycle procedure to minimize energy and resource consumption and launch diversified products.

Managing procedure :

- In order to efficiently control product quality, all products can not be delivered to the customers until passing of international RSL examination standards. The Company also adopted the ISO 9001 quality control system to keep up with the latest managing standard.
- Actively research innovative products to increase the sales margin on green products and move towards a more sustainable era.

3.1 Green Chemistry

NANPAO is the industry leader in adhesives manufacturing in Taiwan, and we continue to commit resources to increasing the long-term competitiveness of our company on top of expanding our adhesive related business, NANPAO established the Research Institute in 1971 (renamed to R&D Center after the group restructure in 2005), the R&D center is committed to developing and introducing new high added value products to strengthen competitive advantages and create new value for our businesses.

The R&D Center aims for “Eco-friendly, Energy saving and Carbon reduction”. The Company deploys technology on high polymer and synthesis as a foundation to develop new environmentally friendly products and technologies. The mid-long term R&D direction is to focus on biomass foam, fluorine-free water repellent, and low melting point polyester yarn based on the integrated resources and core technologies. NANPAO proactively develops innovative manufacturing procedures and new materials to continuously increase the sustainable operating momentum, developing carbon reducing manufacturing procedure and decreasing waste to lessen global warming.



Globally we continue to face emerging resources challenges, which reinforces NANPAO's commitment to develop circular economy products. NANPAO overcomes the challenges to recycle the adhesives and coatings applied on polyester or other footwear upper materials. We continue to challenge ourselves by developing low-melting point polyester yarn recycling technology for reuse in footwear upper materials and reduction in resources used and pollution. NANPAO cooperates with leading R&D institutions and qualified suppliers to develop strategic competitive products for globally renowned sports brands, applies for patents to protect our intellectual property rights and shares its innovations at international meetings and seminars.

NANPAO's R&D policy



★ Internal:

Align with international trends, cut down on unnecessary costs and increasing competitiveness.

→Eco water-based product, high curing, low toxicity, decreasing VOC, energy saving (UV light cure), application at room or low temperatures, optimization of manufacturing procedures, carbon reduction and quality optimization



★ External:

Increase market share and product-added value

→Customized services, offering low energy consumption/high effective product and solutions to enhance customer relationship and market share.



3.2 Green certificates



Green Product Certificate

815 Water based cement paint, 815 Latex paint , Epoxy flooring paint(918ABM2G-primer, middle coating), 918ABTG(Upper), Water based super glue 105G

2009

Introduced Greenhouse Gas Inventory

2012

- ◆ Introduced product carbon footprint inventory
- ◆ Water based PU footwear adhesives certificated with “Carbon Footprint Inventory Statement” from SGS

2013

Water based white glue NP-3671 G certificated with the carbon footprint label from Environmental Protection Administration Executive Yuan in Taiwan

2014

The hot-melt adhesives manufacturing plant in Taiwan certificated with The National Clean Production Assessment System and Green Manufacturing Plant

2016

188 No More Nails product and the water-based white glue 3761 followed the standard to ISO 14064 to quantify and report greenhouse gas

2017

- ◆ Water-based PU dispersion joined a sustainable resource saving plan aims at reducing environmental footprint and certificated as a demonstrating model
- ◆ Joined the program to established carbon footprint emission data pool held by the Environmental Protection Administration Executive Yuan
- ◆ The very green manufacturing plant of NANPAO in Vietnam started to operate

2018

Environmental water-based super glue 105G certificated with the green construction material label in Taiwan and Singapore

2019

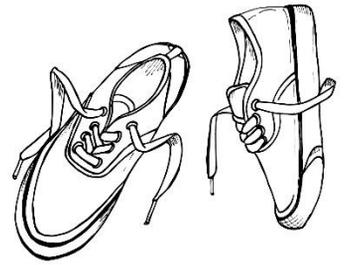
Recognition for Best Adhesives Vendor in Nike's First Global Chemical Engineering Summit at WHQ Campus

2020

NANPAO received bluesign certification and became a bluesign® System Partner

2021

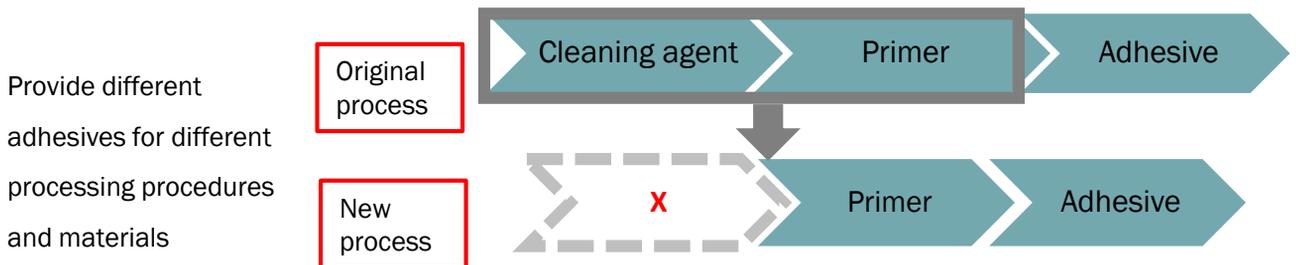
Recognition for Best Adhesives Vendor in Nike's Second Global Chemical Engineering Summit at WHQ Campus



3.3 Green Products

Continue to improve footwear chemicals: Shorten customer processes and attain energy conservation.

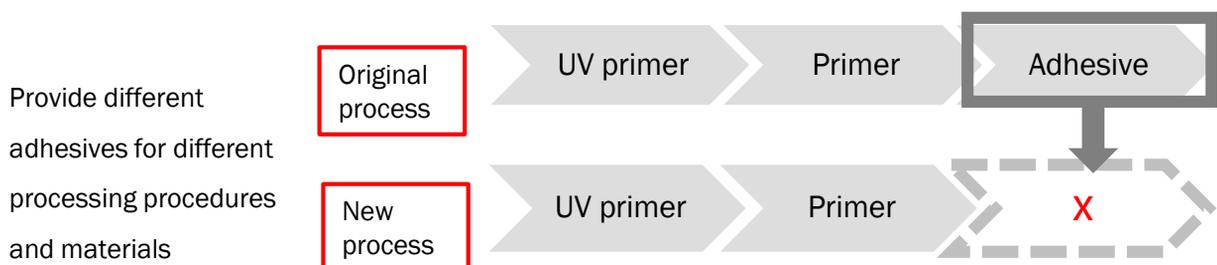
Shorten material processing procedures:



Shorten the adhesion process:



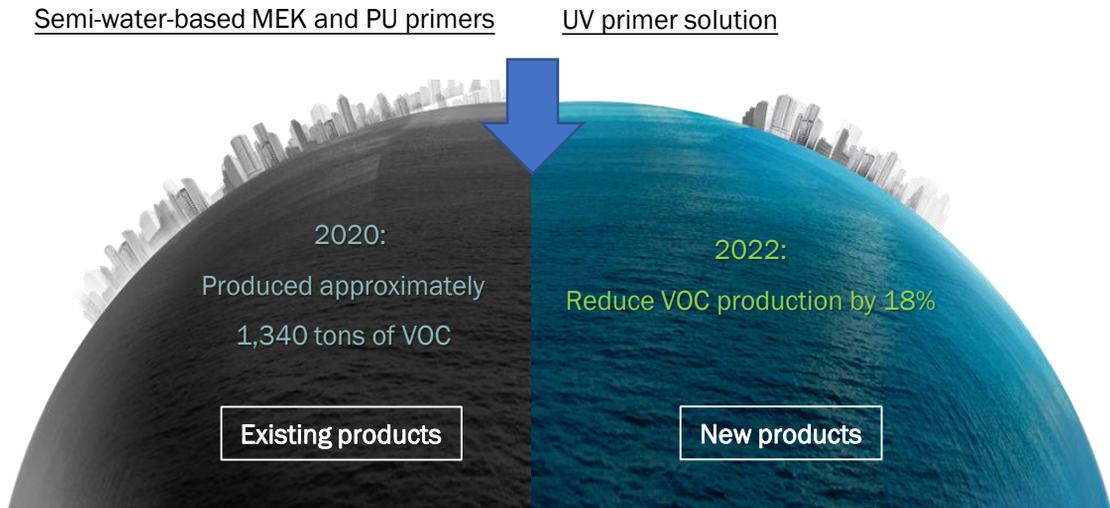
Apply UV light on products to shorten the adhesion process



Significant investments for reducing VOC content:

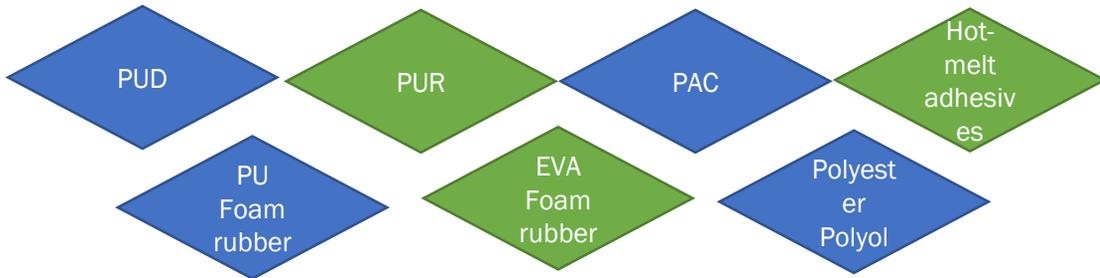
Meet customer expectations and attain environmental benefits.

NANPAO R&D teams in all regions continue to develop low-VOC and VOC-free chemicals to meet customer demand



Biomass chemical products and biodegradable chemical products:

Existing biomass product R&D projects

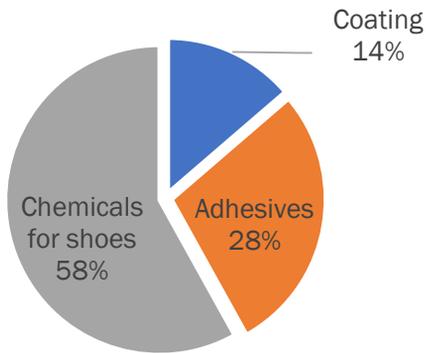


Actual application: Replacement of polyol made from petroleum refining with polyol made from castor oil



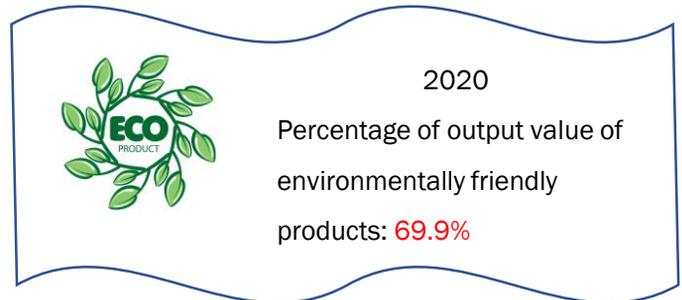
Percentage of environmentally friendly products in 2020

Percentage of environmentally friendly product output of units in 2020



Water-based products Solvent-free products

Powder coating



Note: The total output value of NANPAO (Taiwan) in 2020 was NT\$4,776,609 thousand

Other innovative products

Fluorine-free water repellent primer

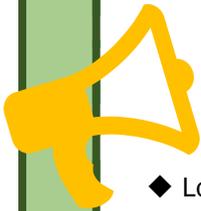
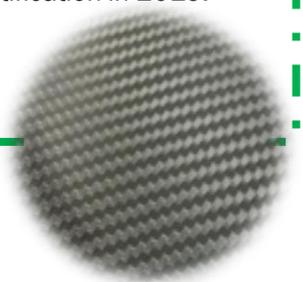
NANPAO's fluorine-free water repellent primer was developed with polymer synthesis technology, branched chain structure, permutation, and material crystallization. We developed the polymer water repellent primer using a special functional group that forms connections with woven materials, making the product easy to clean and durable.

In terms of its performance against water, the initial water repellency reaches Grade 5 (100 points). The water repellency remains Grade 4 (90 points) after it is washed 30 times with water, which is equivalent to products currently available on the market. The choice of fabrics are also the same as products used by leading manufacturers with no significant difference in the glue permeability when compared with current products available on the market. In terms of its performance against oil, its initial water repellency is equivalent and often superior to fluorine-free water repellent primers currently used by customers.



Carbon Fiber Composites Materials

Epoxy is an essential material in Carbon Fiber Composite Materials manufacturing. NANPAO's Carbon Fiber Composite is a Halogen-free, flame-resistant material that increases strength, simplifies the processing procedure, and increases yield and machinability to create more applications. It also has flame resistance capabilities for low halogen materials in electricity, construction, automobile and aerospace industry, which increases processing yield, cuts the cost on the Carbon Fiber Composite Materials, and make the material have low energy consumption. Moreover, NANPAO Carbon Fiber Composite Material received AS9100:D Aerospace Quality System certification in 2019.



Auto Footwear Making Materials

◆ Low melt point copolyester yarn

The material is applied to flyknit footwear tops, which not only revolutionizes the manufacturing processes but decreases resources wasted in the footwear manufacturing processes.

This material received an invention patent in Taiwan, and utility model patent of stiff footwear top and wearable structure in many other countries.

◆ PUR for Footwear Spray Coating

NANPAO successfully removed essential materials from water-based PU manufacturing processes and developed a 100% solvent free moisture hardening PU hot melt adhesives (PUR). A committee was established to specifically research spray coating processes for these moisture hardening PUR adhesives.

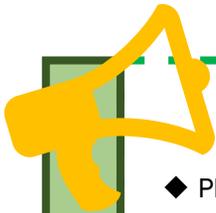
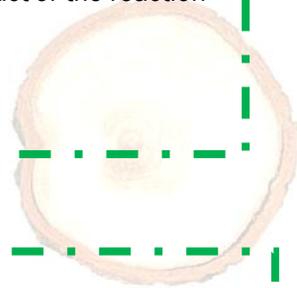




Biomass polyol applications in PU foam insoles

NANPAO has developed biomass materials with lignin extract of liquid waste from paper manufacturing. In terms of foaming density, the biomass materials we developed are characterized by their high hardness and low resilience. It means that they provide high support and low elasticity. In addition, their higher tensile strength and lower elongation protect the material from deformation.

Once the material is used in the insoles, it helps the insole support the full weight of the human body without deformation. The low resilience also reduces the impact of the reaction force on knees.



Automation Printing Wire

◆ Plastic Elastomer (TPE)

The TPE wire is designed as a FDM 3D printing material because the wires are plastic yet have a rubber texture, which makes the wire tough and durable; the characteristics of softness and stretchiness dissipate the pressure much better than ABS and PLA.

◆ Thermoplastic Polyurethane (TPU)

TPU is a popular soft wire designed for 3D printing and although it is a bit tougher than TPE, it is much easier to be printed on. TPU is also more durable and retains better elasticity in cooler environments.



3.4 Product Quality Assurance

Quality is a fundamental priority in the overall management of the NANPAO Group. Our goal is to provide customers with stable and safe products and services in compliance with legal regulations. NANPAO regards quality as the cornerstone to brand development and sustainable growth. In terms of internal management, we never compromise on our commitment to quality requirements and meeting standards. In terms of advocacy, we promote the Quality Policy to all employees to ensure total compliance and implementation. The policy also serves as the guiding indicator to work responsibilities and day-to-day work mindset and actions.

The following are NANPAO's evaluation and management procedures for product health and safety and green product evaluation throughout the product life cycle:



R&D Phase

- **R&D Management:** Product development and design all stipulate compliance with special directives such as RoHS, SVHC, and regulations on the 8 major heavy metals. At the same time, development of biodegradable products aims to lower impacts on the environment.
- **Supplier Management:** We undertake supplier assessment and require suppliers to provide Declaration to Environmental Protection so we can regulate and reduce risk of toxic substances. In addition, we also require suppliers to provide guarantees for non-use of restricted substances, such as RoHS and more.



Production Management

- **Raw Material Management:** All raw materials need to undergo quality control before entering NANPAO's production sites. All raw materials that do not comply with regulations will be marked and stored elsewhere, while their processing methods are further reviewed.
- **Production:** Separate channels, reaction tanks, and product types to prevent product parallel- or cross-contamination

Output Management

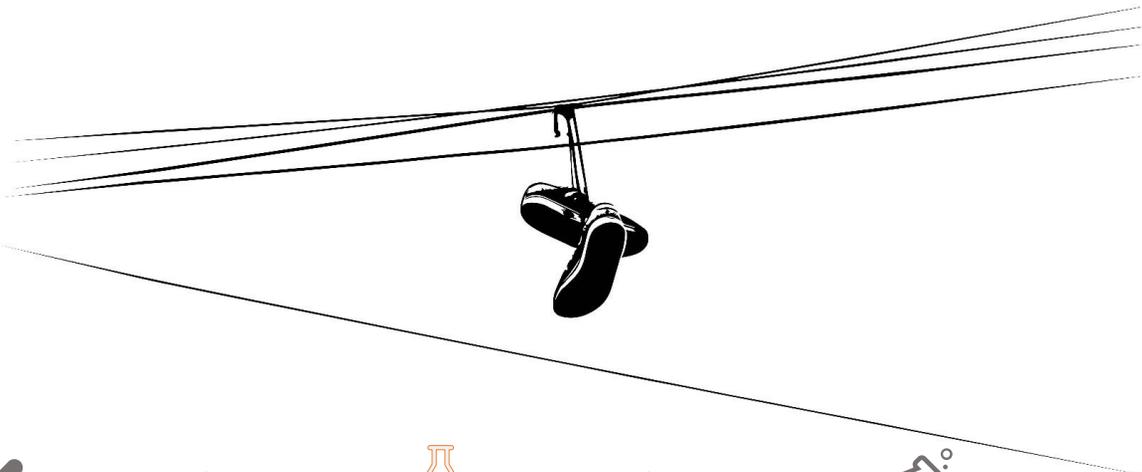
- Prepare relevant documentation and regularly inspect control of prohibited substances based on environmental requirements provide by each individual customer.

Recycling Processing

- Simplify and reduce packaging per customer request and strive to recycle and reuse product packaging materials

GHS hazard classification:

NANPAO has re-analyzed products since 2020: 35 out of 425 products are completely free of health hazards 1 and 2 and environmental hazards 1 and 2 chemicals. (Expected to complete analysis of all product items by 2023)



Footwear adhesives

All the products qualified with the SGS examination to meet the prohibited substances standard from our major customers such as Nike, Adidas and Converse



Products for EU market

- ◆ Only deliver products with 100% acceptance rate
- ◆ All products meet the RoHS and REACH standard of EU in 2020



The acceptance rate

- ◆ 500 examination cases and 100% acceptance rate with the third-party lab in 2020
- ◆ The acceptance rate has been 100% for 5 years in a row

3.5 Customer Relationship

Material Topic

Customer health and safety

Management Approach

To maintain product safety, during production processes from raw material input to finished output, we sample all batches of our products. Only products that have passed inspections can be stored for subsequent delivery. At the same time, the production batch number is printed on the packaging to allow for subsequent follow-up and tracking. Products that do not pass inspection are rejected to rework. We maintain rigorous control of our raw materials and product inspection standards in accordance with the CNS inspection standards in Taiwan.

Technical Service

Customer satisfaction is built not only on product quality, but also on after-sale service, which is the true determining factor to 100% customer satisfaction. Our Technical Service Department consists of highly professional talent with years of technical experience. Moreover, with a comprehensive database of our customers' products, professional talent is dispatched to sales and service centers to provide professional technical support for customers. In addition, based on the nature of products, we also provide complete coaching and support on product use for customers' production teams.

NANPAO's technical service team can provide feasibility plans during customers' new product R&D stage to solve product issues. If a customer reports back to our Sales Department with any difficulty in product use, our technical service team will immediately take the lead and proceed with the needed support.

After product launch, the technical service team will collect the customers' issues with the production line, undertake troubleshooting at the customers' end, and organize technical seminars quarterly to actively solve customers' technical issues.

Protection of Customer Privacy and Rights

In terms of customer privacy protection, we have dedicated personnel to file and document any business or transaction information, or any information provided by customers that may breach confidentiality. We implement personal data management to comply with the relevant regulations of the Personal Information Protection Act. Internally, any access to customer information needs to be approved and authorized, which helps to ensure that customer privacy is secure. No grievances related to damages to customer privacy or loss of customer information were received in 2020.

The development, product registration, marketing and advertisement, and product sales of any product are completed according to established procedures. Moreover, product marketing and promotional activities are all carried out in accordance with legal regulations. No counterfeit or intellectual property infringement occurred in 2020.



NANPAO has been awarded the Best Adhesives Vendor award twice at Nike's Global Chemical Engineering Summit held on their Nike Campus in Portland, Oregon

Customer Satisfaction

To understand the level of customer satisfaction for NANPAO's services, we endeavor to understand customers' awareness and value of products and services through questionnaires every year. We review deficiencies of products and services by compiling relevant information and propose improvement measures to provide services that better meet customers' expectations.

Currently, the content of the customer satisfaction survey includes "service," "product and quality management," "shipping," "staff service," "customer information collection," and "market information collection." Improving our customer satisfaction and service is our utmost purpose, NANPAO will keep working to improve customer satisfaction.



ENVIRONMENTAL SUSTAINABILITY





4. Environmental Sustainability

Material Topics

Environmental Compliance / Effluents and Waste / Emissions

Management Approach

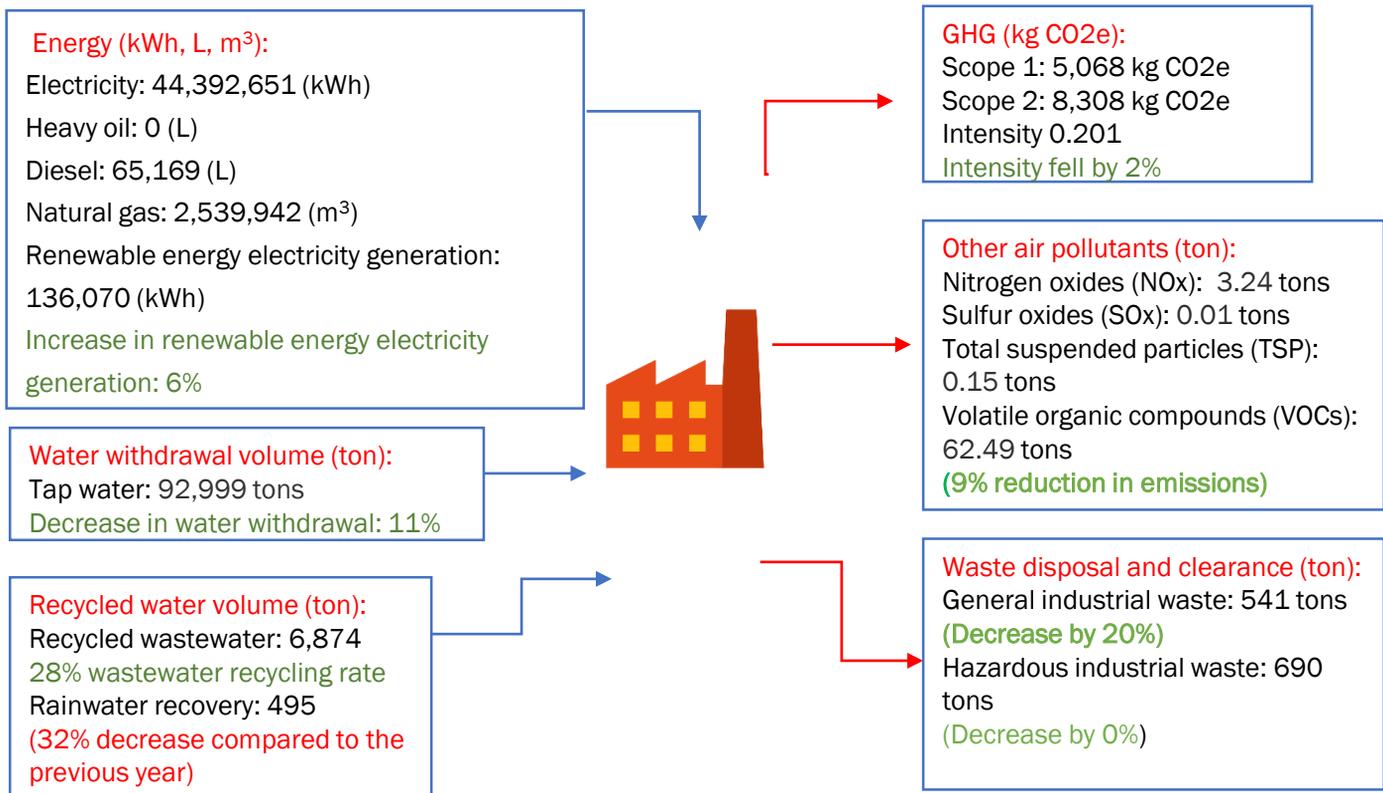
Purpose:

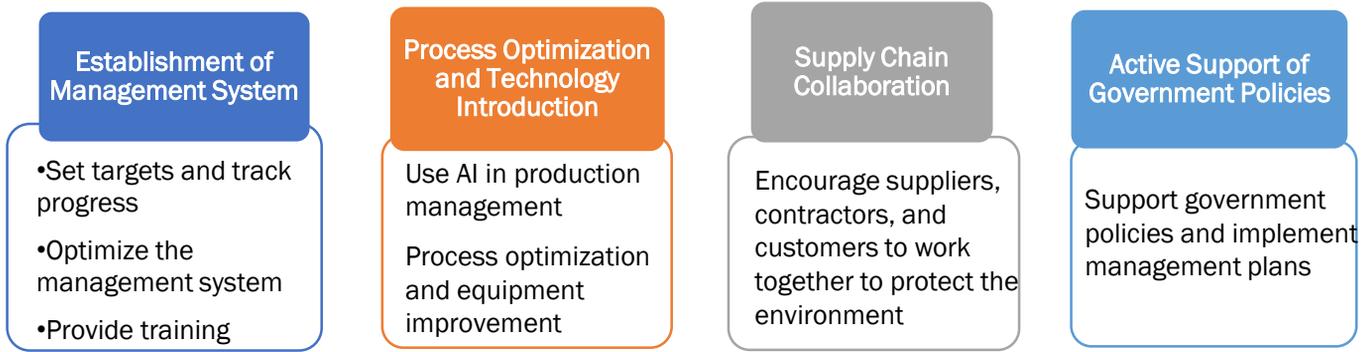
NANPAO has implemented management systems that meet ISO 14001 and ISO 50001 international standards to effectively respond to the impact of climate change on operations and meet the expectations of all stakeholders. The Company implemented greenhouse gas inventories, planned the use of renewable energy, and launched projects for energy conservation and carbon emissions reduction to incorporate the concepts of energy management and GHG emissions reduction. We shall continue to expand the scope and intensity of our actions for climate change-related issues and strengthen climate actions across the Company. We shall create positive impact in the entire value chain through climate actions and grow together with the industry.

Management method:

- Establish a dedicated unit responsible for energy management and environmental management and convene regular meetings to track and review progress.
- Set up systems and targets and keep track of their effectiveness.
- Monitor the latest technology trends by communicating with production sites.
- Inventory environmental data for regular analysis and review to quickly identify problems and implement improvements.
- Promote energy-saving, water-saving, emission reduction, and waste reduction projects, and follow up on the progress and effectiveness of implementation.
- Establish emergency response procedures and organize regular drills to reduce the impact of accidents on nearby communities.

4.1 Overview of Key Environmental Statistics in 2020





4.2. Energy Management

NANPAO regards energy and greenhouse gas management as very important issues in our day-to-day operations. We continue to improve energy conservation and carbon emissions reduction measures to increase energy efficiency. We also actively support the energy policies of local government and set up solar power generation equipment in plants to generate at least 1% of renewable energy.

However, the government has imposed a 10% renewable energy requirement on major electricity users in Taiwan (those with a contracted capacity of more than 5,000KW). This is expected to increase the Company's operating costs and has been included into the climate adaptation risk assessments to minimize the operational risk.

Energy Management Review Team

The CEO of NANPAO has established the Energy Management Review Team consisting of various departments. The Team convenes regular meetings to review the energy consumption, establish energy conservation targets, and continuously follow up on the performance of energy conservation projects. The Company also established regulations and rules governing the policies of the Energy Team to implement tasks and provide the Energy Team with the detailed information necessary for the project.

Smart Energy Management – Improve Energy Efficiency

NANPAO introduced the ISO 50001 Energy Management System in 2013 and has incorporated the system into all plants in Taiwan (Bao Yi Plant, Bao Li Plant, Plant 5, and Main Plant) and will continue to expand the system to other overseas production plants. The Company continues to maintain the effectiveness of the management system and uses the smart platform management systems of the plants to allow plant personnel to monitor the energy use of all equipment at all times. The data analysis of the platform system is also used to continue to review the optimization process and increase energy integration to reduce unnecessary consumption and increase energy use efficiency.



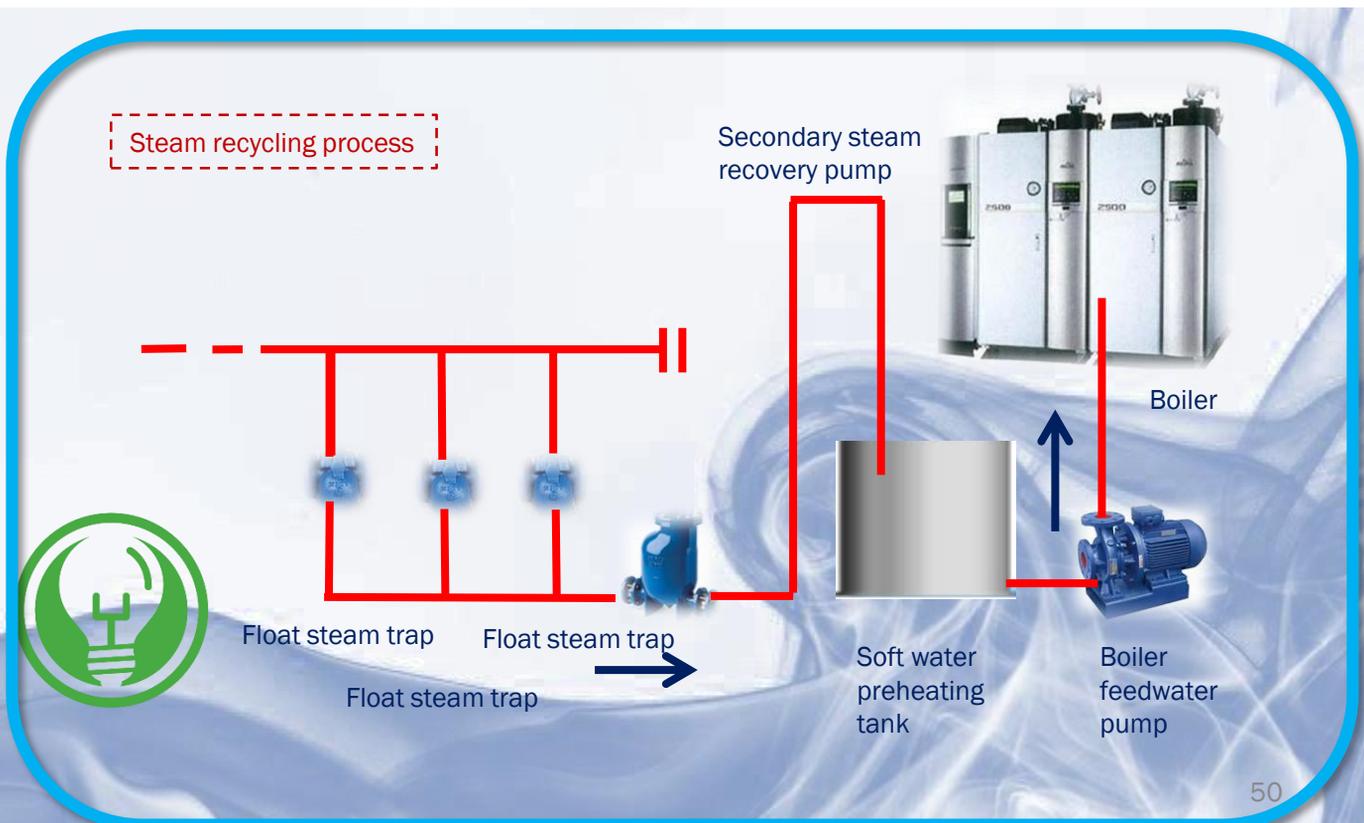
Clean Energy

Since 2018, NANPAO has gradually converted fuel consumption of boilers from fuel oil to natural gas which is a much cleaner fuel. We reduced heavy oil consumption to zero in 2020 which decreased energy demand and the unit price for heating and significantly reduced air pollution.

	Diesel (L)	Heavy oil (L)	Natural gas (m3)	Total energy consumption (kj)	Production volume (kg)	Energy intensity (kj/kg)
2016	92,416	1,551,000	0	111,295,991,161	57,308,527	1,942
2017	76,268	2,290,000	14,304	146,867,300,905	72,160,441	2,035
2018	71,542	2,261,150	233,638	159,572,349,109	74,662,480	2,137
2019	70,961	80,000	2,460,321	156,969,083,118	72,996,619	2,150
2020	65,169	0	2,539,942	159,813,544,796	67,440,274	2,370

★ Energy conservation case study: Secondary steam recovery for use in boiler

We use steam to power the condensate pump in the PU and PUD processes and pump the secondary condensate to the recycling tank in the boiler to effectively recycle steam condensate. We saved NT\$2,165,304 by recycling wasted heat from condensate in 2020. Although the steam recycling efficiency is limited, it is an energy conservation method that supports the environment.



★ Energy conservation case study: Warehouse air-conditioning improvement

The warehouse used for storing finished products in the plant is large and must be kept cool for extended periods of time. The room temperature must be maintained at 25°C so we replaced the household air conditioners with water-cooled units and saved NT\$403,630 in electricity charges in 2020.



★ Energy conservation case study: Chiller integration, replacement, and efficiency enhancement



Water-cooled units are 1.59 times more efficient than air-cooled units.

(Information provided by the Bureau of Energy,

Ministry of Economic Affairs)



A higher EER value means greater efficiency.

Conversion of air-cooled units to water-cooled units

Energy conservation methodology

Energy conservation results

Electricity fees saved NT\$512,114



Renewable Energy

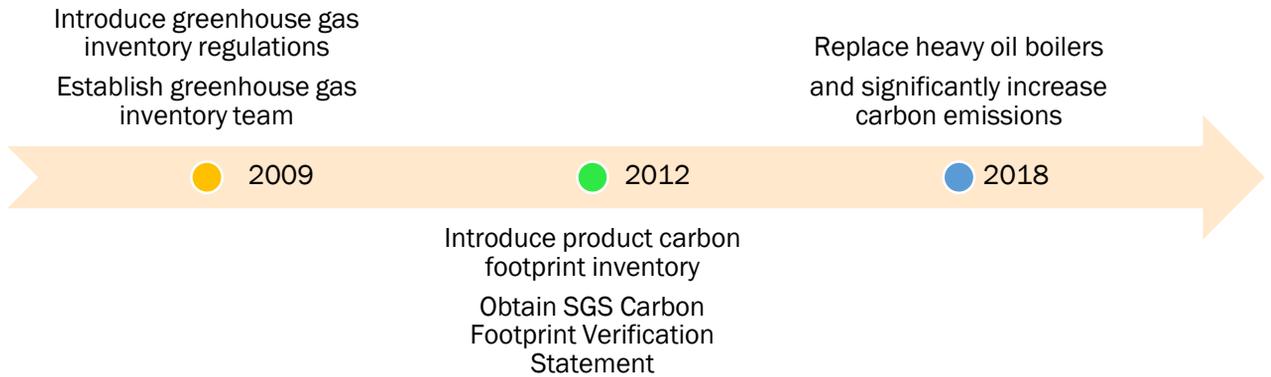
For renewable energy development, NANPAO has set up solar power generation systems on the rooftops of multiple buildings. The systems reduce carbon emissions and also helps lower the temperature in plants to extend the shelf-life of the steel roof. The Company generated 136,070 kWh of electricity from renewable sources in 2020.

	Total energy consumption (kWh)	Renewable energy electricity generation (kWh)	Improved renewable energy electricity generation	Reduced CO2 emissions (ton)
2019	43,602,523	127,826	—	68
2020	44,392,651	136,070	6.4%	72



4.3 Greenhouse Gas Management

NANPAO Greenhouse Gas Management Procedures:



Climate Change and Energy Management Mechanisms:

TCFD

The continuous rise of global temperature averages and the frequent natural disasters caused by extreme weather across the world has made climate change control a critical global action. NANPAO dedicates our efforts to mitigating climate impact. NANPAO initiated planning for the introduction of the "Task Force on Climate-Related Financial Disclosures (TCFD)" standards at the end of 2020 and invited professional teams to provide TCFD training. We also plan to implement the official introduction of the TCFD framework from 2021 to 2022 to analyze the risks of climate change on operations.

Step 1

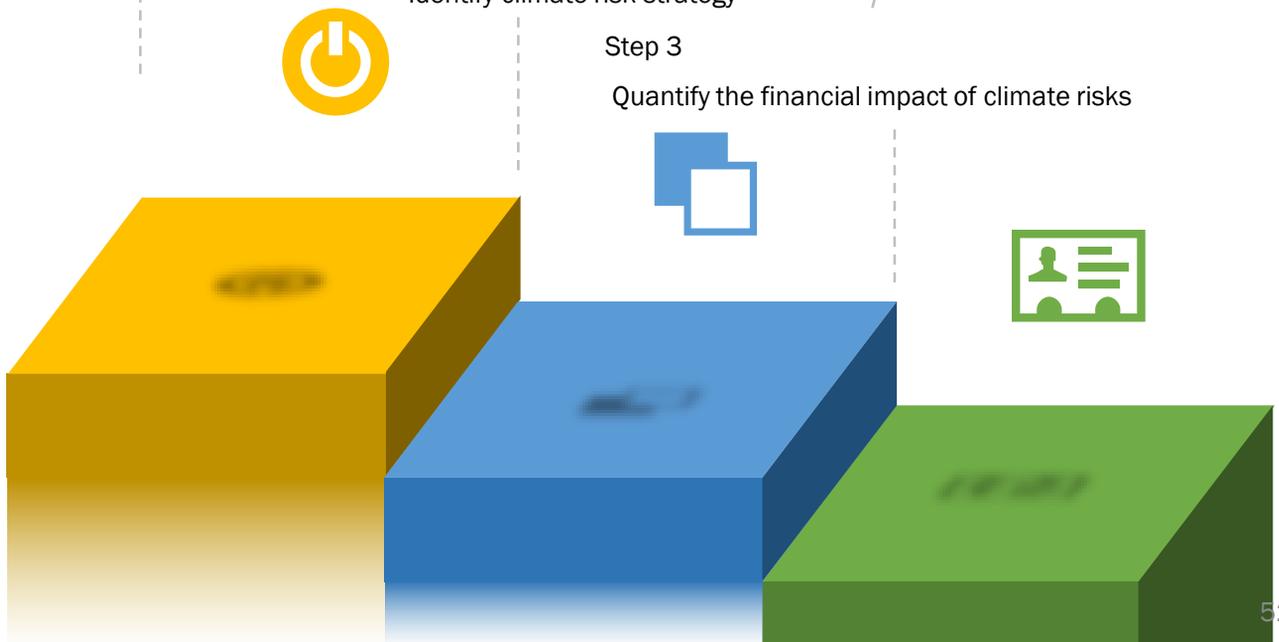
Establish a list of key risks and opportunities

Step 2

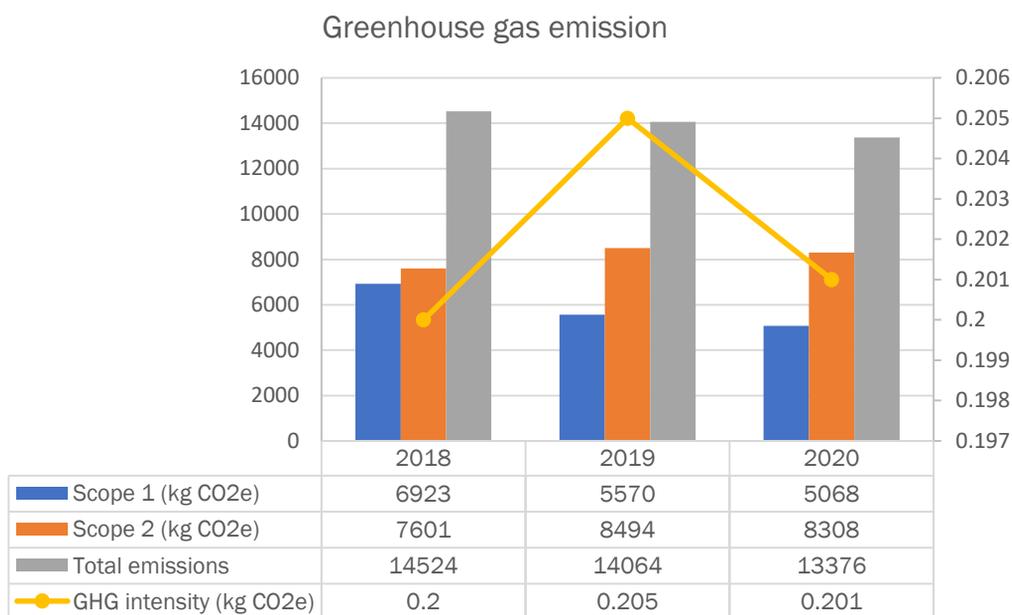
Identify climate risk strategy

Step 3

Quantify the financial impact of climate risks



NANPAO has conducted an inventory of greenhouse gas emissions in response to climate change requests to reduce greenhouse gas emissions. The scope of inventory includes direct greenhouse gas emissions (Scope 1) and indirect greenhouse gas emissions (Scope 2). The sources of Scope 1 emissions include the use of fuel (e.g., natural gas and diesel) and greenhouse gas produced in the production process. The types of gases included in the data are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), sulfur hexafluoride (SF₆), hydrofluorocarbons (HFCs), and perfluorocarbons (PFCs). NANPAO's plants do not purchase heat or steam from external sources. The indirect greenhouse gas emissions (Scope 2) consists mainly of electricity purchased from external sources. All electricity used by the Company is supplied by Taiwan Power Company. Other indirect emissions (Scope 3) account for a very low percentage of total emissions and the actual consumption is difficult to measure. Therefore, the emissions are not currently included in the inventory.



Greenhouse gas emission intensity decreased by 2% in 2020 compared to the previous year

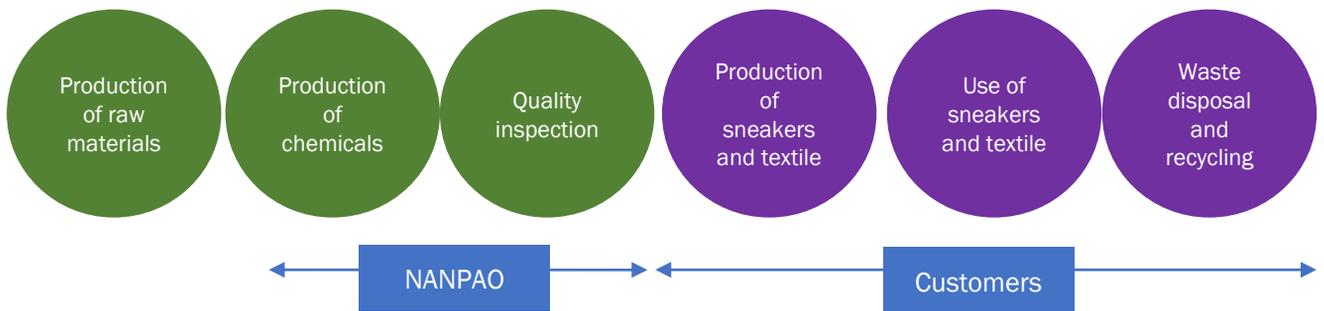
★ Carbon emissions reduction case study: 3761 PVA glue and waste reduction project in 2020

3761	Carbon emissions and waste reduction action plans	CO ₂ e (kg)
Packaging waste	Bulk bags were used as temporary packaging bags for waste bins which reduced general industrial waste output by 7.2 tons.	2,398
Wastewater	Cleaned the reactor to recycle wastewater. Wastewater effluent was reduced by approximately 260 tons a year	43
Filter adhesive slag waste reduction	Introduced centrifugal dewatering equipment which reduces waste on the filter by approximately 5.09 tons each year	1,965
Adhesive slag collection and sales rejected products	Sold 29.586 tons in 2020 with NT\$384.6 thousand in profits and reduced 29.586 tons in waste disposal and clearance	9,852
Total		14,258

4.4 Product Life Cycle

NANPAO considers the environmental impact of the product life cycle, from raw material manufacturing, transportation, product manufacturing, to testing. We are committed to managing hazardous substances, preventing pollution, and reducing energy consumption in the manufacturing process. We also require suppliers to protect the environment and continue to reduce the environmental impact of chemicals.

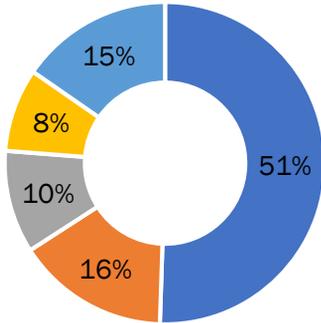
More customers are showing concern for environmental sustainability issues in response to the threats of global climate change. NANPAO therefore actively supports the government's circular economy policy and uses product life cycle assessments to evaluate technologies and analyze the environmental impact of products to identify more opportunities for reducing the use of resources. The Company has completed the environmental footprint analysis of products, including water-based PU dispersion and 3761 glue and will continue to plan product environmental footprint analyses each year.



Environmental impact assessment	<ul style="list-style-type: none"> Greenhouse gas reduction Energy and water conservation Waste reduction and management 	<ul style="list-style-type: none"> Prevention of pollution Hazardous substance management Environmental management system 	<ul style="list-style-type: none"> Products do not contain hazardous substances Product carbon and water footprint Product life cycle assessment 	<ul style="list-style-type: none"> Product energy efficiency 	<ul style="list-style-type: none"> Pollution prevention Waste recycling and reuse

Environmental Impact Assessment

NANPAO has used the LCA process to complete the **water-based PU dispersion (including packaging)** environmental footprint analysis and obtained the ISO 14067 Verification Statement.



- Depletion of resources - minerals and fossil fuels
- Global warming
- Particulate matter/inorganic compound that affect the respiratory tract
- Acidification
- Others (ozone layer destruction, toxicity to freshwater ecosystems, toxicity to humans, photochemical ozone formation, eutrophication, land transformation)

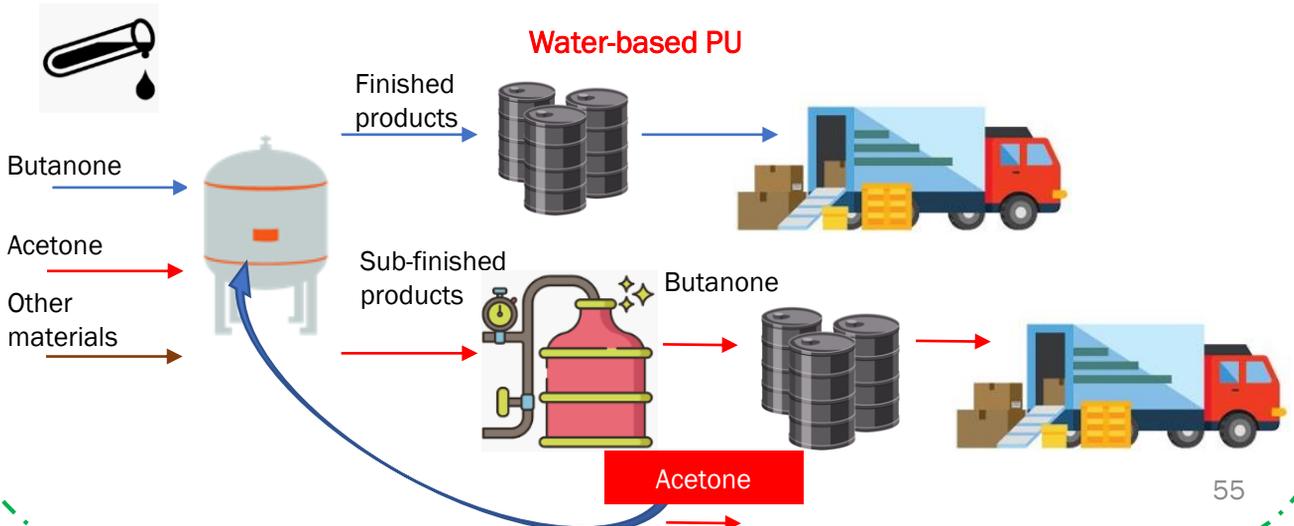
According to the analysis of the environmental impact assessment, the major impact of water-based PU dispersions occurs during the acquisition of raw materials (51%). Corresponding materials mainly include: polyester polyols, **acetone**, **butanone**, 1,6-hexyl diisocyanate, and **boiler fuel oil**.

Management of the Environmental Impact of Materials

Acetone recycling and return to production process

NANPAO recycles the acetone and butanone produced in the water-based PU process and reuses the recycled acetone in the process.

In 2020, we reduced emissions by 6,394 tons CO₂e by recycling acetone and reduced emissions by 3,540 tons CO₂e by recycling butanone
73% acetone and butanone solvent recycling rate



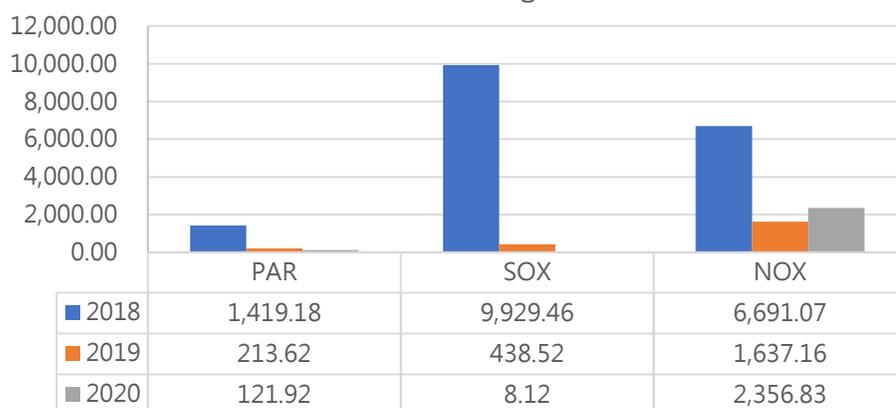
Conversion of boiler fuel oil to gas

NANPAO has gradually converted the fuel used in the steam boilers from heavy oil to natural gas since 2018 to reduce greenhouse gas emissions. We also converted the fuel used in all steam boilers to natural gas in 2020. The most significant improvement in air pollution sources was the reduction in sulfur oxides (SOx), nitrogen oxides (NOx), and total suspended particles (TSP).

Note 1: VOCs are not included in the VOCs statistics as only minuscule amounts of VOCs are recovered and reused by condensers during the manufacturing process.

Note 2: Nitrogen oxide (NOx) production increased by 43.96% in 2020 due to the rise in natural gas usage.

Changes in air pollutant emissions after switching from heavy fuel to natural gas in Plant 1



4.5 Air Pollution Prevention and Management

NANPAO carefully manages air pollution because specific air pollutants produced in the manufacturing process may affect the nearby environment if they are not adequately processed. NANPAO's air pollutant emissions, consisting mainly of particulate matter, sulfur oxides, nitrogen oxides, and volatile organic gases (VOCs), may be created in the production process, incineration in the boilers, and wastewater treatment process.

To effectively reduce air pollution and prevent emissions, we have enhanced our equipment efficiency and added condensers to recover vaporized solvents for reuse. We also actively monitor the concentration of pollutants at all exhaust pipes to ensure that all emissions meet regulatory standards. No ozone depleting substances (ODS) are created, imported, exported, or emitted from any of the Company's plants.

Due to the large quantities of chemicals in the plants, chemical odors are often emitted from the plant. We have implemented special improvements to address the dispersion of odors from the EA process. We modified the process, replaced components, and conducted independent tests to manage the odor dispersion.

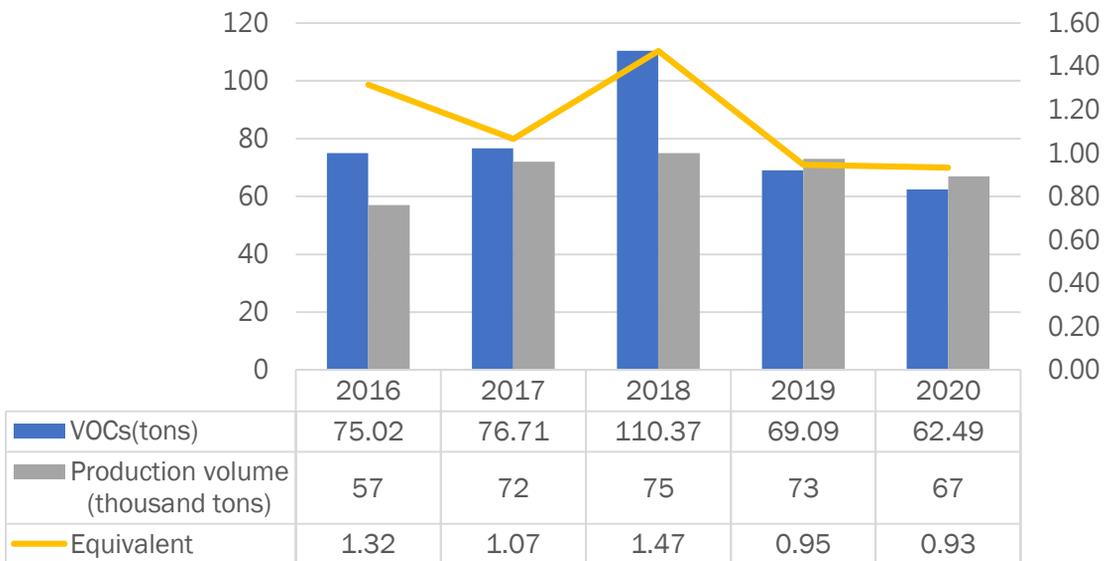
Since 2018, we have converted the fuel consumption of boilers from heavy oil to natural gas which significantly decreased the emissions of air pollutants. The quantity of VOCs produced for every ton of products has also fallen continuously since 2018.

Note: The EPA promulgated the "Stationary Pollution Source Hazardous Air Pollutant Emissions Standards" in 2021 to control HAP emissions. NANPAO shall adopt EPA standards and start calculating HAP emissions in 2021.

Emission unit: ton

Item (ton)	Volatile organic compounds	Total suspended particles	Sulfur oxides	Nitrogen oxides
	VOCs	TSP	SOx	NOx
2016	75.02	14.82	9.50	7.08
2017	76.71	7.14	16.31	11.09
2018	110.37	6.09	15.38	13.65
2019	69.09	0.24	0.44	2.60
2020	62.49	0.15	0.01	3.24

VOCs produced per thousand tons of products



4.6 Water Resource Management

All water used by NANPAO is tap water supplied by Taiwan Water Corporation. We have not extracted water from ecological conservation regions or used groundwater. NANPAO plants have not been listed as ecological reserves and are not located in water quality protection zones. No species listed on the IUCN Red List or the National Protection List reside in the vicinity of the plants.

No NANPAO plants in Taiwan are located in regions with high stress on water resources. However, to reduce the depletion of water resources in operations, NANPAO has actively introduced water conservation measures including use of recycled water. We recycle the steam and condensed water from the production process and use a membrane bioreactor (MBR) to recycle to a cooling water tank. We also continue to decrease water consumption and develop water reuse equipment to increase water usage efficiency. We recycled 6,874 tons of water in 2020 and the wastewater recycling rate (reuse rate) was 99%.

Water source	Water consumption volume (ton)				
	2016	2017	2018	2019	2020
Tap water	53,638	71,470	74,987	93,816	85,630
Effluent recovery volume (m ³ /year)	6,660	5,290	5,341	9,944	6,874
Rainwater	100	147	466	733	495
Total water withdrawal	60,398	76,907	80,794	104,493	92,999
Production volume (ton)	57,309	72,160	74,662	72,997	67,440
Water resource consumption intensity (water - tons / production volume - tons)	1.054	1.066	1.082	1.431	1.379

★ Waste water is processed and recycled with the MBR and directed to the cooling water tank. The wastewater recycling rate in 2020 was 28%.

Year	2016	2017	2018	2019	2020
Wastewater volume (ton)	21,744	21,735	23,255	31,064	24,746
Recycled water volume (ton)	6,660	5,290	5,341	9,944	6,874
Wastewater recycling rate (%)	31%	24%	23%	32%	28%

★ Water recycling rate from 2016 to 2020

Note: The "recycling water consumption" refers to the recycled use of cooling water from the boiler and it is calculated based on the quantity, dimensions, and the number of operating hours of the cooling towers.

Year	2016	2017	2018	2019	2020
Recycling rate (reuse rate)	99.52%	99.37%	99.33%	99.17%	99.24%
Recycling rate (excluding the recycled amount in the cooling towers)	11%	7%	7%	10%	7%

Wastewater Management

The Environmental Protection Division is responsible for collecting, evaluating, and promoting compliance with wastewater effluent regulations. The regulations for the plants are based on the national effluent water quality standards and the regional discharge standards at the site of operations. We strictly control the effluent water quality. We continuously monitor the water quality at the plant discharge ports and develop water treatment equipment, optimized equipment, and sand filtration pools to effectively reduce the amount of hazardous substances in the effluent, improve water quality in the water body, and ensure that the effluent meets or is superior to regulatory standards.

Item	2016	2017	2018	2019	2020	Regulatory Standards
	Test Results					
Biochemical oxygen demand (BOD)	4.10	3.90	2.00	3.00	5.20	30
Chemical oxygen demand (COD)	24.6	17.7	36.1	40.5	32.0	100
Suspended solids (SS)	3.30	2.50	4.30	0.48	2.20	30
True color chromaticity	-	-	25.0	13.0	37.0	550
Ammonia nitrogen	0.02	0.18	0.30	0.08	0.09	20
Nitrate nitrogen	0.45	0.27	3.70	5.60	0.56	50
Phenols	0.02	0.02	0.02	0.01	0.01	1.0

*Unit: No unit is used for the true color chromaticity; mg/L is used for all other units



4.7 Waste Management

- We recycled 311 tons of waste in 2020 which was a 2% increase from 2019 (305 tons recycled).
- The total waste volume per ton of product produced was 18.5kg in 2020 and 18.7kg in 2019. We have reduced waste production per ton by 1%.
- The main types of waste from NANPAO's production process consist of waste resins, waste solvents, and sludge. Although NANPAO's production volume has increased each year, the amount of waste resins, waste solvents, and sludge for disposal has decreased each year, demonstrating the improvement of NANPAO's waste reduction management.

General and Hazardous Waste Output

Waste	Item	Treatment Method	2016	2017	2018	2019	2020
Category			Waste disposal volume (ton)				
General industrial waste	General waste produced in business activities	Incineration	43	70	65	128	137
	Waste plastic mixtures		107	27	12	15	12
	Waste wood pallets		31	8	20	9	10
	Waste resins	Incineration	363	238	60	60	78
		Landfill	-	289	637	143	84
	Sludge	Incineration	16	17	22	99	15
		Heat treatment	112	12	50	51	20
		Landfill	352	240	228	108	126
	Non-hazardous waste dust-collecting ash	Landfill	-	25	27	33	7
	General waste chemical substance mixtures	Cleaning	1	12	-	2	-
	Waste oil mixtures	Physical treatment	12	3	18	3	3
	Other waste glass	Landfill	-	-	2	-	1
	Ceramics, bricks, tiles		-	-	-	2	-
	Clay mixtures		9	-	-	-	7
	Waste insulation materials	Landfill	-	1	2	1	-
	Waste activated carbon	Reuse	43	6	8	8	48
Night soil or manure and urine	Biological treatment	107	-	-	11	7	
Total general industrial waste			1,196	948	1,151	673	555
Hazardous industrial waste	Waste solvent	Incineration	-	71	382	177	138
		Physical treatment	2,799	1,367	39	-	9
		Reuse	379	303	-	-	-
	Waste containers for hazardous chemicals	Cleaning	386	495	562	514	543
		Incineration	-	-	-	-	-
Total hazardous industrial waste			3,564	2,236	983	691	690

Recycling Solvents

The main types of waste produced by NANPAO consist of waste solvents and waste resins from the production process. To ensure the reuse of sustainable resources, the reuse of waste in production process in the plants and reduction of the use of raw materials are adopted as the principles for waste disposal. The second priority is to reuse and recycle materials before unusable materials are ultimately incinerated or transported to landfills.



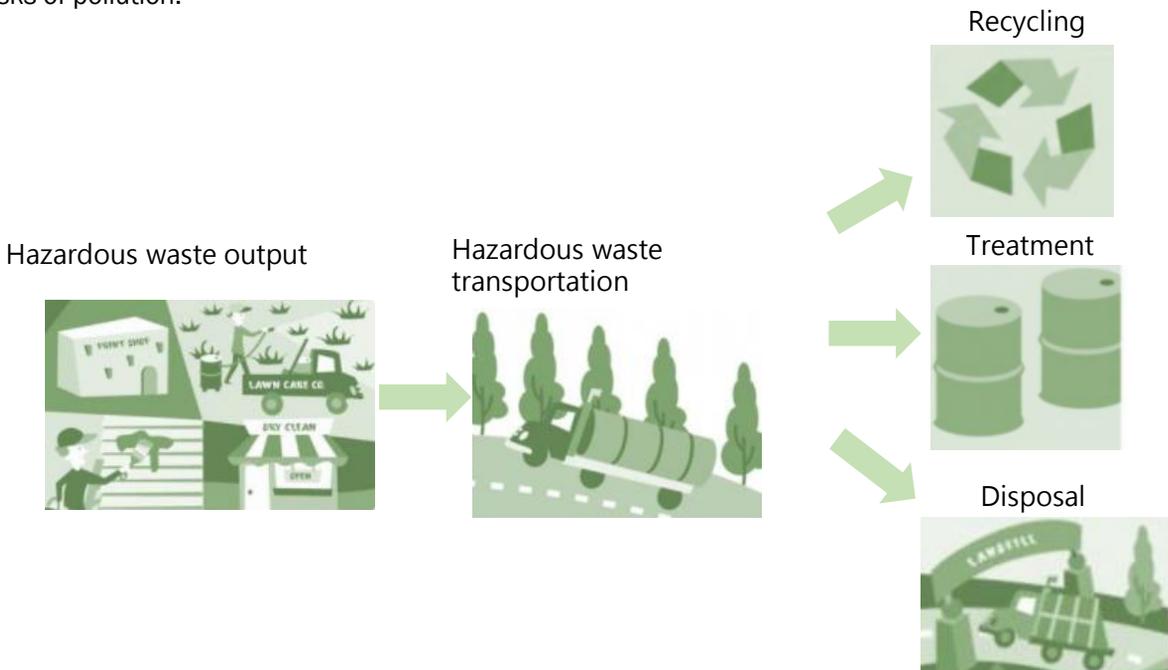
Circular Economy

NANPAO strives to recycle and reuse waste solvents created in the water-based PU production process and return them to the same process for reuse (acetone). It significantly reduces the output of waste solvents and reduces a substantial amount of waste clearance expenses. Other chemicals (acetone) produced after distillation and recovery of waste solvents are recovered and sold to customers. It increases resource use efficiency and enhances our operational performance to support the circular economy by turning waste into resources.

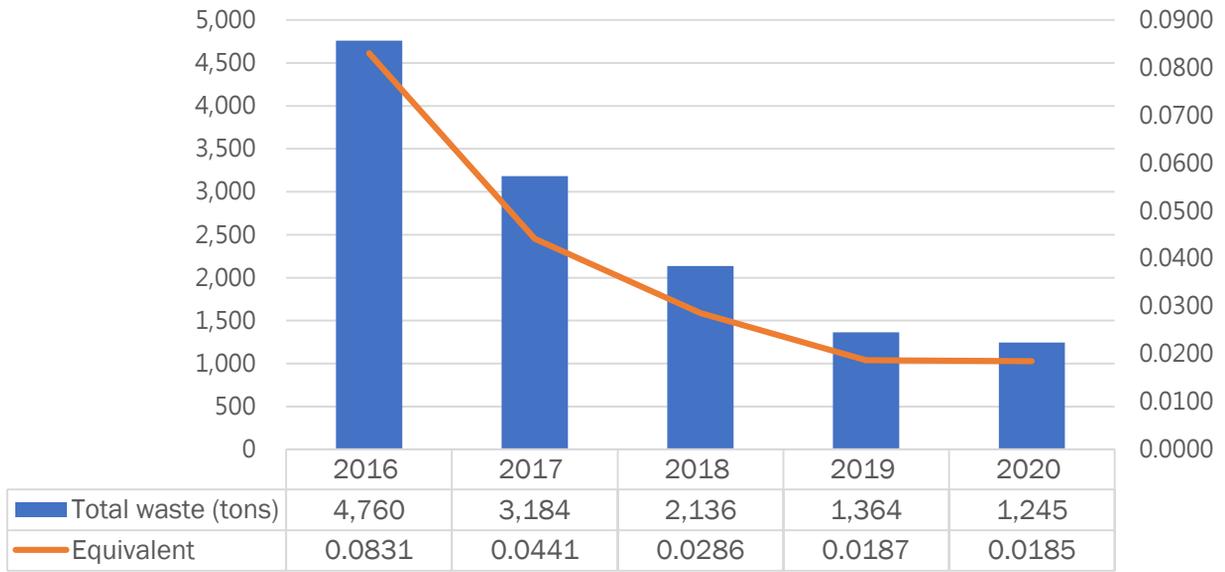
Hazardous Waste

The hazardous waste in the plants consist mainly of waste solvents and waste containers for hazardous chemicals. We have appointed domestic waste disposal companies certified by competent authorities to process the waste.

The waste disposal companies dispose of the waste in accordance with regulatory requirements and provide certification for clearance and completion of disposal. We also use GPS positioning system of vehicles to track the disposal route and final destination of the waste. Environmental protection employees accompany or follow the vehicles from time to time to conduct onsite inspections of the waste disposal and processing companies to ensure that they adequately process all types of waste and avoid causing additional burdens on the environment or risks of pollution.



Total Waste Quantity Produced per Ton of Product



Note: Equivalent waste formula = total waste quantity (ton) / production volume (ton)

We reduced waste production per ton by 1% in 2020 compared to the previous year



Total Recycled Waste Quantity (Waste Activated Carbon and Waste Solvent)

Resource Recycling	2016	2017	2018	2019	2020
Metric tons	202	262	290	305	311



PEOPLE & SOCIETY





People and society

5.1 Hiring

Hiring Policy and Recruitment Channels

Attracting and retaining key talent is one of the most important factors for NANPAO's success. We have created a reasonable and fair human resource platform and comprehensive internal organization to help employees leverage their talent. We also treat job seekers and employees of different ethnicities, gender, age, religion, nationality, or political views equally and uphold our "people-first" policy to provide employees with equal employment opportunities.

We actively recruit international professionals through recruitment channels such as social networking websites, internships, internal recruitment, and industry-academia cooperation. We also actively participate in industry-academia collaboration with colleges and universities and provide students with short-term internship opportunities to help them experience work life, apply their studies to work, and connect with the business world.

Care for Employees with Disabilities

NANPAO pays close attention to the special needs of employees with disabilities and focuses on their training and development. We implement employment policies for disadvantaged groups superior to those stipulated by law. The labor contracts signed by the Group with each employee in different plants comply with local laws and regulations. There have been no incidents of discrimination, sexual harassment, child labor, violation of the rights of indigenous peoples, or forced labor.



- NANPAO Resins Chemical Co., Ltd. received the "Outstanding Deed" award in the 18th Golden Wingspan Awards organized by the Ministry of Labor
- The employee Tzu-Hung Lin won Tainan City's Professional Role Model Award for People with Disabilities in 2020



Pictured left: Assistant Manager Yu-Te Huang accepted the "Outstanding Deed" award in the 18th Golden Wingspan Awards organized by the Ministry of Labor

Pictured right: Our employee Tzu-Hung Lin of the Hot-Melt Adhesives Division of NANPAO won Tainan City's Professional Role Model Award for People with Disabilities in 2020

Human Resource Structure

- Number of NANPAO employees in Taiwan by age, gender, and rank 2018-2020

Age	2018				2019				2020			
	Male	Ratio	Female	Ratio	Male	Ratio	Female	Ratio	Male	Ratio	Female	Ratio
< 30 years old	86	12%	29	4%	99	14%	28	4%	72	11%	20	2%
30-50 years old	346	51%	75	11%	355	51%	88	12%	354	52%	86	13%
> 50 years old	99	14%	57	8%	88	12%	49	7%	95	14%	54	8%
Total	531	77%	161	23%	542	77%	165	23%	521	77%	160	23%

Note: Excluding employees assigned to overseas operations who are included in the overseas subsidiaries rosters

- Number of NANPAO management and non-management employees in Taiwan 2018-2020

Position	Gender	2018	2019	2020
		Number of employees		
Management personnel	Male	87	86	80
	Female	12	10	10
Non-management personnel	Male	444	456	441
	Female	149	155	150

In part, due to the general differences in the gender composition of the Company's industry and the concentration of labor in chemical-related skills, the percentage of male employees is higher than that of female employees who account for 23.5%. We have 10 female managers ranked divisional managers and above, including one senior executive. NANPAO has implemented fair internal training and performance evaluation mechanisms. NANPAO did not violate regulations regarding employee salary and benefits in 2020.



Turnover Rate

NANPAO employee turnover by gender in Taiwan 2018~2020

Year	2018		2019		2020	
Gender	Male	Female	Male	Female	Male	Female
Number of voluntary turnover	91	14	66	7	80	14
Number of retirees	11	3	9	4	5	3
Number of non-voluntary turnover	3	1	2	0	3	1
Turnover Rate	13.2%	2.0%	9.3%	1.0%	11.7%	2.1%

Note: The turnover rate is the number of male/female employees who voluntarily resigned/total number of employees in the current year

In terms of exit management, once an employee requests to leave the Company, the unit supervisor actively engages with the employee to provide care and understand the reasons. The human resources unit also arranges an exit interview with the employee to obtain suggestions for the Company and further improve our human capital management. We seek to understand the reasons for the employee's departure and implement improvements or adjustments at the suitable management levels.

Turnover and percentage of turnover in 2020

Age	2018	Ratio	2019	Ratio	2020	Ratio
< 30 years old	33	27%	21	24%	28	27%
30-50 years old	76	62%	51	58%	65	61%
> 50 years old	14	11%	16	18%	13	12%
Total	123	100%	88	100%	106	100%

Gender ratio of new employees in 2020

Age	Male	Ratio	Female	Ratio
< 30 years old	17	36%	6	13%
30-50 years old	22	47%	1	2%
> 50 years old	-	0%	1	2%
Total	39	83%	8	17%

In 2020, 94 employees resigned, 8 employees applied for retirement in Taiwan, and 4 employees were dismissed. The total turnover was 106 employees and turnover rate was 13.8%, which was lower than the average turnover rate of 17.8% in Taiwan's overall manufacturing industry in 2020. NANPAO increased salaries and benefits and improved the work environment for overseas workers. We also coordinated internal and external recruitment systems to satisfy the manpower requirements for the Company's expansion in Vietnam.

5.2 Employee Care

Salary and Benefits

NANPAO has established an incentive-based variable remuneration system based on the performance of individual employees and organizations. Employees' salary is based on performance, and is not affected by factors such as age, gender, or race. The Company offers a higher average salary level than industry peers. We share profits with employees to attract talent and motivate and retain existing employees. We allocate a certain percentage of profits as employee bonuses to share with employees. We also help employees engage in long-term investment and retirement planning, and encourage our employees to hold company shares.

In addition to providing monthly salary guarantees for full-time employees in Taiwan, NANPAO also provides a Dragon Boat Festival bonus, Mid-Autumn Festival bonus, and year-end bonus. We also distribute bonuses for performance, business sales, research and development, improvement proposal, and special contributions and rewards for the number of years of service.

Salary ratio of management and non-management employees by gender 2018-2020

Position	Gender	2018	2019	2020
Management personnel (Employees ranked divisional manager or higher)	Male	1.11	1.13	1.01
	Female	1	1	1
Non-management personnel	Male	0.92	0.95	0.93
	Female	1	1	1

Note: The average salary of female employees is set as 1 for comparison with the average salary of male employees

Human Rights Protection

The Company adheres to the labor regulations of its global operations and we support and comply with the international human rights convention "Universal Declaration of Human Rights" as well as goals enshrined in the "International Labour Organization Convention". We treat and respect all employees in accordance with international basic human rights. All new employees and security personnel of NANPAO have received human rights training when they report for duties and announce measures for human rights protection in employee meetings.

There were no incidents of forced or compulsory labor or use of child labor at any of NANPAO's operations in 2020.

- **Ban on forced labor:** The Company abides by labor laws and international norms, and does not force or coerce any individuals to provide labor against their will.
- **Ban on the use of child labor:** No child labor is permitted at any of NANPAO's operations.
- **Basic salary guarantee:** The Company ensures that employee salaries are above the minimum salary specified in local regulations and guarantees employee benefits.
- **Break time for employees:** We impose reasonable restrictions on working hours and provide employees with paid leave.
- **Employees' freedom of assembly and association:** We respect the choices of employees who have the freedom to join unions.
- **Uphold equality and respect:** We uphold equal treatment to support diversity and we prohibit all forms of discrimination.
- **Anti-discrimination and harassment:** We have established "Sexual Harassment Prevention and Disciplinary Measures" to provide a work environment free from all forms of sexual, physical, or verbal harassment and create a safe and equal work environment.
- **Maternity health protection:** We strive to protect maternal rights and build a work system and environment friendly to employees of both genders.

Employee Benefits

- Retirement Planning and Retirement Protection

The Company complies with related regulations in Taiwan and purchases Labor Insurance, National Health Insurance, and group insurance policies for employees. The Company also established the "Supervisory Committee of Labor Retirement Reserve Fund" to review and supervise the use of the retirement reserve fund. The Company allocates retirement reserve fund each month and pays the full amount required by law in the pension account in the Bank of Taiwan to protect the rights and benefits of retired employees. 100% of the Company's full-time employees are enrolled in the retirement plan.

- Maternity Health Protection and Parental Leave

The Company and the Employee Welfare Committee sign contracts with reputable children daycare centers near plants to provide employees with daycare services and discounts. To support the government's unpaid parental leave policy, we allow employees to apply for unpaid parental leave in accordance with the "Act of Gender Equality in Employment" and the "Regulations for Implementing Unpaid Parental Leave for Raising Children". They may also apply for extensions or early reinstatement based on their personal requirements. They may still be enrolled under the Labor and Health Insurance schemes of the Company during the unpaid parental leave.

NANPAO is committed to protecting maternity rights and creating a friendly work system and work requirements for employees of both genders. The plant nurses actively provide care to pregnant employees, review their work environments for areas that require adjustments, and provide recommendations. We comply with the "Act of Gender Equality in Employment" in Taiwan by setting up breastfeeding rooms and providing parental leave in accordance with laws. **The reinstatement rate from parental leave in 2020 was 100%.**

- Number of applicants for unpaid parental leave from 2018 to 2020

	M	F	Reinstatement rate (%)
2018	0	1	100%
2019	0	4	100%
2020	2	4	100%

Employee clubs

We encourage employees to establish and take part in club activities. NANPAO employees have established a golf club, badminton club, basketball club, and jogging club. Employees exercise after work or on weekends to bond with each other. The activities also help enhance communication and understanding between supervisors and employees after work. They help promote physical and mental health and increase efficiency in business cooperation.



Material Topics

Labor relations

Management Approach

Purpose:

Create a high-quality work environment, protect the rights and interests of employees, and retain talent to enhance the Company's human capital and competitiveness. Create benefits for employees and the employer based on harmonious relations between both parties

Management method:

- Provide employees with training and rotation opportunities and promote talent inside the Company with diverse opportunities for promotions.
- Use a performance evaluation system to regularly evaluate the performance of individual employees based on work objectives and personal records each year.
- Use the Employee Welfare Committee to allow employees to discuss employee welfare issues on their own.
- Use the industry labor union to hold regular labor management meetings with management to create benefits for employees.
- Assign unit managers to communicate with workers regularly.
- Implement a complete internal organization and human resource system.
- Ensure compliance with laws and regulations, and investigate in case of violations.

5.3 Labor Communication

- Code of Conduct Training and Communication

The Company established the "NANPAO Resins Chemical Co., Ltd. Code of Ethical Conduct" to regulate employee conduct, ensure that they meet ethical standards, and ensure that stakeholders understand the ethical conduct standards for employees in the performance of their duties. There were no violations of the Code of Ethical Conduct in 2020. The Company provides training for every new employee and shall continue to provide regular employee training to help employees understand the importance of ethical conduct, prevention of conflicts of interest, profiteering prevention, confidentiality obligations, fair trade, protection, suitable use of company assets, and compliance with laws and regulations.

NANPAO established the "Code of Ethical Conduct" for compliance by all Directors, managerial officers, and employees. We expect all employees to comply with the Company's guidelines in their work and business practices to gain the trust of the public and ensure the sustainable growth and development of the Company. NANPAO also asks domestic and foreign suppliers to sign the Ethical Statement with the aim of promoting the "Code of Ethical Conduct" (targets include the suppliers and customers of subsidiaries), jointly fulfilling corporate social responsibility and ensuring balanced and sustainable development of the economy, society, and the environment.

NANPAO has established an employee opinion mailbox and employee complaint response system. When employees have questions regarding ethical or legal conduct, or when they encounter any form of unfair treatment at the workplace, they can consult the Human Resources Department or use the mailbox to obtain suitable recommendations. They can file reports accordingly to help the Company discover, prevent, and avoid material unethical conduct and violations of government regulations.

- Union

The labor union of NANPAO was established on April 18, 1993. 64.6% of the current employees are members of the union. The Company regularly convenes bilateral communication and collective bargaining with the labor union. We also convene quarterly labor management meetings in accordance with Article 83 of the "Labor Standards Act" and the "Regulations for Implementing Labor-Management Meeting". When necessary, extraordinary meetings may be convened to ensure harmonious labor relations and sustainable development of the Company.



- Communication Channels

We hold regular labor management meetings, bi-weekly meetings, department manager meetings, seminars, and toolbox meetings, along with suggestion mailboxes, the Chairman's mailbox, and other employee complaint mechanisms to provide open communication channels between employees and the employer. If employees find violations of laws or illegal conduct in a unit, they may file complaints and report to the Company through these channels. We hold regular labor management meetings, where the Company's management and representatives of the labor-management meeting learn and discuss issues of concern to employees and propose effective and feasible response plans.

- NANPAO employee communication channels:

Name	Target	Content	Frequency
Mailbox of the Chief Human Resources Officer	All employees	Reports of fraud and sexual harassment complaints	Any time
CEO's Hotline	Employees and investors	Issues in the Company's operations	Any time
Website Customer service e-mail	All employees and external entities	Any issue	Any time
Weekly meetings	All employees	Divisional managers to senior executives report on the Company's business policies and performance to employees	Once every two weeks
Employee Union seminars	Members of the Employee Union	Discussions of employee benefits and labor issues with members of the Union	Once every year
Toolbox meetings	Production units	Employees may raise any questions or difficulties at work or the workplace in the meeting for managers or responsible personnel to provide answers	Once every week
Employee Welfare Committee	Members of the Employee Welfare Committee	Explanation of employee welfare activities and the use of funds to members of the Committee elected by each plant	Once every quarter
Retirement Reserve Fund Committee	Members of the Retirement Reserve Fund Committee	Reports on the monthly retirement reserve fund allocation status and discussions on the calculation of the retirement reserve fund	Once every quarter

5.4 Career Development

- Performance Evaluation

The Company implements semi-annual performance evaluations based on the "Regulations on Employee Performance Evaluation" and KPIs of individual employees. Two performance evaluations are conducted each year. Supervisors provide fair and objective evaluations of employees' performance and target achievement status, and also learn more about employees' conditions through interviews to provide them with suitable support. Supervisors also observe and interact with employees on a regular basis to learn about their work skills and motivation for career development. The Company plans on-the-job training or projects based on employees' needs and provide suitable opportunities for promotions or rotations.



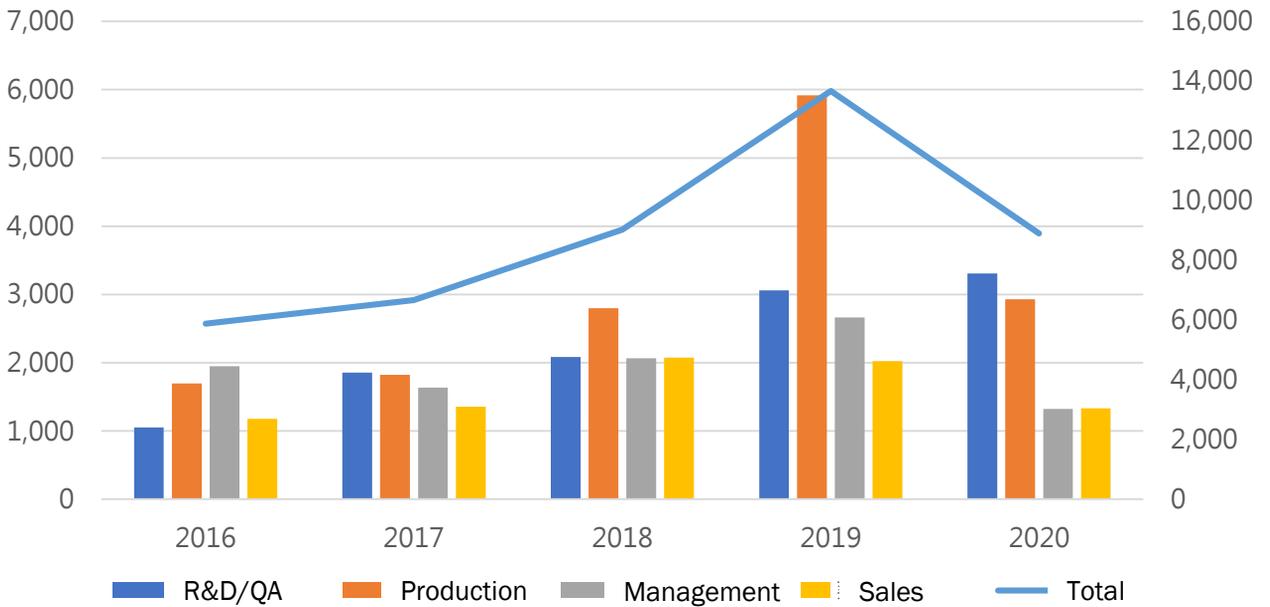
- Training

Human resource development and training are critical for the sustainable development and continuous improvement of the Company. NANPAO's training policy focuses on developing skills necessary for the organization based on the Company's vision and strategy. The goal is to continuously improve core capabilities by incorporating the corporate culture and values into employees' works and actions. We seek to continuously improve our core competencies, develop unique competitive advantages, train comprehensive/international management talents, and create an organizational culture that supports training.

We have actively promoted digital learning in recent years to help the Company and employees adapt to the rapidly changing needs of the environment. We have launched digital systems such as the online learning platform and online English learning platform to create an innovative and diverse learning environment that frees employees from time and spatial constraints for learning. They can also use the results of their studies in their work and continue to enhance their work skills.



• Number of training hours by department at NANPAO



NANPAO focused on R&D and QC training in 2020 to increase the Company's product R&D capacity. Due to the outbreak of the COVID-19 epidemic in 2020, we have reduced the number of classroom courses and actively invested in the digital platforms and courses to implement epidemic prevention measures. We use online courses and digital materials for all online courses to facilitate the preservation of course materials.

Material Topics

Occupational safety and health

Management Approach

Purpose:

We regard employees as important assets of the Company and contractors as important partners. We strive to reduce risks in the work environment to protect the safety and health of employees and contractors.

Management method:

- Establish the Occupational Safety and Health Committee for safety and health reviews and preparation.
- Provide employees and contractors with comprehensive safety and health management and training to implement systematic management of chemicals, avoid accidents caused by inappropriate use or exposure, and prevent harm to employee health.
- Require contractors to meet the Company's safety and health standards
- Set a goal for achieving zero occupational safety incidents

5.5 Occupational Safety and Health

The Company established the "Occupational Safety and Health Policy" as the highest guiding principle for safety and health management to create a safe, healthy, and comfortable work environment and reduce the occurrence of occupational accidents. We focus on safe operations as the primary concern and continue to improve management measures by actively improving the workplace environment, production equipment, and operation methodology and protect the safety and health of workers and stakeholders. There were no severe process safety incidents in 2020.

- Occupational safety and health management system

NANPAO began the implementation of the OHSAS 18001 Occupational Safety and Health Management System in 2000 and passed the renewal certification for ISO 45001:2018 Occupational Safety and Health Management System in 2020. We established hazard identification, risk assessment, and control methods as well as management, supervision, and improvement measures to prevent safety and health-related accidents in plants.

- Labor and management's co-creation of a safe and healthy work environment

NANPAO established the "Occupational Safety and Health Committee" in 2001 as the highest authority for reviewing and preparing safety and health management. The management representatives of each plant take turns serving as the chair of the Committee. The Committee is responsible for drafting, coordinating, and supervising affairs related to the environment, safety, sanitation, and health in the plants. It convenes regular quarterly meetings and safety meetings for individual plants every two weeks to review the discrepancies found in audits, assess the improvement, and prevent the occurrence of occupational accidents.

- Maternity health protection measures

The Company protects the health of female employees during all stages of pregnancy from planning pregnancy, pregnant, before or after one year of childbirth, until the breastfeeding stage. For jobs with maternal health hazards, occupational safety personnel, nurses, and unit supervisors assist in arranging environment inspections as well as hazard assessment and control. They also work with occupational health physicians and nurses to manage individual cases, conduct interviews, implement health risk assessments and risk classification, and provide advice on suitable work arrangements and care for all different stages of pregnancy. Once the occupational health physician verifies the health conditions of the employee, the employee shall be notified and the Company shall respect her work preferences to ensure employment equality and maternity protection. We completed maternity protection assessments for 16 employees in 2020.

The Company has strengthened protection mechanisms for the initial stages of pregnancy. After receiving a report of a pregnancy, we issue pink uniforms to prevent accidents (e.g., collisions and pats on the shoulder) and provide pregnant employees with dedicated parking spaces.



- Increase occupational health awareness with actual demonstrations

Employee safety is a top priority in the chemical industry. The safety and health management unit actively promotes occupational safety training and exercises for employees in their training programs. We establish a training and drill plan every year and implement training in accordance with the plan.



- Increase occupational health awareness with training in 2020

Training Item	Month												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Sep	Oct	Nov	Dec
Training for new employees	0	0	0	0	0	0	0	0	0	0	0	0	0
Training for supervision personnel	0												
Self-defense fire organization			0						0				
Joint nighttime emergency response drill					0								
Large-scale evacuation drill						0							
Joint nighttime emergency response drill								0				0	
Fire safety training for all employees										0	0	0	0
Large-scale evacuation drill						0							0

The Company has strengthened training to enhance employees' understanding of workplace safety and health and the rights and interests of workers for occupational hazards protection. The training helps workers understand their labor rights and the potential hazards in the workplace. We arrange courses on occupational safety and health hazards and work with the Institute of Labor, Occupation Safety and Health of the Ministry of Labor and China Productivity Center.





5.6 Plant Safety Management

- Emergency response

All plants have established emergency response regulations. The emergency response assembles every year to conduct onsite drills. They implement environmental or safety and health systems and accident prevention measures and conduct emergency rescue and response drills to ensure that the Company can immediately initiate countermeasures in the event of an accident. The Company must quickly prevent or reduce the impact of injuries, property damage, and interruptions of production caused by such incidents, and implement post-disaster recovery.

- Mobile inspections

We introduced the mobile inspection management system to effectively manage and verify the normal operation of equipment in plants. We replaced traditional paper documents with tablet computers to implement digital safety inspections of plants and equipment. We implement inspections with paperless operations and monitor the inspection conditions in real-time to reduce the possibility of irregularities and risks. The back-end system also incorporates inspection records to produce analyses and reports to ensure the effective advanced control and management.

5.7 Health Management



- All NANPAO plants in Taiwan have received the CPR+AED Safe Workplace certification.

- Hypertension prevention activities

The Company has set up blood pressure machines in the security guard posts of each plant to allow employees to take regular blood pressure measurements. Plant nurses track and manage employees with abnormal results during health examinations, and post information on hypertension prevention on the bulletin boards throughout the plants.

- First-aid training (AED+CPR)

The Company seeks to prevent emergencies in plants such as cases of cardiac arrest due to sudden arrhythmia. If electric shocks and cardiac massage can be provided within one minute, the success rate of first aid can be increased. In 2015, NANPAO installed AEDs in the security guard posts of the plants and has since trained employees on CPR and first aid, which are essential skills during times of emergency. We regularly hold CPR and first aid training courses and we have trained 459 employees.



- Chemical management

The Company has implemented Chemical Control Banding (CCB) since 2019 to prevent health hazards to employees caused by chemical exposure during operations. CCB is based on risk assessments and tiered management. It uses a risk matrix to determine the risk level and management methods (overall ventilation, engineering control, isolation, special regulations, etc.) based on the characteristics of health hazards of chemicals and their usage conditions. We then take effective control measures to implement improvements for higher risk workplaces

- Intelligent Management Systems

We introduced the smart environmental health and safety risk management platform, "EHS Cloud" in 2020 to adopt a diverse range of rapid, easy-to-use, and effective management tools for EHS management operations. The regulation identification and inspection system "Legal Cloud" monitors updates internally and externally and automatically matches them to the inspection procedures of plants to ensure automatic alerts for compliance risks. It also implements collaboration and organization between different units to respond to ISO regulation identification, audits, and stakeholder requirements.

The hazard identification and risk assessment system "Risk Cloud" facilitates multilateral collaboration for collecting information on risks that may affect an entire region. It also uses different evaluation methodologies for risk rating, matrices, and follow-up of improvements.

The chemical management system "Chemical Cloud" is a one-stop chemical management platform that is used to organize the hazard identification information in the Safety Data Sheet (SDS) of hazardous chemicals in the plants, regulations of different authorities, and risk management.

The license and training management system "License Cloud" automatically matches the number of missing licenses with plant license information, notifies management with training assignment plans, provides automatic reminders for license expirations, and provides forecasts for reports.

- Health center and health examination

NANPAO hired a full-time in-house nurse and established the health center to provide first aid, emergency response service, one-on-one health consultation, and employee health management. We provided employees with more access to medical resources and professional consultation, and also appointed occupational health physicians to provide onsite services each month for operation risk identification and improvements. They provide employees with consultation for their health problems, help them track and manage health problems, and refer them to other medical services.

NANPAO provides all employees with health examinations every two years and actively encourages employees to manage their own health. The Company implements tiered management based on the results of employees' health examination reports and issues notifications for anomalies and additional inspections. We ask employees to seek medical attention as quickly as possible and sign contracts for discounts on medical services with hospitals. We provide care for employees who require regular medical appointments and follow up on their future appointments.

Year	2018	2019	2020
Number of employees included in regular medical examinations	569	3	434
Number of employees included in special medical examinations	441	454	482

The Company arranges annual health examinations for special health hazards based on the results of environmental tests conducted by occupational safety and health personnel for different special workplaces. Occupational health physicians evaluate the ratings and results and implement comprehensive tiered management. We provide personal health guidance to employees who require level 2 management and arrange consultation and training by occupational health physicians on prevention of occupational diseases and hazards.



In 2020, the level 2 management in plants in Taiwan targeted occupational hearing loss, pneumoconiosis, benzene or benzologue poisoning and related complications, toluene diisocyanate poisoning and related complications, poisoning by chromic acid and its salts, and potassium dichromate and related complications, along with follow-up management.

- Hazard identification and risk assessment mechanisms

NANPAO pays close attention to the workplace environment and safety for employees. We also established accident incident reporting and investigation mechanisms. In the event of an accident, the onsite nurse immediately provides assistance to the injured employee and evaluates whether the employee's working conditions requires adjustments. Starting from 2019, we changed the accident investigation table and correction and prevention measures to a digital approval system which greatly reduces the time required for operating procedures and ensures more effective tracking and improvements. Starting from 2020, we consolidated all incidents into one report which is published on the Company's cloud website every month. We also implemented improvement measures to reduce the frequency of occupational accidents.

There were 50 near miss incidents in 2020, 14 fewer than in 2019. 12% of accidents were during commutes, 30% were leaks, and 6% each involved fires, falling objects, and collapses.



5.8 Occupational Safety Management

- 2020 occupational injury statistics

Category	Item	2016	2017	2018	2019	2020
Number of deaths in 2020	Total work hours	1,223,744	1,302,272	1,390,528	1,389,352	1,380,040
	Deaths of female employees	0	0	0	0	0
	Deaths of male employees	0	0	0	0	0
	Total deaths	0	0	0	0	0
Total work days in 2020	Total work days of female employees	37,999	38,441	40,201	41,091	40,161
	Total work days of male employees	114,972	124,343	132,610	132,578	132,344
	Total work days of all employees	152,971	162,784	172,811	173,669	172,505

Category	Item	2016	2017	2018	2019	2020
Occupational injury rate	Number of disabling injuries of female employees	1	1	0	0	0
	Number of disabling injuries of male employees	9	0	3	4	4
	Total number of disabling injuries	10	1	3	4	4
Total number of cases of occupational diseases	Total number of cases of occupational diseases of female employees	0	0	0	0	0
	Total number of cases of occupational diseases of male employees	0	0	0	0	0
	Total number of cases of occupational diseases of all employees	0	0	0	0	0
Work loss rate	Number of work days lost of female employees	2	475	0	0	0
Number of work days lost	Number of work days lost of male employees	370	0	72	46	134
	Number of work days lost of all employees	372	475	72	46	134

- Supplier and contractor safety management

NANPAO has established the Contractor Safety and Health Management System to ensure the safety of the employees of the Company and contractors in the plants. We adopted key checkpoints for contractors that enter the plant for construction. A list of that may cause casualties or significant property damage such as elevated work, confined space work, electrical and fire work, and hazardous gas/chemical leakage, has been identified and communicated regularly with suppliers and contractors so they will enhance their environmental, safety, and health performance.

We convene Contractor Conferences each year to explain NANPAO's safety and health regulations and measures to each contractor. We also require contractors to cooperate with the Company's safety management to ensure their work safety. We plan to invite all contractors to sign the safe partnership declaration in 2021.



Pictured above: 2020 Contractor Conference

We implement adequate tanker and truck safety management to avoid accidents in transportation. For the tanker trucks, we monitor the tire pressure, tank pressure, fluid level, and valves for leaks, and apply for dangerous goods transportation permits in accordance with laws.

There were no leaks or traffic accidents involving suppliers, contractors, customers, and tanker trucks for raw materials and nitrogen in 2020.

Participation and training for occupational safety and health workers

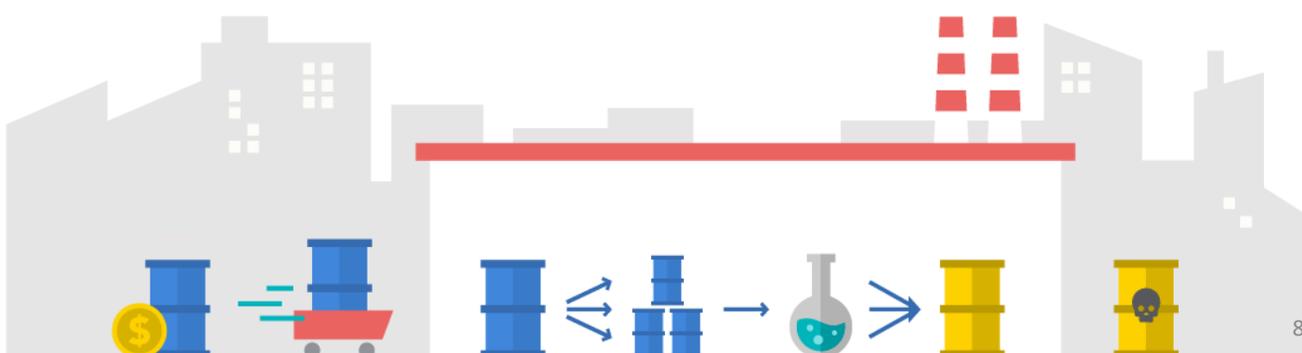
- Training for supervision personnel

We train supervisory personnel on construction safety. Their training includes: 1. General operations, 2. Fire operations, 3. Elevated operations, 4. Roof operations, 5. Confined space operations, and 6. Crane operations. Employees who qualify in tests receive a supervisory personnel badge. During any construction, supervisory personnel carry out preliminary construction safety and health inspections to reduce and prevent construction safety hazards.



- Training for emergency response after contact with corrosive chemicals

The Company has strengthened training to enhance employees' understanding of workplace safety and health and the rights and interests of workers for occupational hazards protection. The training helps workers understand their labor rights and the potential hazards in the workplace. We arranged training for emergency response after contact with corrosive chemicals in plants in 2020. 403 employees took part in the training.



- Emergency response

NANPAO minimizes potential injuries, property losses, and environmental impact caused by accidents by ensuring correct and effective response strategies and procedures in case of emergencies. We have planned special training programs for employees to continuously improve emergency response of all employees and strengthen their disaster relief and response capabilities in the plant.

Training content includes:

1. Emergency response information: Includes layout of the plant, equipment layout, and response procedure diagrams.

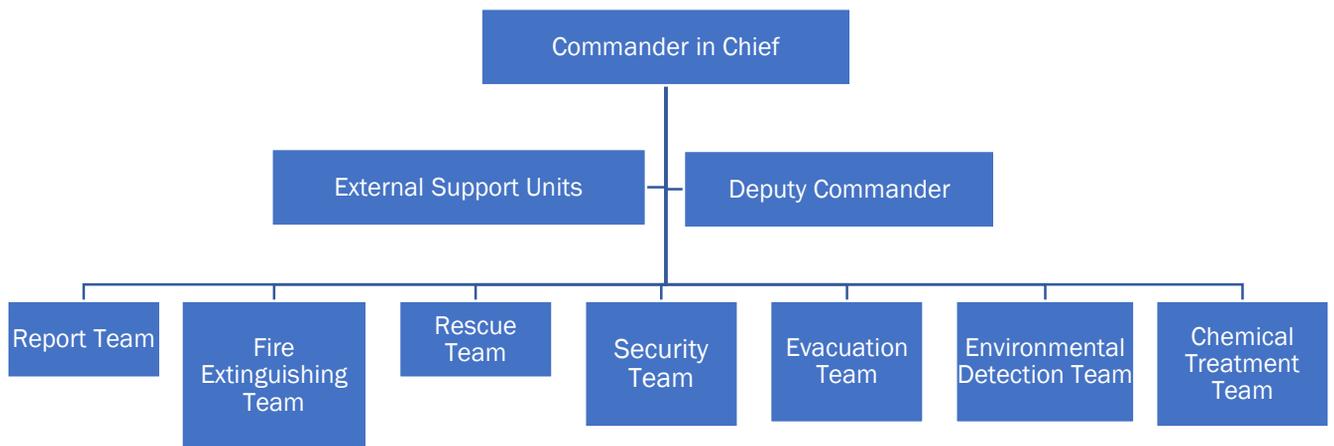
- Fire safety equipment includes the fire safety system and broadcast system.
- Response equipment includes protective clothing, personal protective equipment, portable personal air breathing apparatus, portable detectors, leakage treatment equipment, and warning equipment.

2. Standardized procedures and enhanced employee training

3. The Company trains employees regularly to familiarize them with emergency response skills such as reporting incidents, disaster relief, site control, evacuation of injured, and providing support with disaster relief facilities. The types of training are as follows:

- Emergency response team training includes basic, advanced, and response courses.
- The Company organizes fire safety training for all employees every year in accordance with laws.

- The organization of the emergency response team is as follows:



5.9 Positive Supplier Relations

Material Topics

Supplier environmental assessment / supplier social assessment

Management Approach

- Purpose:

Work with supply chain partners to ensure sustainable development of the supply chain

- Management method:

We require suppliers to sign a letter of undertaking for social responsibility to ensure that they meet social and ethical standards, comply with laws, and actively address environmental protection issues. Procurement units assess the impact of suppliers on the environment, labor, human rights, and society. If they identify a significant impact, they shall provide assistance in improving or terminating the contract. We control and monitor supplier behavior and work conditions through good communication channels and regular meetings.

- Supplier sustainability management policy

The Company ensures that the suppliers meet social and ethical standards, understand and comply with the law, and actively address environmental protection and socially relevant issues in their supply of products and services in order to achieve the goal of sustainable development of the supply chain. They must be committed to corporate social responsibility as well as continuous improvement and enhancement. **The Company has provided the "Supplier Code of Conduct" with 81% (445) of our suppliers signed and the "Letter of Undertaking for Environmental Protection Requirements" with 54% (240) of our suppliers signed. They are used as one of the criteria for supplier selection.** We also provided the "Restricted Substance List (RSL)" with 60% (30) of our suppliers to manage the sources of materials and ensure that NANPAO meets requirements for the use of restricted substances.

In response to the constantly evolving requirements for sustainable development, the Company will incorporate the aforementioned "Supplier Code of Conduct" and "Letter of Undertaking for Environmental Protection Requirements" into the "NANPAO Supplier Code of Conduct" starting from 2021. We will also expand the list of suppliers for whom signature is required to the suppliers of NANPAO Group and **set a target for obtaining at least 70% signature approval this year.** As NANPAO has operations in Taiwan, China, Vietnam, and other countries, procurements units set additional evaluation standards for differing types of cases presented by local regulations. Local operators will set related terms in the contracts to ensure that suppliers meet requirements. In 2020, we have listed zero suppliers for suspended transactions due to product quality, delayed delivery, or significant or potential environmental impacts.



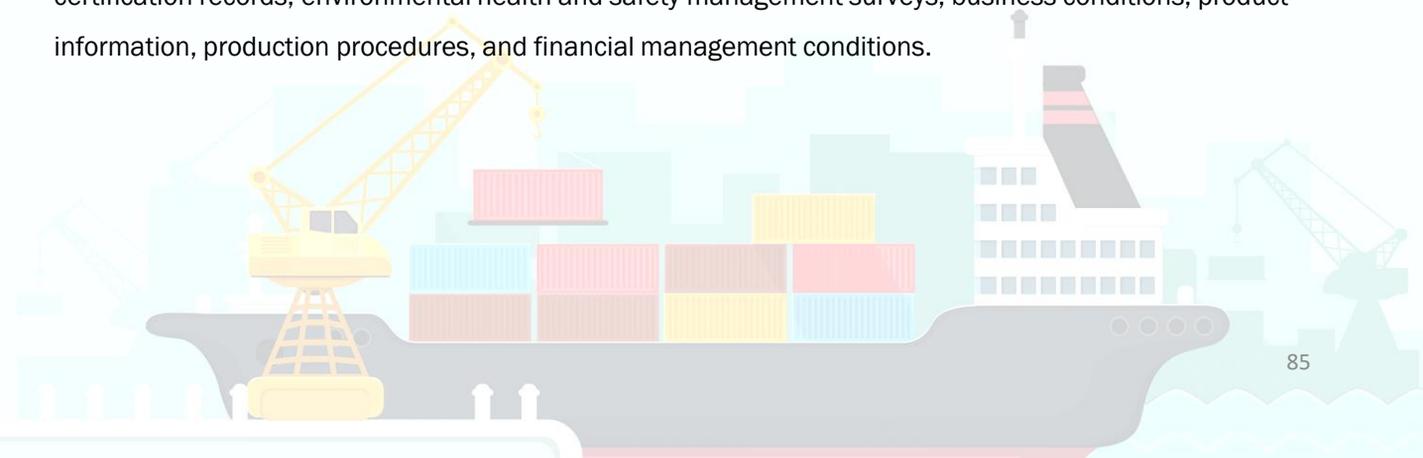
- NANPAO Supplier Management Procedures

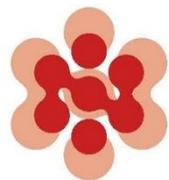
Selection of new suppliers	<p>The Company established the "New Supplier Questionnaire Data Sheet" for new suppliers and surveyed direct and non-direct plants. The questionnaire includes basic information of the supplier as well as detailed surveys and verification of its quality control system, quality control inspection, incoming material inspection, production supply system, production rate, machine utilization rate, transportation equipment, R&D system, environmental pollution prevention system, and product abnormality management system.</p> <p>Suppliers must meet NANPAO's requirements before they may be considered as NANPAO's suppliers.</p>
Supplier evaluation	<p>The Company organizes periodic training courses for suppliers.</p> <p>Publish and communicate NANPAO's supply chain management practices</p> <p>Supplier rating and management: Suitable suppliers must pass the "supplier evaluation" which rates suppliers on their quality management system, production and supply capability, technology development capabilities, environmental protection and pollution management, product abnormality management. Only qualified suppliers are accepted and included in the "Supplier List".</p> <p>The Company implements annual supplier evaluations and three units responsible for quality control, warehousing, and procurement work together to rate the quality, delivery schedule, and service. A supplier's qualifications may be canceled if its rating is below the standard.</p>

- Material procurement management

NANPAO is committed to maintaining long-term partnerships with domestic and foreign suppliers to establish a stable and sustainable supply chain. We regularly evaluate quality, delivery, transaction status, and support in services to ensure the quality and stability of our products. We also encourage suppliers to focus on protecting the environment, improving safety and health, and upholding human rights to jointly fulfill corporate social responsibility.

NANPAO requires all suppliers to abide by the requirements of the Product Quality Management System and Environmental Safety and Health Management System. We use rigorous supplier procurement procedures to review all criteria of suppliers. The criteria include the basic information of the Company, related licenses, quality certification records, environmental health and safety management surveys, business conditions, product information, production procedures, and financial management conditions.





COMMUNITY PARTICIPATION



Materiality

Local community impact assessment

Managing Policy

Purpose:

Pay attention to the ecological protection, environmental impact, personal and property safety and educational development of local communities in the operating area.

Management method:

- Ensure that the location of operation does not destroy the ecology, and be the protector of nature.
- Develop management measures to actively treat and manage emissions such as waste gas, wastewater, and waste to minimize environmental impact.
- Establish and improve the occupational safety management system, and organize emergency response teams to conduct regular drills to ensure timely response and minimum impact on the community in case of any incidents.
- Established the NANPAO Foundation and actively participate in the educational development with schools in the community where the operation locates, and actively cooperate with charities to care for the underprivileged people or groups in the communities where we operate.

6.1 Community Health and Safety

As a chemical manufacturer, NANPAO actively undertakes various protective measures so as to not influence the neighboring community with odors from produced chemicals and emissions of hazardous substances. Since the plant area contains many chemical substances, the chemical smells often escapes into the air. We have changed from feeding materials through manholes in reaction tanks to diaphragm pumps to avoid the chemicals contacting air. This reduces the odors and exposure to operators. Subsequently, we performed reform for worn equipment components in the plants (e.g., shaftless motors, open-blind assembly, autonomous inspection, etc.) to improve the odor problems in the plants. Moreover, NANPAO plans to recycle 100% of its effluents in upcoming years. The wastewater will no longer be discharged to the Liu-cuo drainage system, so there will no longer be a problem of water pollution from effluents. We also strive to reduce VOCs and emissions from products and production processes from their sources, thus lowering its impact on the community environment.

NANPAO has prepared protective measures for normal disasters, natural disasters, and chemical leaks. We also regularly undertake safety drills every year to minimize the impact of disasters on the community environment.



NANPAO believes in the importance of giving back to society and particularly the local community. Besides being committed to pursuing technical innovation and service quality, we also actively promote social culture and are dedicated to fostering the next generation. Moreover, we also exercise our responsibility to care for senior citizens. In 2007, the NANPAO Social Welfare Foundation was established to help the Company fulfill corporate social responsibility through three major aspects, “talent cultivation,” “caring for senior citizens,” and “caring for disadvantaged groups.”

6.2 Educating School Children

After-school Coaching, Art Classes, and Summer and Winter Camps for Elementary Schools:

Due to increasingly open policies and social changes, socioeconomic gaps have widened, which had led to different challenges faced by single-parent families, intergenerational families, and foreign families. Xigang District is a remote area of Tainan City, and its income standard is far lower than the national average. Children from such family backgrounds may have limited resources and education is one way to help them improve their future lives and pursue their dreams.

We provide diverse cultural learning opportunities for all types of children. We respect the differences among children so they can further unleash their diverse potentials and creative skills. Based on this philosophy, NANPAO Foundation has teamed up with 6 elementary schools in Tainan, including Si Gang Elementary School, Gang Dong Elementary School, Hou Ying Elementary School, Song Lin Elementary School, Cheng Gong Elementary School, and Wen Nei Elementary School in the remote Jiali District. We jointly organize after-school classes, clubs and summer and winter camps for the disadvantaged students. The courses are conducted by school teachers from these schools and tailored to the students’ needs. In addition to academic development, club activities designed to enhance students’ positive interests in arts and athletics are also included.

- 2020 Talent Cultivation Activities (Only major events are listed.)

Target	Description
Si Gang Elementary School, Cheng Gong Elementary School, Hou Ying Elementary School, Wen Nei Elementary School	After-school classes, clubs, summer and winter camps
Gang Dong Elementary School	After-school classes, clubs, summer and winter camps, and book donations



Photos: After school lessons and activities at the elementary schools in the local community

6.3 Caring for Senior Citizens



- Huashan Social Welfare Foundation:

With the increasing concern over population aging in Taiwan, the problems and needs of senior citizens have attracted more social attention, and even more, commitment should be made to solve these issues. After contacting Huashan Social Welfare Foundation, an NGO committed to the welfare of senior citizens throughout Taiwan, NANPAO Social Welfare Foundation has learned that there still lacks sufficient caring for senior citizens. Therefore, we partner with the Xigang Angels Team of Huashan and call on the Company's employees to donate gift baskets during the Dragon Boat Festival, Mid-Autumn Festival, and Chinese New Year holidays. The gifts are then delivered in person by the social workers of Huashan to the homes of all senior citizens as a token of caring for senior citizens with physical disabilities or those residing alone. To implement at-home caring for senior citizens on a larger scale, we purchased a designated service vehicle for Xigang District, and provided funds for Huashan's professional social workers to care for senior citizens residing alone. Social workers take turns accompanying the senior citizens on medical visits, assist with bathing, deliver nutrients and food, etc. Besides providing physiological needs, social workers also chat with senior citizens residing alone, helping them to regain self-confidence and their purpose of life.

- Senior Citizen Welfare Association and Community Events

Though the number of senior citizens is not significantly high in terms of population ratio at Xigang District, Tainan City, along with most young people have migrated towards the city for work, some senior citizens still suffer from loneliness despite having sufficient material resources. To encourage the senior residents of Xigang District to participate in social activities to maintain physical and mental well-being, NANPAO Foundation collaborates with Xigang District Senior Citizen Welfare Association to organize activities and luncheons on Double Ninth Festival. In addition, we also provide funds for Qing-an Community in Xigang District to organize a zongzi DIY event on Dragon Boat Festival. The delicious zongzi (rice dumplings) are then given to all elderly citizens who are disabled, residing alone, or disadvantaged so that all families at Xigang can enjoy warm, heartfelt festivity. Furthermore, NANPAO Foundation also joins Shulin Community Development Association in Qigu District to establish Shulin Community Senior Citizen Day Care School. Senior citizens residing alone in the community are arranged to participate in classes to enrich their daily lives and to boost their confidence through participating in contests with the skills they have learned from these classes.

- 2020 Senior Citizen Caring Activities (Only the major events are listed.)

Target	Description
Huashan Social Welfare Foundation	At-home service, gifts on holidays, and corporate volunteer visit
Xigang District Qing-an Community Development Association	Dragon Boat Festival welfare event
Qigu District Shulin Community Development Association, Tainan	Shulin Community Senior Citizen Day Care School
Xigang District Senior Citizen Welfare Association	Double Ninth Festival welfare event



Photo : NANPAO employees joined charity service with Hua Shan Foundation

6.4 Caring for Disadvantaged Groups

As the income gap has largely widened in Taiwan within the last decade, wealth and resources have come to be dominated by a small minority. Located in a remote area, NANPAO has firsthand experience of the difficulties in life. Therefore, NANPAO Foundation also provides emergency relief in the face of abrupt challenges for disadvantaged families. Since the Foundation was first established in 2007, we have offered emergency relief to help with medical, funeral, and livelihood problems, and provided tuition allowance for children from low-income families.

In addition, we also subsidize multiple foundations in Tainan that are in need of financial support, which helps spread NANPAO's love and care to even more remote corners. Non-profit groups that we have assisted include Tainan Xinzhi Welfare Association, Tobias Social Welfare Foundation, Chao Hsing Social Welfare Foundation, Love Child Care Foundation, Eden Social Welfare Foundation, Tainan Welfare Association for the Aurally or Verbally Challenged, etc. NANPAO also collaborates with Taipei Medical University and provides funds for neuro-regeneration medical research in Taiwan. We hope to see more research breakthroughs in the field of neuro-regeneration, which can benefit everyone in Taiwan.

Photo: Eden Social Welfare Foundation attended NANPAO Charity Baseball Day (left); NANPAO's guest threw the first pitch



- 2020 Disadvantage Caring Activities (Major events listed.)

Target	Description
Tobias Social Welfare Foundation	Tuition allowance
St. Raphael Opportunity Center	Home appliances and consumables donations
Eden Social Welfare Foundation	Employment training working
Children Are Us Foundation	Baking Training for disables
Chao Hsing Social Welfare Foundation	Medical supports for children with mental disabilities
Tainan Ciguang Xinzhi Welfare Association	DIY Crafts Class

- 2020 Other Donations (Major events listed.)

Target	Description
Tainan City Government Fire Bureau	Fully equipped ambulance
Chia-Yi Christian Hospital	Operation room equipment
Eden Social Welfare Foundation	Emergency and funeral Allowances

Photo: NANPAO donated books and presented reading awards



From 2018 to 2020, NANPAO Social Welfare Foundation has made the following contributions (listed by category and amount):

	Children's Education	Caring for Senior Citizens	Caring for Disadvantaged Groups	Emergency Relief	Other	Total
2018	1,968,000	860,000	822,000	1,000,000	2,122,000	6,772,000
	29%	13%	12%	15%	31%	100%
2019	2,133,233	600,000	466,000	720,040	1,685,459	5,604,732
	38%	11%	8%	13%	30%	100%
2020	2,257,181	730,000	500,000	300,340	1,202,390	4,989,911
	45%	15%	10%	6%	24%	100%



In addition to the Social Welfare Foundation, NANPAO also donated NT\$5,732,750 to social welfare groups and communities in 2020 to support community development



Photo: NANPAO donated ambulances to the community fire station for the fourth time



Image: NANPAO hosted a joint blood drive

6.5 Community Care

The Company hosted a joint blood drive in Xigang District in July 2020. Affiliates of NANPAO Group including Biorich Biotechnology Co., Ltd. and Apogee Optocom Co., Ltd. also provided lucky draw prizes. We assembled employees and residents of the community to take part in the blood drive and donated 438 bags of blood. The results provided much-needed relief for the blood bank.

NANPAO and Apogee Optocom jointly organized a beach clearing activity at Qigu Lagoon on November 21. The event was part of an ecological education tour which delighted the participating volunteers. Volunteers received instructions on beach clearing and sand dune restoration. Another important task for that day was to monitor beach waste. We sorted and calculated the volume of different types of beach waste to help relevant units compile statistics on the types and main sources of beach waste to implement management at the source of the waste. The process of hands-on beach clearing also increased people's awareness of the necessity of reducing the use of disposable items. We cleared 2,080 objects from the beach during the event. 64% of them were general domestic waste and 31% were waste from offshore operations and vessels. The event helped volunteers understand the importance of waste reduction.

After the event, we headed to the community library where we shared our experience and communicated the importance of environmental protection to more families and friends through storytelling with illustrated books.



Image: NANPAO organized the Qigu Lagoon beach clearing event



Image: NANPAO hosts environmental protection storytelling with illustrated books for families

SASB Index

Topics	Content	Chapter	Page	Category	Code
Greenhouse Gas Emission	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	4.Sustainable environment	49	Quantitative	RT-CH-110a.1
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	4.Sustainable environment	49	Discussion and Analysis	RT-CH-110a.2
Air Quality	Air emissions of the following pollutants: (1) NO _x (excluding N ₂ O) (2) volatile organic compounds (VOCs) (3) SO _x (4) hazardous air pollutants (HAPs)	4.Sustainable environment	53	Quantitative	RT-CH-120a.1
Energy Management	(1) Total energy consumed (GJ) (2) percentage renewable (%) (3) percentage grid electricity (%) (4) total self-generated energy (GJ)	4.Sustainable environment	46	Quantitative	RT-CH-130a.1
Water Management	(1) Total water withdrawn (2) percentage of each in regions with (3) total water consumed High or Extremely High Baseline Water Stress	4.Sustainable environment	54	Quantitative	RT-CH-140a.1
	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	4.Sustainable environment	54	Quantitative	RT-CH-140a.2
	Description of water management risks and discussion of strategies and practices to mitigate those risks	4.Sustainable environment	54	Discussion and Analysis	RT-CH-140a.3
Hazardous Waste Management	Amount of hazardous waste generated, percentage recycled	4.Sustainable environment	56	Quantitative	RT-CH-150a.1
Community Relations	Discussion of engagement processes to manage risks and opportunities associated with community interests	4.Sustainable environment	83	Discussion and Analysis	RT-CH-210a.1

SASB Index

Topics	Content	Chapter	Page	Category	Code
Workforce Health & Safety	(1)Total recordable incident rate (TRIR) (2)fatality rate for direct employees and contract employees	5.People & society	76	Quantitative	RT-CH-320a.1
	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	5.People & society		Discussion and Analysis	RT-CH-320a.2
Product Design for Use-phase Efficiency	Revenue from products designed for use-phase resource efficiency	3.Innovation momentum	40	Quantitative	RT-CH-410a.1
Safety & Environmental Stewardship of Chemicals	(1) Percentage of products that contain Globally Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances, (2) percentage of such products that have undergone a hazard assessment	3.Innovation momentum	44	Quantitative	RT-CH-410b.1
	Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human and/or environmental impact	3.Innovation momentum	44	Discussion and Analysis	RT-CH-410b.2
Genetically Modified Organisms	Percentage of products by revenue that contain genetically modified organisms (GMOs)	NANPAO uses no GMO		Quantitative	RT-CH-410c.1
Management of the Legal & Regulatory Environment	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	1. Robust governance	20	Discussion and Analysis	RT-CH-530a.1
Operational Safety, Emergency Preparedness & Response	Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR)	5.People & society	80~81	Quantitative	RT-CH-540a.1
	Number of transport incidents	5.People & society	85	Quantitative	RT-CH-540a.2

GRI Standard Index

Number	Disclosure Title	Pages	Undisclosed reason
102-1	Name of the organization	12	
102-2	Activities, brands, products, and services	12	
102-3	Location of headquarters	12	
102-4	Location of operations	12	
102-5	Ownership and legal form	22	
102-6	Markets served	12	
102-7	Scale of the organization	12	
102-8	Information on employees and other workers	65~67	
102-9	Supply chain	84~815	
102-10	Significant changes to the organization and its supply chain	12	
102-11	Precautionary Principle or approach	23~25	
102-12	External initiatives	Not applicable	Not yet occurred
102-13	Membership of associations	23	
102-14	Statement from senior decision-maker	7	
102-15	Key impacts, risks, and opportunities	23~25	
102-16	Values, principles, standards, and norms of behavior	21~22	
102-17	Mechanisms for advice and concerns about ethics	22	
102-18	Governance structure	18	
102-19	Delegating authority	18~20	
102-20	Executive-level responsibility for economic, environmental, and social topics	20	
102-21	Consulting stakeholders on economic, environmental, and social topics	28	
102-22	Composition of the highest governance body and its committees	18	
102-23	Chair of the highest governance body	18	
102-24	Nominating and selecting the highest governance body	18	
102-25	Conflicts of interest	21	
102-26	Role of highest governance body in setting purpose, values, and strategy	18~19	
102-27	Collective knowledge of highest governance body	20	
102-28	Evaluating the highest governance body' s performance	20	

GRI Standard Index

Number	Disclosure Title	Pages	Undisclosed reason
102-29	Identifying and managing economic, environmental, and social impacts	23	
102-30	Effectiveness of risk management processes	23~24	
102-31	Review of economic, environmental, and social topics	31~33	
102-32	Highest governance body' s role in sustainability reporting	20	
102-33	Communicating critical concerns	31~33	
102-34	Nature and total number of critical concerns	31~33	
102-35	Remuneration policies	67	
102-36	Process for determining remuneration	67	
102-37	Stakeholders' involvement	29~30	
102-38	Annual total compensation ratio	68	
102-39	Percentage increase in annual total compensation ratio	68	
102-40	List of stakeholder groups	29~30	
102-41	Collective bargaining agreements	Not applicable	Not yet occurred
102-42	Identifying and selecting stakeholders	28~30	
102-43	Approach to stakeholder engagement	28~30	
102-44	Key topics and concerns raised	31~33	
102-45	Entities included in the consolidated financial statements	15	
102-46	Defining report content and topic boundaries	4	
102-47	List of material topics	31~33	
102-48	Restatements of information	Not applicable	Not yet occurred
102-49	Changes in reporting	Not applicable	Not yet occurred
102-50	Reporting period	4	
102-51	Date of most recent report	4	
102-52	Reporting cycle	4	
102-53	Contact point for questions regarding the report	5, 102	
102-54	Claims of reporting in accordance with the GRI Standards	4	
102-55	GRI content index	96~101	

GRI Standard Index

Number	Disclosure Title	Pages	Undisclosed reason
102-56	External assurance	Not applicable	Not yet included external assurance
201-1	Direct economic value generated and distributed	15~16	
201-2	Financial implications and other risks and opportunities due to climate change	25	
201-3	Defined benefit plan obligations and other retirement plans	68	
201-4	Financial assistance received from government	16	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	67	
202-2	Proportion of senior management hired from the local community	65	
203-1	Infrastructure investments and services supported	Not applicable	Not yet occurred
203-2	Significant indirect economic impacts	Not applicable	Not yet occurred
204-1	Proportion of spending on local suppliers	85	
205-1	Operations assessed for risks related to corruption	21	
205-2	Communication and training about anti-corruption policies and procedures	71	
205-3	Confirmed incidents of corruption and actions taken	21	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	21~22	
301-1	Materials used by weight or volume	50	
301-2	Recycled input materials used	55	
301-3	Reclaimed products and their packaging materials	55	
302-1	Energy consumption within the organization	50	
302-2	Energy consumption outside of the organization	Not applicable	Not included scope 3
302-3	Energy intensity	50	
302-4	Reduction of energy consumption	50~51	
302-5	Reductions in energy requirements of products and services	50~51	
303-1	Water withdrawal by source	58	
303-2	Water sources significantly affected by withdrawal of water	Not applicable	Not yet occurred
303-3	Water recycled and reused	58	

GRI Standard Index

Number	Disclosure Title	Pages	Undisclosed reason
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable	Not yet occurred
304-2	Significant impacts of activities, products, and services on biodiversity	Not applicable	Not yet occurred
304-3	Habitats protected or restored	Not applicable	Not yet occurred
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not applicable	Not yet occurred
305-1	Direct (Scope 1) GHG emissions	53	
305-2	Energy indirect (Scope 2) GHG emissions	53	
305-3	Other indirect (Scope 3) GHG emissions	Not applicable	Not included scope 3
305-4	GHG emissions intensity	53	
305-5	Reduction of GHG emissions	53	
305-6	Emissions of ozone-depleting substances (ODS)	56~57	
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	57	
306-1	Water discharge by quality and destination	58	
306-2	Waste by type and disposal method	60	
306-3	Significant spills	Not applicable	Not yet occurred
306-4	Transport of hazardous waste	61	
306-5	Water bodies affected by water discharges and/or runoff	Not applicable	Not yet occurred
307-1	Non-compliance with environmental laws and regulations	Not applicable	Not yet occurred
308-1	New suppliers that were screened using environmental criteria	84	
308-2	Negative environmental impacts in the supply chain and actions taken	84	
401-1	New employee hires and employee turnover	65~66	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	67~69	
401-3	Parental leave	69	
402-1	Minimum notice periods regarding operational changes	68	

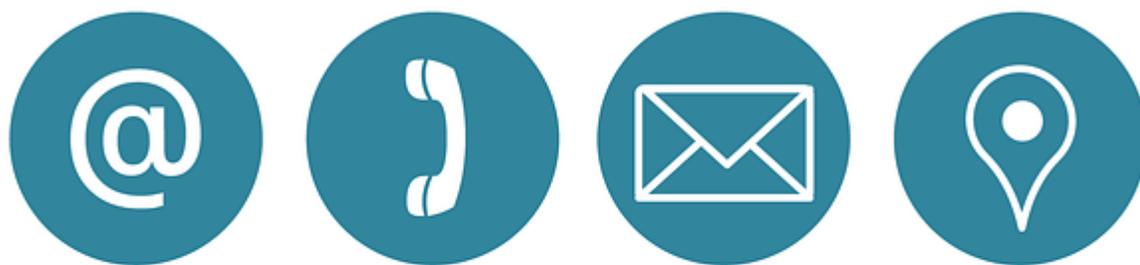
GRI Standard Index

Number	Disclosure Title	Pages	Undisclosed reason
403-1	Workers representation in formal joint management-worker health and safety committees	74~75	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	80	
403-3	Workers with high incidence or high risk of diseases related to their occupation	79	
403-4	Health and safety topics covered in formal agreements with trade unions	82~83	
404-1	Average hours of training per year per employee	76	
404-2	Programs for upgrading employee skills and transition assistance programs	73	
404-3	Percentage of employees receiving regular performance and career development reviews	72	
405-1	Diversity of governance bodies and employees	19, 64~65	
405-2	Ratio of basic salary and remuneration of women to men	67	
406-1	Incidents of discrimination and corrective actions taken	Not applicable	Not yet occurred
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	68	
408-1	Operations and suppliers at significant risk for incidents of child labor	64	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	64	
410-1	Security personnel trained in human rights policies or procedures	67~68	
411-1	Incidents of violations involving rights of indigenous peoples	Not applicable	Not yet occurred
412-1	Operations that have been subject to human rights reviews or impact assessments	67~68	
412-2	Employee training on human rights policies or procedures	67	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Not applicable	Not yet occurred
413-1	Operations with local community engagement, impact assessments, and development programs 3	87	
413-2	Operations with significant actual and potential negative impacts on local communities	87	

GRI Standard Index

Number	Disclosure Title	Pages	Undisclosed reason
414-1	New suppliers that were screened using social criteria	84	
414-2	Negative social impacts in the supply chain and actions taken	84~85	
415-1	Political contributions	Not applicable	Not yet occurred
416-1	Assessment of the health and safety impacts of product and service categories	36	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Not applicable	Not yet occurred
417-1	Requirements for product and service information and labeling	36	
417-2	Incidents of non-compliance concerning product and service information and labeling	36	
417-3	Incidents of non-compliance concerning marketing communications	Not applicable	Not yet occurred
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Not applicable	Not yet occurred
419-1	Non-compliance with laws and regulations in the social and economic area	Not applicable	Not yet occurred





Contact Us

Report issued information:

NANPAO Corporate Social Responsibility Report in 2020 issued in August 2021.

Feedback

Please feel free to contact us if there is any suggestion or question about our Sustainable Report

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