

NAN PAO RESINS CHEMICAL CO., LTD.

2018

SUSTAINABLE REPORT



NANPAO  南寶樹脂

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ABOUT THIS REPORT

This is the Corporate Social Responsibility (CSR) and Sustainability Report of Nan Pao Resins Chemical Group (hereinafter called “Nan Pao” or “the Group.”) This Report discloses Nan Pao’ s CSR results and performances in 2018 (from January 1, 2018, to December 31, 2018). In the future, Nan Pao will publish the CSR Report on an annual basis.

Publication Summary:

Date of Publication of the First Issue: September 2014

Date of Publication of the Previous Issue: July 2017

Date of Publication of the Current Issue: August 2018

References for Compilation:

This Report primarily takes Nan Pao’ s relevant corporate sustainability topics into consideration, and the Report’ s structure and content are based on material topics of stakeholders’ concerns based on their feedback. Concurrently, the Report is also compiled in accordance with the Global Reporting Initiative (GRI) Standards, the global standards for sustainability reporting.

Reporting Themes:

Nan Pao sees “Leadership, Integrity, Teamwork, and Efficiency” as the highest guiding principles to business development. All of our actions, whether for business management, production processes, or the fulfillment of environmental protection and social participation, are founded on these principles. We seek for the truth, full disclosure, immediate improvement, and continuous growth. Moreover, we focus on “innovation” and “continuous improvement” as the cornerstones to our sustainable development. We always hold true to the principles of being honest, humble,

transparent, and open, and report our sustainable concepts and actions to the public.

Reporting Boundaries:

Information disclosed in this Report encompasses Nan Pao' s actions and various performance data in terms of environmental protection, corporate governance, and social participation from January 1, 2018, to December 31, 2018. The boundaries of the reporting contents in this Report include the Head Plant of Nan Pao' s Taiwan headquarters, Bao Li Plant, Plant No. 5, and Bao Yi Plant, and do not include other overseas facilities, reinvestment production, and sales businesses. All financial figures are denominated in New Taiwan Dollars (NT\$).

Addresses of Nan Pao' s headquarters are as follows:

Company Location	Address
Head Office	No. 12, Nanhaipu, Nanhai Vil., Xigang Dist., Tainan City 723
Bao Li Plant	No. 508-510, Zhongshan Rd., Xigang Dist., Tainan City 723
Plant No. 5	No. 506, Zhongshan Rd., Xigang Dist., Tainan City 723
Bao Yi Plant	No. 521, Zhongshan Rd., Xigang Dist., Tainan City 723

CHAIRMAN' S MESSAGE

Having been established for more than half a century, Nan Pao Resins Chemical Co., Ltd. has continued to move forward with the faith in our brand technology and service. Facing an increasingly severe impact made by global warming and environmental pollution, Nan Pao has already invested significant resources to develop water-based, low-pollutant products for many years, working toward a green chemical industry. We continuously improve our green product R&D and production technologies and reduce the quantities of organic solvents and the consumption of hazardous chemical substances. Nan Pao adopts the circular economy as the R&D design concept and launched "Innovative recycled upper" , " Biomass materials" and "Thermoplastic carbon fiber composites" in 2018, which those either use the recycled materials or the end products can be recycled and back into a new manufacturing processes to meet the goal of circular economy. Nan Pao also shoulders the mission and faith of environmental protection. We continue to monitor and reduce carbon emissions and wastewater solid waste volume, strive to protect the environment, and implement standard environmental management systems.

To care for Nan Pao' s most valuable assets -- our employees, we place their safety and health as our first and foremost priority. Besides introducing and complying with the OHSAS 18001 international environmental safety standards, we also make it our goal to reduce occupational injuries to a minimal level. We believe that prevention is more important than improvement. Therefore, we perform risk assessments to comprehensively manage potential risks in our working environments. To build a safe, hazard-free workplace environment, we continue to educate and train our employees and enhance their safety awareness.

Nan Pao strives to realize sustainable corporate responsibility and to make positive contributions to the industry, the market, our stakeholders, and the overall society. Providing stable and safe products for customers is the foundation of Nan Pao' s growth. We care for the community and do what we can for senior citizens, children, and disadvantaged groups. Moreover, we focus on shortening the industrial production processes through innovation, research, and development. In addition to making more profits by going green, we can also assist our customers in creating greater benefits by becoming a green enterprise committed to energy-saving and carbon and waste reduction.

We will keep challenging ourselves in the future to become a leading, world-class enterprise and to continue the R&D of green products and innovative technologies, leading to synergistic growth with this beautiful society and the world.



WU, CHENG-HSIEN

Nan Pao's Sustainable Development

Performance Highlight in 2018

- Corporate Governance:

1. Nan Pao Resins Chemical Co., Ltd. is officially listed on TWSE, under the stock code of 4766 (P.)
2. 2018 EPS was NT\$6.15
3. Bao Li plant and Bao Yi plant have established a Corporate Climate Risk Adaptation System (P.)
4. Appraised by the Bureau of Foreign Trade, MOEA as the Top 500 Excellent Trading Company.
5. Received Supplier Excellence Quality and Service Award from the customer, Interface.

- Environmental:

1. Bao Li plant and Bao Yi plant have established a "Smart Energy Management System" to serve as an integrated management system (P.)
2. Green products accounted for 72% (P.)
3. Greenhouse gas emission intensity decreased by 1%
4. Our Environmental-friendly Water-based Neoprene Glue 105G is ahead of the industry to obtain Taiwan Green Building Materials Label and Singapore Green Label.
5. Energy management system received ISO50001 certification.
6. Environmental system received ISO 14001 certification.
7. Launch of circular-economy products.

- Social:

1. Local suppliers accounted for 78%.
2. Investing in the R&D of PFC-free water repellent.
3. Expenditure on charitable events totaled NT\$6.77 million.
4. Expenditure on education: Supported a total of six elementary schools in Xigang Dist. and Jiali Dist. to provide after-school child-care and talent courses.
5. More than 20 groups together with Nan Pao to create social values.
6. Called for blood donation, with donated blood bags increased by 55% and the number of donors increased by 40%.
7. Received two silver medals from the Ministry of Education.

Nan Pao' s Sustainability Policy:

1. Facing the ever-changing business environment, Nan Pao has always adhered to a prudent business strategy, a long-term strategic planning, and the principle of ethical corporate management, in order to achieve long-term performance of sustainable development.
2. Nan Pao will become a sustainable business, establish long-term partnership with customers and social groups, fulfill corporate citizenship, and maintain advanced standards on safety, health and environment.
3. Nan Pao will take into account of human rights, labor care, workplace safety, anti-corruption, and support local community development
4. Nan Pao will attach importance to environmental sustainability, aiming to reduce the impact on the environment caused by production activities and actively create a safe and healthy working environment

Nan Pao' s Sustainability Goals

	Short-term Goals 2019	Medium and Long-term Goals (2020-2025)
CSR Report	Report be linked to targets covered by SDGs	
Environment, Safety and Health (ESH)	(1). Reduce waste generation (2). Reduce environmental treatment costs (waste treatment) by 5% compared with the previous year (including recycling container fee, air pollution fee, examination fee, waste disposal fee, inspection fee, consultant fee, and administrative fine) (3). Reclaim 20% of discarded resin to be reused in the manufacturing process. (4). : Reduce waste solvent by 20% from the previous year (5). Complete the upgrade of ISO45001	Achieve zero discharge of wastewater in 2025

Supplier Management	Strengthen the signing of Supplier Code of Conduct and commit to the suppliers' performance in the environmental and social dimensions.	<ol style="list-style-type: none"> 1. Strengthen the promotion of the social and environmental dimensions in the content of the "On-site Supplier Audit", and increase the number of suppliers receiving an on-site audit. 2. Hold supplier conferences, in which education and training for suppliers are provided, and interaction and communication with suppliers is conducted, so as to exchange each other' s approaches in implementing sustainable development and make continuous progress.
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UN Sustainable Development Goals (SDGs) Corresponded to Nan Pao' s CSR Projects :



1. No Poverty:

Organize charitable donations and educational sponsorships.
Salaries in all regions meet or exceed the minimum wage standards as required by local laws and regulations.



3. Good Health and Well-Being:

Provide a variety of physical examination, at-factory physical examination, and dissemination of health awareness at irregular intervals.
Subsidize diverse club activities inside and outside the enterprise.
Sponsor sports events and cycling teams to promote sports development.



4. Quality Education:

Invest in education and provide a diverse business internship and employment projects.
Cooperate with a total of six elementary schools in Xigang Dist. and Jiali Dist. to provide after-school child-care and tutoring.



5. Gender Equality:

Establish a gender-friendly workplace.



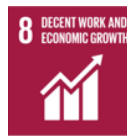
6. Clean Water and Sanitation:

In 2018, the volume of reclaimed effluent was 5,341 metric tons, an evidence of the philosophy of continuous recycling and reuse.



7. Affordable and Clean Energy

Supported the use of renewable energy; established a solar power generation system.



8. Decent Work and Economic Growth:

Hired employees with physical and mental disabilities

Banned child labor and forced/compulsory labor

Gender equality; equal pay for equal work



9. Industry, Innovation and Infrastructure

Developed green products to reduce the environmental impacts from the products.

Nan Pao Materials Viet Nam Office received the LEED-Gold certification.



11. Sustainable Cities and Communities:

Participated in the "Factory Smart Energy Demonstration Project" launched by the Industrial Development Bureau, so as to strengthen energy performance monitoring capabilities



12. Responsible Consumption and Production:

Researched, developed and launched green sustainable products and circular-economy products to reduce the environmental impacts from the products.



13. Climate Action:

Constructed a Corporate Climate Risk Adaptation System to respond to extreme climate changes and effectively reduce natural disaster losses.



14. Life below Water:

Developed a PFCS-free water repellent product to reduce marine bio-hazards.



16. Peace, Justice and Strong Institutions

Formulated the "Ethical Corporate Management Best Practice Principles" and "Code of Ethical Conduct" to promote the importance of anti-corruption.

ABOUT NAN PAO

Company Introduction

As a leading adhesive and special chemical substance manufacturer, Nan Pao provides pioneering processes and high-quality products and services. Our greatest advantages are our abilities to meet customers' needs and provide comprehensive solutions so that customers' products can achieve competitive advantages.

Company Name	Nan Pao Resins Chemical Group
Number of Employees	Approximately 2,956 employees worldwide
Year of Establishment	1963
Main Products	Adhesives, footwear materials, coatings, special chemical materials, and hot melt adhesives
Industries of Affiliated Companies	Electric components and biotechnology research
Address of the Headquarters:	No. 12, Nanhaipu, Nanhai Vil., Xigang Dist., Tainan City 723
Operational Sites of the Group	Taiwan, China, Vietnam, Thailand, Indonesia, India, the Philippines, Malaysia, Singapore, and Australia
Company Type	The Company was listed on the Taipei Exchange in July, 2017, Stock Code: 4766 The Company was officially listed on the TWSE in November, 2018, Stock Code: 4766

Main Products (Services)

Nan Pao plays an important role in the Taiwanese adhesive industry. Founded in 1963, Nan Pao produces a variety of adhesives and has gradually invested in productions of liquid and powder coating, footwear adhesive, and hot melt adhesive businesses. As the

Company's scale of operation expanded, we also began to expand to overseas markets. In 1987, Thai Nan Pao Resins Chemical, Ltd. was established, and subsequently, production facilities were set up in China, Indonesia, and Vietnam, which completes our strategic adhesive business blueprints across the Taiwan Strait and throughout Southeast Asia. To increase profitability, Nan Pao continues to optimize product structures, as well as diversify product mixes to electric components, health food and pharmaceutical, medical adhesives, sanitary adhesive, pressure sensitive adhesive (PSA), carbon fiber materials, and e-commerce. Nan Pao is the No. 1 adhesive brand in Taiwan, as well as one of the top three footwear adhesive brands worldwide. In the future, we will continue to work toward our goal of achieving a leadership position in the industry as well as in innovation.

Main Products	Products	Purpose	Industry of Application
Adhesives	Polyurethane adhesive	Various footwear adhesives, shoe lining, sewing machine fitting, shoe lining adhesive, folding, board lasting, textile adhesive, printing resin, flocking, fabric stabilization, starching, flannel primer, foam coating, fabric EVA foam adhesive, fabric adhesive, plush adhesive, and various textile processing	Footwear, textile, carpentry, construction, graphic arts, and combination products
	Chloroprene rubber (CR) adhesive		
	Acrylic		
	Hot melt adhesive		
	Ethylene-vinyl acetate copolymer		
Coating	Liquid coating	Decorative and functional coating for metal/wooden products, interior/outer wall decorative and waterproof coating, construction panel coating, metal component protection, and energy-saving heat insulation	Construction, waterproof, anti-erosion, equipment, and woodwork
	Powder coating	Decorative and functional coating for metal products	Furniture, hardware, car accessories, home appliances, baby carriages, aluminum rims, sports equipment, aluminum building materials, pipes, and lighting

Operational Sites

Taiwan: Tainan Head Office

Chinese Subsidiaries: Dongguan and Foshan in Guangzhou Province, Fuqing in Fujian Province, and Kunshan in Jiangsu Province

Southeast Asian Subsidiaries: Vietnam, Indonesia, Thailand, the Philippines, Singapore and Malaysia; Representative Offices: Myanmar and Cambodia

South Asian Subsidiaries: Mumbai, India; Representative Offices: New Delhi and Chennai, India and Chittagong, Bangladesh

Oceania Subsidiaries: Melbourne and Sidney, Australia



Chapter 1. Corporate Governance

1.1 Governance Structure and Responsibilities

1.2 Financial Performance and Shareholders' Rights

1.3 Management Vision

1.4 Risk Management

1.5 Sustainable Development

1.6 Stakeholders and Identification of Stakeholders

1.7 Changes in Operations and Capital

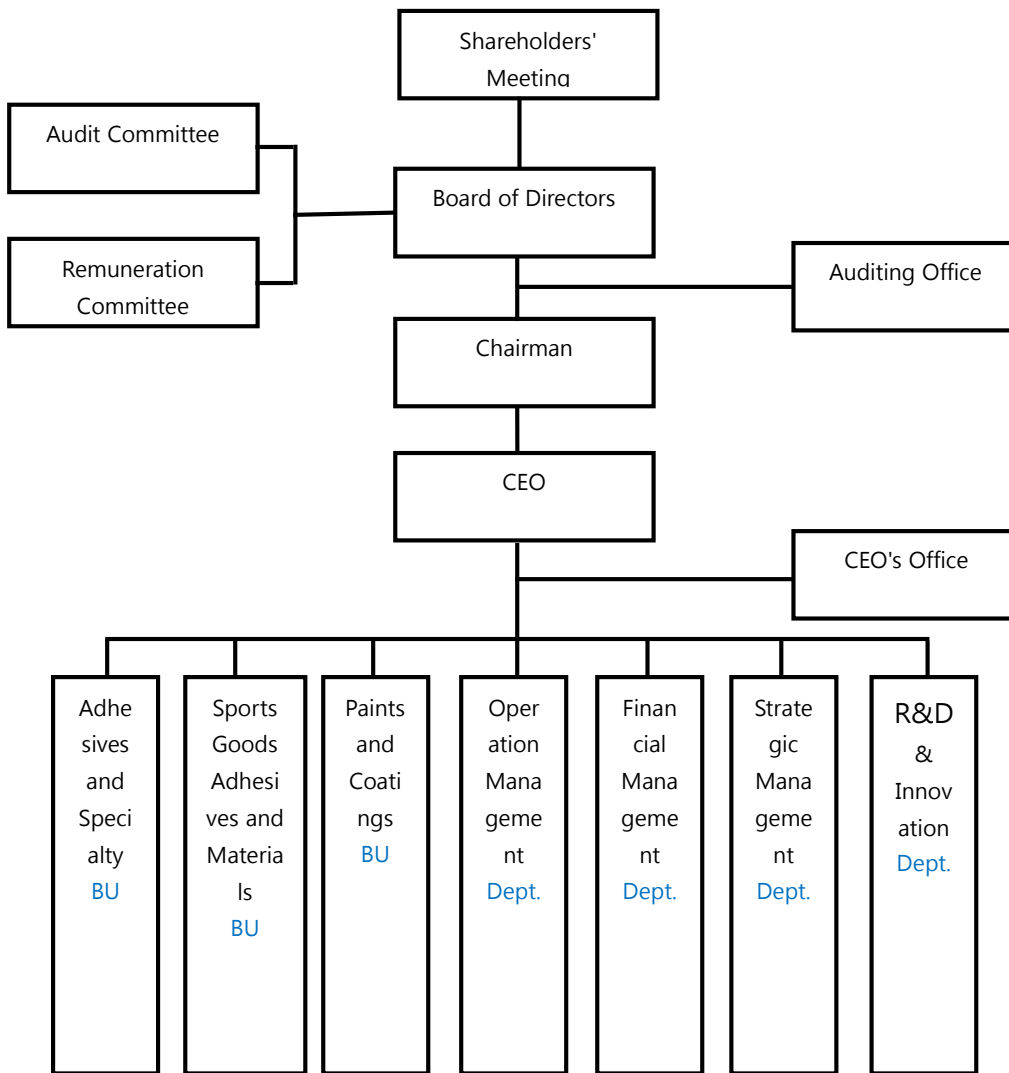
GRI Standards Management Policy: Social and Economic Legal Compliance/Anti-Corruption

Reporting Request	Economic Performance	Socioeconomic Compliance
Major Topics	Pursuing sustainable development and long-term interests, maintain the leading position in the industry and creating the multiple values for stakeholders.	Decreasing the operational potential risks, avoiding the financial and goodwill loss and strengthening operating capabilities.
Report Boundary & Limitation	Taiwan Headquarter	Taiwan Headquarter
Management Method and Evaluation	Continue to expand capacity and develop more manufacturing bases and products. The board monitor and take control the policy and project implement through Board of Directors and CSR meetings, the CSR team report the sustainable related	The Company Governance team implement on trust management, corporate social responsibility, regulatory compliance, meeting content and public information by laying down the company rules and regulations, self-assessments and internal auditing. The Company

	topics in the Board of Directors meeting. The board regularly reviews the goal achievements and action plans to be the model of sustainable business.	establish a well-planned risk management system to be a sustainable business with the external corporate <i>governance</i> evaluation, internal system control and auditing.
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1.1 Governance Structure and Responsibilities

Nan Pao Operating and Management Structure:



Nan Pao Operating and Management Responsibilities:

Department	Primary Functions
CEO' s Office	Establishing the Company' s vision and action plans and leading teams to realize short and long-term goals; complying with corporate governance, Code of Ethical Conduct, legal regulations, and environmental policies to ensure the Company' s sustainable development; implementing talent development and fostering future management teams in order to realize sustainable development; carrying out resolutions from the Board of Directors.
R&D & Innovation Division	Developing relevant new products, improving quality of existing products, and lowering costs in accordance with needs of the Company and various business units; exploring technologies, products, and businesses suitable for long-term development to undertake technical collaboration and evaluate the feasibility of new ideas.
Strategic Management Division	Establishing the Company' s development strategies; coordinating the Company' s HR, IT, business investments, and CSR tasks to achieve the Company' s revenue and profitability goals and ensure
Financial Management Division	Establishing the Company' s financial and accounting strategies, financial and accounting management; proposing financial and accounting plans; collecting the Company' s financing, tax, and capital management.
Operation Management Division	Coordinating the Company' s production, procurement, factory affairs, sales, and administrative tasks; assisting the operation of each business unit to achieve relevant revenue and profitability goals and ensure effective organizational operation and future continued growth.
Paints and Coatings Business Division	Establishing development strategies regarding the Paints and Coatings Business Division; coordinating all operation and management tasks for the paints and coatings business to achieve relevant revenue and profitability goals and ensure effective organizational operation and future continued growth.
Sports Goods Adhesives and Materials Business Division	Establishing development strategies regarding the Sports Goods Adhesives and Materials Business Division; coordinating all operation and management tasks for the sports goods adhesives and materials business to achieve relevant revenue and profitability goals and ensure effective organizational operation and future continued growth.

Adhesives and Specialty Business Division	Establishing development strategies regarding the Adhesives and Specialty Business Division; coordinating all operation and management tasks for the adhesives and specialty business to achieve relevant revenue and profitability goals and ensure effective organizational operation and future continued growth.
Auditing Office	Establishing and improving the Company' s internal control system; planning and performing audits on the Company' s system

Board of Directors

Nan Pao is in compliance with legal regulations and has established a corporate governance structure in accordance with the principles of "1) protecting shareholders' rights, 2) strengthening the Board' s functionalities, 3) exerting the functions of the Audit Committee, 4) respecting stakeholders' rights, and 5) enhancing information transparency."

Nan Pao believes that a sound and effective Board of Directors is the foundation for positive corporate governance. The Board has resolved to establish the Audit Committee and the Remuneration Committee to separately assist the Board to fulfill its supervisory duties. In addition, the Company has also established an internal audit department that regularly audits the operating procedures and performance of the headquarters, subsidiaries, and affiliates every year. The internal audit department also reports the audit results to the Board of Directors.

The nomination and appointment of Nan Pao' s Directors are in compliance with the Company Act and relevant legal regulations, in which a set of fair, just, and open "Procedures of Election of Directors" has been established. The formation of the Board takes organizational culture, operating models, and long-term growth into consideration, and works on the principle that the members of the Board shall be diversified. All members of the Board shall have the knowledge, skills, and experience necessary to perform their duties. The Board of Directors shall possess the ability to make operational judgments, the ability to perform accounting and financial analysis, the ability to conduct management administration, the ability to conduct crisis management, knowledge of the industry, an international market perspective, the ability to lead, and the ability to make policy decisions.

The Board of Directors of Nan Pao is led by Chairman Wu, Cheng-Hsien. For every quarter, the Board of Directors listens to reports from the management team, including operating performance, environmental safety, and investment results. The Board also

makes appropriate suggestions based on the management strategies proposed by the management team. A smooth, bi-lateral communication channel is maintained between the management team and the Board, and both parties are committed to achieving company goals and create the greatest profits for shareholders.

Starting in 2012, Nan Pao has named corporate social responsibility (CSR) tasks as an independent task force, and when the head of the CSR Team reports the Company's sustainable development results and plans to the Board of Directors, he/she shall focus on explaining economic, environmental, and social developmental topics and international trends to the Board. This will help to enhance Nan Pao's highest governance body's awareness of sustainability.

Through vertical management from the Board of Directors and management level to the governance structure and operating system in each operating department and horizontal communications, the Company has already fully covered and responded to stakeholders' various economic, environmental, and social concerns for CSR issues.

Members of the Board of Directors

The term of the office of the Board of Directors is from May 16, 2017 to May 15, 2020. Independent Directors were elected on June 12, 2017, and follow the same term as the current Board.

Operation of the Board of Directors

The Board of Directors convened 8 meetings in last year (2018). Attendance of directors and supervisors is as follows:

Title	Name	Actual presence (attendance)	Attendance by proxy	Rate of actual presence (attendance) (%) (Note 1)	Remarks (Note 2)
Chairman	Wu, Cheng-Hsien	8	0	100	Re-elected on May 16, 2017
Director	Pou Chien Chemical Co., Ltd.				Re-elected on May 16, 2017
	Representative: Chang, Chia-Li	6	2	75	Newly appointed on Nov. 1, 2017
Director	Guang Rong Investment Ltd. Representative: Hsu, Ming-	7	1	87.5	Re-elected on May 16, 2017

	Hsien				
Director	Guang Rong Investment Ltd. Representative: Liu, Chi-Lin	8	0	100	Re-elected on May 16, 2017
Director	Guang Rong Investment Ltd.				Re-elected on May 16, 2017
	Representative: Lee, Juh-Shyong	2	0	100	<i>Termination</i> on April 12, 2018
	Representative: Chang, Kuo-Jung	5	1	83.33	Newly appointed on April 12, 2018
Independent Director	Chen, Yun	7	1	87.5	Newly appointed on Dec. 12, 2018
Independent Director	Chiang, Yung-Cheng	8	0	100	Newly appointed on Dec. 12, 2018
Independent Director	Lee, Yi-Hsi	8	0	100	Newly appointed on Dec. 12, 2018

Title	Name	Gender	Education and Work Experience	Diversification		
				Industrial Knowledge	Financial and Accounting	Legal Affairs
Director	Guang Rong Investment Ltd. Representative: Hsu, Ming-Hsien	Male	M.S. in Industrial Engineering, National Cheng Kung University Deputy General Manager of Nan Pao Resins Chemical Co., Ltd.	√		
Director	Guang Rong Investment Ltd. Representative: Liu, Chi-Lin	Male	Bachelor of Accounting, Soochow University General Manager of Nan Pao Resins Chemical Co., Ltd. Deputy General Manager of DingShin S.K.P. International Management Consulting Co., Ltd.		√	
Director	Guang Rong Investment Ltd. Representative: Lee, Juh-Shyong	Male	Ph.D. in Applied Chemistry, National Chiao Tung University M.S. in Chemistry, National Taiwan University R&D Assistant Manager, Wan Chia Paint Co., Ltd.	√		

			Formal Researcher and Supervisor at Industrial Technology Research Institute (ITRI)			
Director	Paochien Company Limited Representative: Chang, Chia-Li	Male	Deputy General Manager of Global Supply Management Head Office, Pou Chen Group	√		
Independent Director	Chen, Yun	Male	Ph.D. in Applied Chemistry, School of Engineering, the University of Tokyo Professor and Dean of Department of Chemical Engineering, National Cheng Kung University	√		
Independent Director	Chiang, Yung-Cheng	Male	Department of Law, Soochow University Judge, Taiwan Kaohsiung District Court Judge, Taiwan High Court Kaohsiung Branch Court Attorney, Cheng Bang & Cheng Yang Joint Law Firm			√
Independent Director	Lee, Yi-Hsi	Male	Ph.D. in Department of Finance, National Sun Yat-sen University Adjunct Assistant Professor, Department of Money and Banking, National Kaohsiung First University of Science and Technology Full-time Assistant Professor General Manager, Management Department, Zhifang Financial Consulting Co., Ltd. Deputy CEO, Regional Chain Lab, FinTech Center, College of Commerce, National Chengchi University		√	

Audit and Remuneration Committee

Nan Pao has established the Audit Committee on December 12, 2017. The purpose of which is to assist the Board of Directors in fulfilling their supervisory responsibilities over the Company' s accounting, auditing, and financial reporting processes, as well as the quality and credibility of financial control.

Nan Pao has established the Remuneration Committee on June 19, 2017. The purpose of which is to assist the Board of Directors in carrying out and evaluating the Company' s overall compensation and benefits policies, as well as the compensations of the Directors and the managerial officers. Independent Directors serve as the members of the Audit and Remuneration Committees.

The first term of the Remuneration Committee was from June 19, 2017. Nevertheless, the first term of the Remuneration Committee had resigned upon the additional nomination of independent directors on December 12, 2017. After resolution adopted by the Board of Directors, three independent directors are appointed to serve as members of the second Remuneration Committee on December 21, 2017, and the term is from December 21, 2017, to May 15, 2020. The Remuneration Committee convenes at least two meetings annually. Two meetings have been convened in 2018 with 100% attendance rate from all members. Members will review the policies, systems, and standards of the compensations of the Company' s directors and managerial officers and make suggestions to the Board of Directors from a professional and objective standpoint. They will also compile minutes of meetings and publicly announce the information pursuant to legal regulations. Please see Nan Pao' s website for the Remuneration Committee Charter, and please see the Company' s 2018 Annual Report for the operation of the Remuneration Committee.

Policy and Procedures for Salary of Managerial Officers

The salary adjustment of managerial officers is based on individual performance and will be determined with reference to Taiwan's human resources market, the industry of the same nature, and the Company's salary and welfare policy. The process of salary adjustment of the managerial officers shall specifically state the reason for adjustment in writing, and shall be proposed by the immediate supervisor of the position, approved by each upper level till the chairman, deliberated by the Remuneration Committee, and

then processed accordingly after the approval by the Board of Directors. The annual salary adjustment plan for the managerial officers shall be adjusted according to the performance appraisal summary statements, submitted to the chairman for approval, and then submitted to the Remuneration Committee and implemented after the approval by the Board of Directors.

Preventing Conflict of Interests

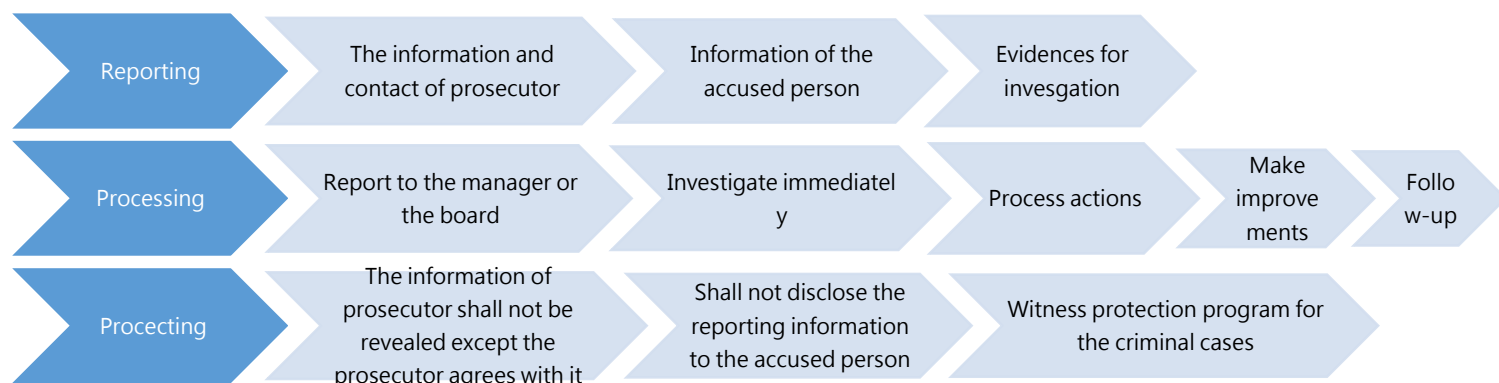
The Company's Procedures for Board of Directors' Meetings have clearly defined conflict of interest prevention clauses for the directors, "if a director, or the corporate entity that the director represents, is an interested party with respect to a given agenda item, the important aspects of the relationship 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 has set up three independent director seats, 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 to record their opinions for consent or for veto into the meeting minutes to also function toward prevention of conflicts of interests and effectively protect the Company's rights.

* Please see the Annual Report for other positions concurrently held by the Company Directors.

The procedure for responding to allegations

For implementing a Code of Ethics and Procedures for Ethical Management and Guidelines for Conduct and preventing corruptions, the Company passed the regulation of "Regulations Governing Whistle-blowing from Internal and External Parties" and setup an email box(audit@nanpao.com) for reporting, the incoming cases will be investigated and followed-up by the auditing manager.

The procedures of reporting and investigating as followed:



The auditing office controls the fraud risks in the auditing processes, the auditing office will list the abnormal cases during operational processes and the potential frauds into the follow-up procedure. All the subsidiaries of the group will take actions of

“Regulations Governing Whistle-blowing from Internal and External Parties” in the future. Besides the internal regulations and policies, the Company will announce the believes, policies and regulations to our suppliers, customers and other partners for their understanding. The human resource department educates the new coming employees with the regulations and the expectations, the employees can report the illegal cases through the reporting processes. There is not any employees and business fraud happened in 2018.

Legal, policy, intellectual rights and Patents

Legal Policy

For legal affairs management, the Legal Department is responsible for providing professional services and education and trainings on review, approval, preservation and retrieval of relevant contracts; patent authorization and patent litigation; legal risk prevention mechanism; legal dispute handling; legal policy and case promotion; and the development of employees’ awareness of legal compliance. Among them, a complete set of compliance standards has been established for contract review, approval, preservation and retrieval, so as to improve the efficiency of contract review, reduce legal risks and safeguard the Company's rights and interests.

Patent and Intellectual Property Rights

As of 2018, Nan Pao has obtained dozens of patents worldwide and is still applying for

new patents. The purpose of such achievements is to effectively protect intellectual property assets and create maximum value for customers. The global patent portfolio covers multiple countries: Taiwan, China, Japan, South Korea, Indonesia, Vietnam, and the United States. The technical domains cover: Footwear materials, building materials, etc.

Membership of the 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 Financial Performance and Shareholders' Rights

Financial Performance and Financial Assistance from the Government:

Nan Pao's Consolidated Financial Statement from 2016 to 2018 is as follows:

The Consolidated Financial Statement include over 60 companies: Nan Pao Resins Chemical Co., Ltd., Nan Pao Electronic Material Company, ITLS International Development Co., Ltd., Prince Pharmaceutical Co. Ltd., Phytomed Bio-Tec, Biorich Bio Technology Co. Ltd., Nan Pao Advanced Materials, Nan Pao Resins (China) Co., Ltd., Nan Pao Resins (Dong-Guan) Co., Ltd., Nan Pao Resins (Fo Shan) Co., Ltd., Fuqing Nan Pao Resins Co., Ltd., Thai Nan Pao Resins Chemical., Ltd., Nan Pao Resins (Vietnam) Co., Ltd., P.T Indo Nan Pao Resins Chemical Co., Ltd., Nan Pao Resins India Pvt Ltd., Nan Pao Resins Chemical Philippines., Inc., Nan Pao Materials Vietnam, and NP Australia Pty Ltd.

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

Unit: NTD 1,000

Item/Year	2016 年	2017 年	2018 年
Operating Revenue	14,473,785	14,615,008	16,022,220
Operating Margin	4,608,708	3,922,991	3,807,414
Operating Gain	1,856,204	1,192,972	901,010
Non-operating Revenue and Expense	26,154	-32,219	134,802
Pre-tax Net Profit	1,882,358	1,160,753	1,035,812
Net Income for Continuing Operations	1,391,063	917,003	716,630
Net Income (Loss)	1,391,063	917,003	716,630
Other Comprehensive Gain or Loss (After-tax net)	-136,448	-260,582	-267,886
Total Comprehensive Income	1,254,615	656,421	448,744
Earnings Per Share (EPS)	13.32	8.22	6.15
Employee Benefits	1,965,347	1,949,350	2,085,222
Dividend Paid to Shareholders	371,394	532,455	543,104
Taxes Paid to the Government	436,436	280,496	425,915

The following is a list of financial aid that Nan Pao has received from the government in 2018:

Item	Department Providing the Aid	Amount of Aid (NT\$)
Financial assistance for the SBIR Coating Project	Ding-Shen Mechanical Co., Ltd.	106,616
Reward for air compressor purchase	Industrial Technology Research Institute	473,600

Reward for scrapped vehicles	Tainan City Government	100,000
Reward for boilers purchase	Tainan City Government	1754,340
Subsidy for attending exhibition in Germany	Ministry of Economic Affairs	30,000
Total		2,464,556

Shareholder' s Rights:

Nan Pao is in compliance with legal regulations and has established a corporate governance structure in accordance with the principles of "1) protecting shareholders' rights, 2) strengthening the Board' s functionalities, 3) exerting the functions of the Audit Committee, 4) respecting stakeholders' rights, and 5) enhancing information transparency."

The Board of Directors is the Company' s highest governance body as well as the center of material management decision-making. Its responsibilities include the appointment and supervision of the Company' s management level, management performance, the Company' s legal compliance, the stipulation of the Company' s Articles of Association, and resolutions from the Shareholders' Meeting. It also strives to maximize the shareholders' profits. The Board of Directors shall meet at least quarterly; in emergency circumstances, however, a meeting may be called at any time. All members of the Board shall fulfill their responsibilities in evaluating material matters, including the Company' s management strategies, risk management, annual budget, and sales performance, and supervising material capital expenditure and investments.

Nan Pao values the rights of every shareholder and treats all shareholders equally. Shareholders can participate in the Company' s decision-making by exercising voting rights during the Shareholders' Meeting. Every motion, discussion, and election proposal will be voted on one-by-one during the Shareholders' Meeting, and the results will be immediately disclosed to the public during the meeting.

1.3 Management Vision

Leadership: Nan Pao employees should have pioneering, forward-thinking mindsets and should not be constrained or satisfied with the status quo or the authority. We should be

willing to learn, continuously improve working methods, and strive to innovate and excel. The Company provides a relaxed atmosphere conducive for employees to proposing new ideas and new working methods.

Integrity: Everyone at Nan Pao should tell the truth, actively communicate, and fulfill their promises. We should all actively solve problems and be held accountable, as well as build trustworthy individual and organizational reputation. Legal compliance is the most basic requirement at work

Teamwork: Everyone at Nan Pao should see organizational benefits or mutual benefits as the most important factor of consideration. We should share our experiences, resources, and results within the organization, and to think from the others' standpoint in solving problems

Efficiency: Nan Pao employees should best utilize time, resources, and manpower. Everyone should actively make recommendations for problems including waste, bottlenecks, stagnation, and inefficiency

Ethical Management:

The Board has adopted the "Procedures for Ethical Management and Guidelines for Conduct" in 2017. The Procedures clearly state the regulations for the prevention of conflicts of interests for directors, managerial officers, employees, contractors, and any person with substantial control, and serve as a behavioral code of practice to prohibit illegal political donations, giving or receiving inappropriate profits, charity donations, or sponsorship. Besides requiring the senior management to carry out ethical management in practice, we also implement this philosophy on employees through internal promotions, the communication platform, and regular educational training.

Employees' Code of Ethical Conduct:

Nan Pao has established a set of Code of Ethical Conduct for all managerial officers and employees to follow. We aim to enhance the behavioral conduct and business integrity throughout the Company. We hope all employees can comply with the Code of Ethical Conduct during day-to-day operation and carrying out Company tasks so that we could be trusted by the public, as well as ensure the Company's sustainable growth and

development. We also aspire to mutually fulfill corporate social responsibility and promote balanced and sustainable economic, social, and environmental development through promoting the Code of Ethical Conduct. “Employee Opinion Mailbox” and “Employee Grievance Handling System” have been established at Nan Pao. When questions regarding ethics and legal conduct emerge or when encountered with unfair treatment at work, employees can receive appropriate suggestions through consulting with the HR Department or through seeking assistance via the mailbox. Subsequently, whistle-blowing can be filed to find or prevent significant illegal conduct and breach of governmental regulations. No breach of the Code of Ethical Conduct had occurred in 2018. In the future, we will continue to strengthen educational training for employees to facilitate for more understanding of ethical conduct, preventing conflicts of interests and seeking self-interests, the responsibility to confidentiality, fair trade, protection and the appropriate use of Company property, and compliance with legal regulations.

To prevent frauds, Nan Pao has established “Regulations Governing Whistle-blowing from Internal and External Parties” in terms of corporate governance. The Audit Office is responsible for investigating and monitoring whistle-blowing cases reported through the whistle-blowing mailbox. In addition, risks of fraud are also controlled within auditing work. In case an abnormality is found in the Company’s operating processes during auditing procedures and there may be a likelihood for fraud, the Audit Office will list the case to be tracked and investigated. No corruption incident has occurred at any of the operational sites of the Group in 2018.

Legal Compliance:

Nan Pao commits to placing legal compliance as the highest reference and standard in all operations and practices. Besides strengthening the awareness for legal compliance in managerial officers of each rank and operating personnel through educational training and meetings, we also ensure legal compliance and anti-fraud measures such as asset safety protection through comprehensively installing and implementing the internal control and audit mechanism. The Legal Department is responsible for promoting ethical management and legal compliance, striving to prevent illegal conducts that breach the principle of ethical management from Nan Pao employees. All new Nan Pao employees must participate in the new employee orientation, in which legal compliance is a key training subject. Additionally, legal educational training is held every now and then to reinforce employees’ awareness for and knowledge of legal compliance.

Alternatively, the Audit Office, which is under the supervision of the Board of Directors, will periodically inspect the audit system, nine major financial cycles, and compliance of the internal control system, as well as whether there have been illegal conducts that breach ethical management from Company employees, and prepare audit reports for the Board of Directors.

The following is a compilation of breaches of environmental regulations from Nan Pao's Taiwan operational sites in 2018: Breaches of Air Pollution Control Act in Taiwan in both January and June in 2018, the penalty was NT\$100,000 each time.

1.4 Risk Management

Nan Pao has always carefully complied with various legal regulations, and our comprehensive and appropriate risk management strategies and contingency measures have allowed us to sail through over 50 years of challenges in the market. We believe that rigorous risk management is not only an assurance for a long-term partnership with customers but also the cornerstone to sustainable management.

Nan Pao evaluates various operations, and has classified risks into four major aspects, including "strategic risk," "operating risk," "financial risk," "climate change risk" and "information security risk management" : Furthermore, to minimize uncertainties in business operations, we have also planned designated personnel to be responsible for managing each risk and for relevant contingency measures.



We regularly convene shareholders' meetings for the Company's operating status and provide public information to enhance financial transparency. In addition, we also actively participate in community and public social welfare activities to fulfill Nan Pao's responsibilities as a part of the society.

The Company's Legal Department is in charge of national policies and laws, and relevant departments also monitor important changes in policies and laws at all times and adjust the internal system and operating activities accordingly to ensure smooth operations. We review the investment structure, operating strategies, and transaction models, and reasonably allocate profits based on multinational economic activities and value creation. The environmental safety departments of each operational site also comply with relevant environmental and labor safety laws at all times and make changes and responses when necessary.

For the risk of input shortage in concentrated purchases, such as insufficient capacity from vendors, accidents in the factories, or natural disasters, which will all lead to input shortage, Nan Pao's various operational site constantly maintain updated data on yield and supply to lower this risk. Concurrently, the joint procurement center continues to regulate raw material pricing trends and supply stability to ensure that the Company's raw material supply is stable.

Financial Risk Management

Nan Pao has established relevant response measures for financial risks associated with interests, fluctuation in exchange rates, and inflation, which may influence the Company's profitability:

Changes in interest rates: Nan Pao's short-term loans are mostly debts with fixed interest rates. Though the market interest rate shows an upwardly trend, our evaluation indicates that the liquidity risk associated with interest rate change is insignificant. As for Nan Pao's long-term loans, a few banks have adopted variable interest rates while most are debts with fixed rates. Therefore, similar to short-term loans, our liquidity risk is insignificant.

Fluctuation in exchange: Most of Nan Pao's sales volume is based on US Dollars, and we hold more asset in foreign currency than debt. Moreover, the foreign currency collection period is slightly longer than the foreign currency receivable period; hence, we anticipate that there is greater market risk associated with forex fluctuations.

Inflation: In recent years, due to fluctuations in commodity prices for resources such as global crude oil, the overall economy has shown a slight trend toward inflation. Nevertheless, Nan Pao's transaction prices for customers and suppliers are mostly based on variable market prices, but some customers may delay payments. We are fairly influenced by inflation, and therefore, we pay close attention to economic development and adopt timely response measures by reflecting relevant costs on product prices. Therefore, as of this date, inflation has yet to have a significant impact on the Company.

The primary reason and future response measures for undertaking high-risk and high-leverage investment, loans for others, guarantee and/or endorsement, and policies and profit/loss for derivative transactions: Nan Pao did not undertake high-risk and high-leverage investment or derivative transactions in the most current fiscal year. As for loans for others and endorsement/guarantee, the counterparties for such transactions are all either subsidiaries or reinvestment businesses of the Company. No conditions of financial difficulties leading to infringement of the Company's claims had occurred, and none of their debts were repaid by the Company.

Climate Change Risk Management

The First and Bao-Li factories, the two major manufacturing of Nan Pao are located at lowland area, the potential of been flooded is quite high, Nan Pao has joined the "2017 Industrial Development Bureau Adaptability Trial Counseling Project under the mentorship of Taiwan Green Productivity Foundation. First of all, basic information regarding the site was inspected and past climate-related incidents and relevant data were collected and reviewed. Next, risks associated with climate change at the plant were identified, analyzed, and ranked in order. Finally, an adaptability action plan for the risk of climate change was drawn up, and relevant opportunities were also analyzed.

In 2018, Nan Pao worked with the industry sustainability development center under National Chen Kong University and set up the Climate Change Risk Countermeasure, CCRC, the system start up the prevention mechanism beforehand towards to the climate risk and decrease the potential loss from the natural disasters. The first phrase was the site inspection for the details of landform and drainage system in the plants; the second phrase was figure out the main rainfall area through the climate analysis and the landform parameter simulation to create the "Business Natural Disaster Potential Analysis" of the First and Bao-Li factories. The Company set up the emergency response plan and procedure by the result of *disaster simulation*; the monitor system determine the real-time disaster information and start the emergency

response procedure and notify the associated employees so that the manager can take control of the crucial response time and decrease the impacts.

Information Security Risk Management

The Company's information system architecture is divided into external attacks and internal threats according to the risk scopes. With regard to external attacks, a firewall and related network devices have been established for external attacks to prevent invasion from external network attacks and causing harm to the Company internally. As for internal threats, a high-availability data backup mechanism and remote host backup have been established to ensure that information services are not interrupted. In addition, the Company enhances various simulation tests in machine rooms and regularly organizes emergency response exercise to ensure that information systems can resume normal operation in the shortest time possible during an attack. In response to the increasing number of information security threats, the Company examines and assesses its network security regulations and procedures to ensure their appropriateness and effectiveness. To implement the concept of employee information security, the Company regularly provides colleagues with the latest information and protection education, so that every employee practices the concept of personal information protection, and to avoid exposure to high-risk information environments.

1.5 Sustainable Development

Besides creating economic value and pursuing business growth, Nan Pao is even more committed to achieving sustainable development, and to continue bringing a positive influence to the society. The Company discloses relevant information to stakeholders under the principle of transparency, demonstrating Nan Pao's determination for ethical management. Upholding the philosophy of "legal compliance, pollution prevention, energy-saving, and waste reduction, full participation, and continuous improvement," Nan Pao defines "customers, shareholders, employees, the environment, and the society" as stakeholders, and collectively pursues economic, social, and environmental synergistic, sustainable development.



Nan Pao strives to become crucial partners for every industry through innovative and environmentally-friendly products and to assist customers to respond to the challenges of sustainable development.



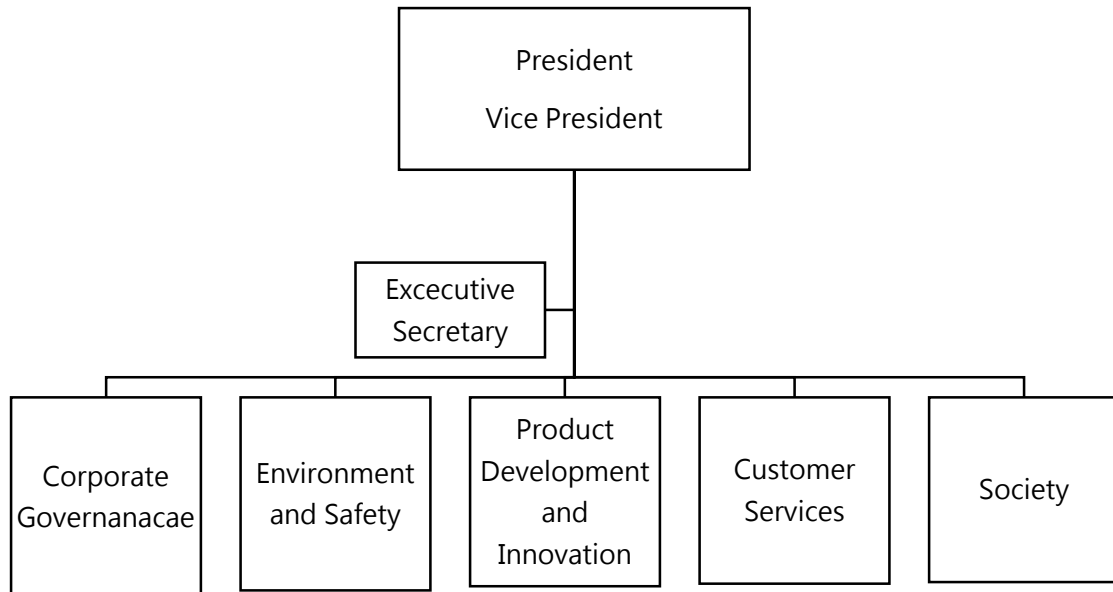
- Striving to provide customers with eco-friendly products, services, and solutions with high added-values
- Developing special chemical substances and materials without harming the environment
 - Creating sustainable management philosophy of achieving synergistic growth with the society
 - Fulfilling corporate social responsibility
 - Protecting human rights and labor conditions
 - Sustainable Development Strategies and Organization:

The Sustainable Development Responsibilities of Top Management Team

In terms of corporate governance at Nan Pao Resins Chemical Co., Ltd., the Board of Directors is responsible for supervising the economy, the environment, and the society. Moreover, the executive general manager of each business unit is also responsible for communications with stakeholders related to sales and production. The general manager of each subsidiary is responsible for strengthening internal control and emergency response, and to regularly convene meetings to review relevant actions. Nan Pao places the Company's sustainable development as the core vision, strives to integrate business sustainability with the core businesses, and continues to make necessary adjustments in terms of corporate values, culture, development blueprints, and strategies. In addition, Nan Pao ensures the timeliness and comprehensiveness of management over sustainable topics through fluent communication channels between each department. We review operation performance and focus on trends in the overall industry and the market through organizing multiple regular meetings in each month. This allows the Company to make timely responses to external changes and to seize opportunities.

The board of directors approved to setup the Sustainable Development Committee in 2019, the chairman of Nan Pao serves as president, the CEO as vice president, other top level managers as the leaders of corporate governance, environment and safety, product development and innovation, customer services and society. The president holds the sustainable meetings at least twice a year for the discussion of sustainable goals and achievements.

The Organization Chart of Sustainable Development Committee



When the head of the CSR Team reports the Company’s sustainable development results and plans to the Board of Directors, he/she shall focus on explaining economic, environmental, and social developmental topics and international trends to the Board. This will help to enhance Nan Pao’s highest governance body’s awareness of sustainability.

The members of Nan Pao’s Corporate Social Responsibility (CSR) Team are employees from each department. Four task forces including “Corporate Governance and Business Performance,” “Environmental Protection,” “Green Products,” and “Employee and Social Welfare” have been formed based on the professional division of labor and needs of relevant indicators. The CSR task forces are platforms for identifying stakeholders and material topics. After discussions of each task force, Nan Pao’s stakeholders and the level of material topics of their concerns are respectively identified through consensual agreement, questionnaires as well as interviews with senior managers.

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through consensual agreement, questionnaires as well as interviews with senior managers.

Roles of the CSR Task Forces:

Division	Explanation of Responsibilities
Corporate Governance and Business Performance Task Force	<ul style="list-style-type: none"> • Formulate and implement the vision and strategies for sustainable development and disclose operating and financial risks and performance • Manage procurement procedures and supply chain as well as communications with the stakeholders • Market and customer analysis and surveys
Environmental Protection Task Force	<ul style="list-style-type: none"> • Manage energy and climate change issues • Handle worker safety and health issues, pollution site remediation projects, and participation in environmental and social issues
Green Products Task Force	<ul style="list-style-type: none"> • Plan product quality control, innovative development, and the development of green products
Employee and Social Welfare Task Force	<ul style="list-style-type: none"> • Promote community service and social welfare activities, labor rights, and Code of Ethics • Legal compliance and information disclosure • Social Participation

Regular Meetings of Nan Pao include the following:

Nature of meeting	Name of meeting	Theme of discussion	Frequency of discussion
Project	HR management and development	Social, governance	Twice every year
	New release from R&D and Innovation	Environmental, social	Once every year

	Operational discussion from the Sales Head Office and Strategy Head Office	Governance	Twice every year
	Budget review	Governance	Once every year
	New business management meeting	Governance	Once every month
Periodic meeting	Operations and management meeting	Governance	Once every month
	Sales meeting	Governance	Once every month
	Occupational safety and environmental meeting	Environmental, social	Twice every month

The Head of the CSR Team will report relevant CSR topics to the Board of Directors in each year. In addition, executive general managers from each business division will also regularly report relevant CSR topics to the highest governance level at the Board meeting, and such topics may include safety, health and environment, market overview, research and development, internal audit, risk management, finance, and sales update and more.

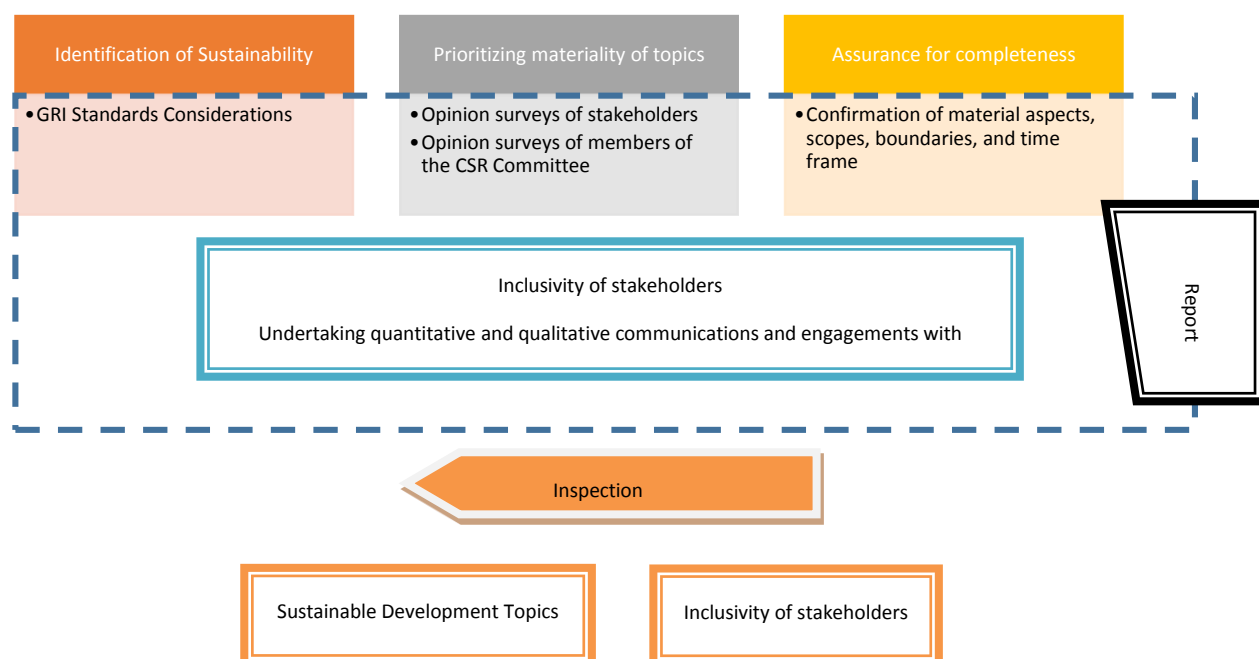
Reporting matters:

- | | |
|--|-----------------------------|
| 1. Operation performance and market overview | 4. Social welfare donations |
| 2. Audit report | 5. Financial status |
| 3. Significant personnel changes | 6. Sales update |

1.6 Stakeholders and Stakeholder Identification

The CSR Committee and its affiliated task forces are platforms for identifying stakeholders and material topics. After discussions of each task force, Nan Pao' s stakeholders and sustainability topics are respectively identified through consensual agreement and through distributing questionnaires to the stakeholders. This Report has

identified the sustainable development topics of concern to the stakeholders through the following manners and in accordance with GRI Standard:



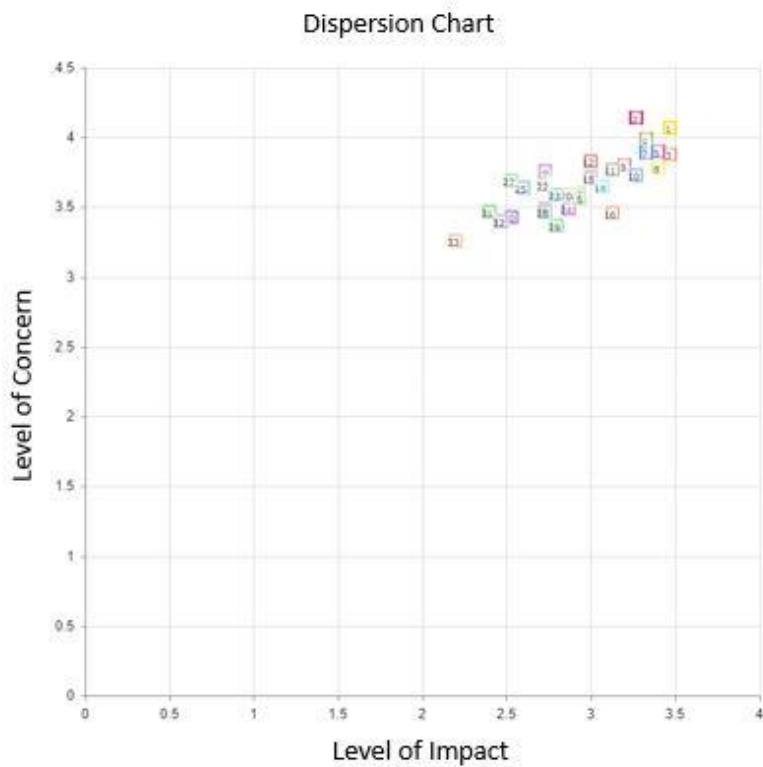
The Company’ s CSR work groups have identified the following entities as our stakeholders in sustainable development: employees, suppliers, local communities, investors, NGOs and NPOs, competent authorities, and customers. The stakeholders have been identified in accordance with the Company’ s sustainable characteristics, industry practices, and work experiences, and in reference to the five principles of AA1000 Stakeholder Engagements Standard (AA1000 SES): dependency, responsibility, tension, influence, and diverse perspective.

We have created channels and platforms to communicate with each stakeholder and receives feedback through daily communications. Moreover, the CSR task forces have also compiled the sustainability topics of concern to each stakeholder.

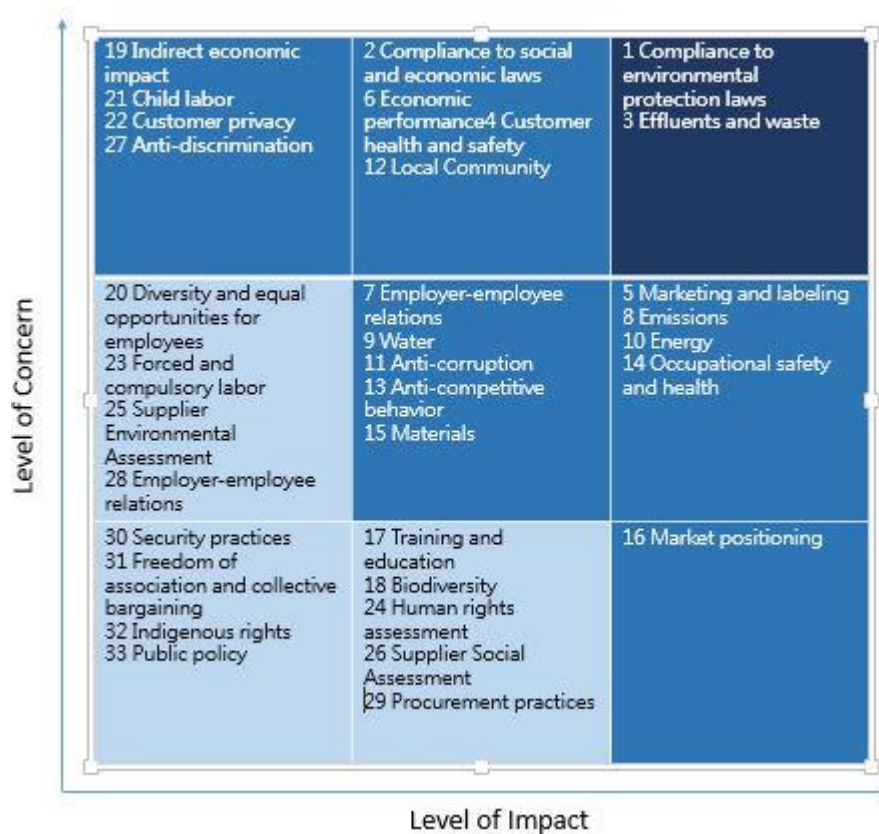
Stakeholders	Topics of Concern from Stakeholders	Methods of Communication and Response
Employee	Respecting human rights, equal treatment, and employee health promotions	The grievance mailbox, employee health seminars, the Employee Welfare Committee, labor unions, bi-weekly meetings, and regular employee health checkups

Suppliers	Supplier management, fair procurement	Quality negotiation meetings, and onsite visits from time to time
Members of the Communities	Respecting local culture and participation in regional social activities	Sponsorship & other community caring activities, arts promotions, and participation in community activities
Non-Profit Organizations (NPOs)	Social contributions	Community caring and participation in activities
Non-Governmental Organizations (NGOs)	Environmental protection	Disclosure of environmental data on the official website
Investors	Information disclosure transparency	Regular meetings, audit meetings, sales meetings, and regular shareholders' meetings
Competent Authorities	Legal compliance, paying taxes, and legal promotions	Formal written correspondence and onsite visits from time to time
Customers	Providing quality products and good services and Increasing customer satisfaction	Customer satisfaction surveys and the customer service mailbox

For the sustainability topics of concern to the aforementioned stakeholders, Nan Pao has designed a questionnaire to research stakeholders' levels of concern in regards to social, environmental, product, and social aspects. The CSR task forces distribute the questionnaires to stakeholders, including employees, suppliers, members of communities, NGOs and NPOs, investors, competent authorities, and customers. Subsequently, we analyzed the levels of concern and materiality of the topics based on the result of the questionnaires and have listed the top 10 topics of concern to relevant stakeholders with the other four major concerns that Taiwan Stock Exchange requires the chemical industry for the disclosure including 403.Occupational Health and Safety), 413.Loca/Communities, 308. Supplier Environmental Assessment and 414. Supplier Social Assessment; these topics will be disclosed in this Report. After research from each CSR task force, the topics of concern to our stakeholders in 2018 are listed in the following matrix diagram:



- 1 Compliance to social and economic laws
- 2 Emissions
- 3 Energy
- 4 Water
- 5 Effluents and waste
- 6 Anti-corruption
- 7 Local communities
- 8 Customer health and safety
- 9 Marketing and labeling
- 10 Compliance to environmental protection laws
- 11 Market positioning
- 12 Customer privacy
- 13 Employment relations
- 14 Economic performance
- 15 Supplier environmental assessment
- 16 Indirect economic impact
- 17 Employer-employee relations
- 18 Materials
- 19 Child labor
- 20 Biodiversity
- 21 Occupational safety and health
- 22 Training and education
- 23 Human rights assessment
- 24 Forced and compulsory labor
- 25 Procurement practices
- 26 Diversity and equal opportunities for employees
- 27 Supplier social assessment
- 28 Anti-competitive behavior
- 29 Anti-discrimination
- 30 Indigenous rights
- 31 Freedom of association and collective bargaining
- 32 Security practices
- 33 Public policy



We have defined the internal and external boundaries and influences on our industry chain for each material topic of concern to the stakeholders.

Material Topics	Corresponding Material Aspects in GRI Standard	Value Chain Judgment (Organizational)					Corresponding Chapters and Content
		Internal	External				
		Nan Pao Resins Chemical Group	Investors	Upstream and downstream industry chain	Local communities	Customers	
Compliance to environmental protection laws	307	●	●		●		
Compliance to social and economic laws	419	●	●		●		
Effluents and waste	306	●		●	●		
Customer health and safety	416	●				●	
Marketing and labeling	417	●				●	
Economic performance	201	●	●				
Employer-employee relations	402	●	●				
Emissions	305	●	●		●		
Water	303	●	●				
Energy	302	●	●				
Occupational safety and health	403	●	●		●	●	
Local communities	413	●			●		

Supplier environmental assessment	308	●		●			
Supplier social assessment	414	●		●			

1.7 Material Operational Changes

Nan Pao' s reinvestment strategies are mostly centered around applications for its core business in resin and structured in accordance with industry developmental trends, proximity to customers, and lowering production costs. Concurrently, such strategies are also in line with the Company' s diversified management policies (such as investment in pharmaceutical and health and biotechnology) to enhance competitiveness and to pave way for the Company' s long-term development. Investment plans over the next year include:

A. Nanpao Advanced Materials Vietnam co.,Ltd Expansion

Considering most of the customers relocated their manufacturing bases from China to South-East Asian areas, the key manufacturing areas have been expanded towards to Northern Vietnam as well. Nan Pao upholds the service spirits and set up the adhesives manufacturing factory in Ninh Binh Province around customers' factories as the manufacturing and supplying center in Northern Vietnam and the West-South Area in China.

B. Nantong Nanpao Resins Materials Co., Ltd. Expansion

Chinese government has gradually raised the standards of review of the dangerous chemistry production and chemical factories, the chemical factories will need to station at a legitimate chemical manufacturing area in advance. For that reason, Nan Pao will invest to build a new company and manufacturing factory in Nan-Tong city, Jiang-Su Province, it will be a good advantage of coatings and adhesives production.

C. RLA Malaysia Expansion

RLA Malaysia will invest on the right-of use land, buildings and other items, the reason of expansion is based on the regional integration in Malaysia and investment structure simplification. RLA Malaysia will set up more production lines such as construction materials and adhesives consumer products for a stable operational development in the future.

D. AFTEK-VN Expansion

Nan Pao invested in joint partnerships for AFTEK-VN with a professional Vietnamese technician team for product lines expansion of water-proof products, mortar products and green constructional materials. Nan Pao stabilizes the markets expansion and growth on constructional materials in Vietnam by introduction the external professional technician skills and the current marketing channels.

E. The factory expansion of carbon fiber composite materials

Nan Pao plans to build a professional manufacturing factory of the carbon fiber composite materials, molding applications and molded products, the outsourcing key products can be self-manufactured after the expansion, the applications of products can be more diverse as well.

F. Yu Nan Nanpao Resins Materials Co., Ltd. Expansion

Chinese government has gradually raised the standards of review of the dangerous chemistry production and chemical factories, Nan Pao quickly responds towards the changes and invest in establishing a new company and adhesives manufacturing factories in Yu-Nan, Guang-dong Province for the Chinese marketing channels and capacity expansion.

No material change has occurred to Nan Pao' s capital in 2018. Please see the following for explanations of our capital structure in 2018:

Shareholder structure Number	Government institutions	Financial institutions	Other juristic persons	Overseas institutions and foreign persons	Individual	Total
Number of persons	0	4	46	9	1,208	1,267
Shares held (in number of shares)	0	2,989,969	69,523,511	11,737,089	24,370,211	108,620,780
Shareholding ratio	0	2.75%	64.00%	10.81%	22.44%	100.00%

Note: No shares are held by Chinese entities.

Chapter 2. GREEN SUPPLY CHAIN

- 2.1 Green Procurement
- 2.2 Green Material Recycling & Reuse
- 2.3 Green Logistics
- 2.4 Green Certification
- 2.5 Green Production
- 2.6 Green Innovation

GRI Standard Management Policy : Supplier Environmental Assessment / Supplier Social Assessment

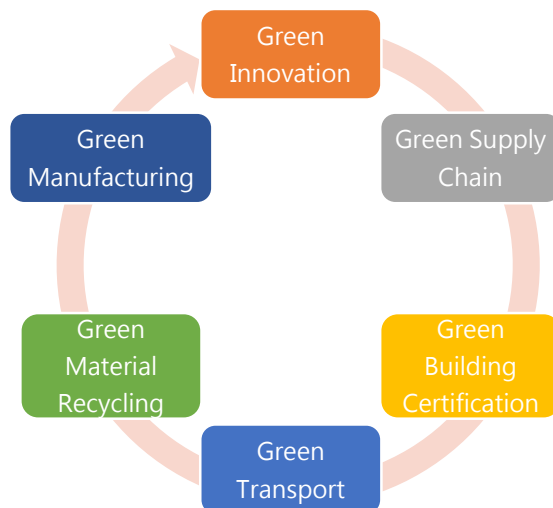
Reporting requirements	Supplier Environmental Assessment / Supplier Social Assessment
Material Issue	Work together with supply chain partners to implement sustainable development of the supply chain.
Boundary Disclosure and Restrictions	Taiwan Headquarters
Management Approach and Evaluation Mechanism	Nan Pao requires each supplier to sign the “Supplier Social Responsibility Commitment” to ensure that the supplier meets social and ethical standards, that it complies with the laws and regulations, and that it actively responds to environmental protection issues. The procurement unit evaluates the supplier's impact on the environment, labor, human rights and society. If a material impact is found, the supplier will be either assisted in mitigating the impact or be immediately given a termination of contract with Nan Pao, depending on the circumstances. Moreover, Nan Pao controls and monitors suppliers’ behavior and working conditions through a good communication channel and regular meetings.

2.1 Green Procurement

To prevent causing irreversible damage to the environment during product production and selling processes, Nan Pao has always persisted to green procurement policy, which reflects our focus on the planet and for the future. Nan Pao has started to choose suppliers who care for the environment over others starting from 2013. Our green procurement policy introduces product life cycle and green design concepts from the six

major aspects ranging from product innovation, production and manufacturing, material recycling and reuse, supply chain management, environmental certification, and global logistics. We also strive to produce products that pose lower impacts on the environment.

- Introduce green concept during product development
- Develop products that pose low impacts to the environment



- Reduce environmental impact during production processes
- Implement energy conservation and carbon reduction during production
- Increase the recycling rate of packaging materials
- Reuse the waste materials

- Green Supply Chain Management
- Products in compliance with international environmental standards
- Production sites have received Clean Production certification
- Products have received carbon footprint and green building certification

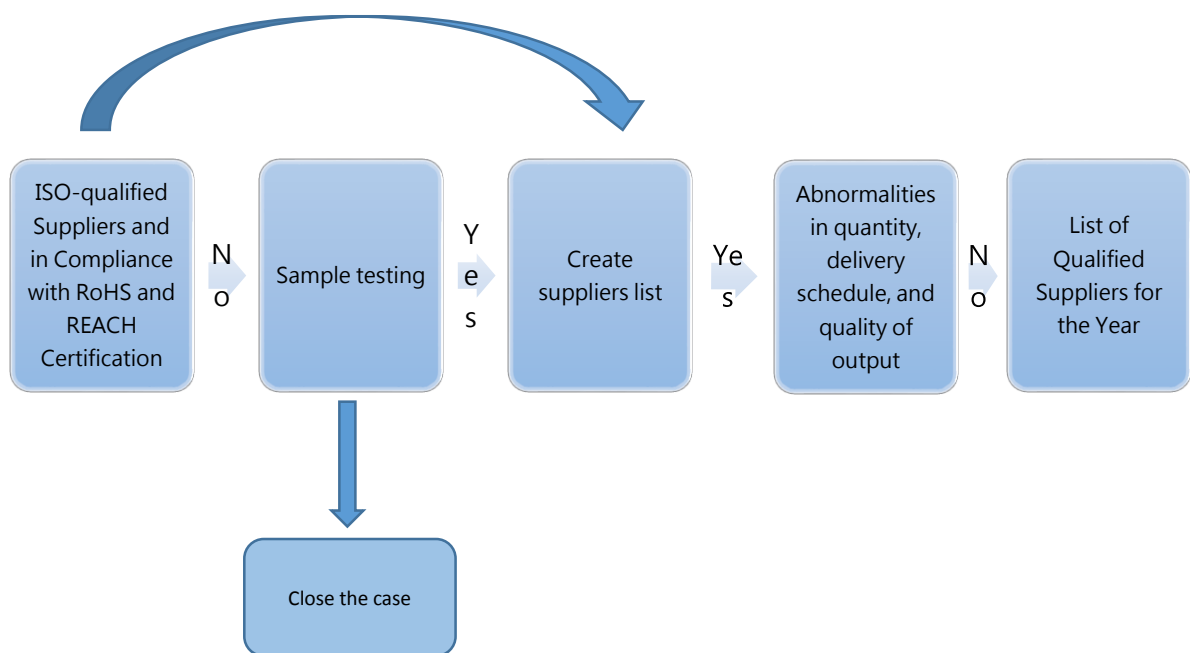
- Effective transportation and logistics allocation to lower fuel usage
- Implement joint and unified transportation

Select qualified green suppliers

Based on our persistence for quality and to protect the rights of the consumers, Nan Pao has adopted a prudent and rigorous attitude in the screening process of suppliers as a part of the supplier management procedures. We require suppliers to provide copies of qualified certification of ISO 9001, ISO 14001, and OHSAS 18001, or other copies of qualified certification of similar management philosophies, or certification in compliance

with RoHS and REACH standards. In addition, we also investigate the suppliers' environmental, safety, and health policies to confirm that suppliers have complied with Nan Pao's requirements of environmental sustainability, the territory safety issue and human rights are included into the assessments, Nan Pao tries to exclude those areas which are in political unsettlements. Before joining the list of qualified suppliers, new suppliers need to actively participate in Nan Pao's audit and document review activities for quality, environmental health, and social responsibility. We hope to establish a long-term partnership with suppliers through a mechanism of mutually fulfilling the corporate social responsibility.

Image: Supplier Selection Process



Nan Pao holds true to the philosophy of sustainable management. Besides enhancing our competitiveness, we also comply with the Code of Ethical Conduct and promote various actions geared to protect the environment and fulfill social responsibility.

Supplier Management Procedures:

New Supplier Screening:	<p>Nan Pao has established a set of “New Supplier Survey” that investigates direct factories and non-direct factories of any new supplier. Besides the supplier’s basic information, the survey also covers detailed investigation and certification for various aspects including the quality control system, quality inspection, input inspection, the production supply system, yield rate, machine usage rate, the transportation facility, the R&D system, the environmental pollution prevention system, and the product abnormality-handling system.</p> <p>Only those who meet Nan Pao’s requirements can become Nan Pao’s suppliers.</p>
Supplier Educational Training	<p>We organize supplier educational training courses every now and then.</p> <p>This helps to promote and communicate the supply chain management practices we advocate for.</p> <p>Supplier Evaluation Management</p> <p>Suitable suppliers also need to pass supplier assessment, which evaluates suppliers’ quality management system, production supply capacity, technical development capacity, environmental protection and pollution preventative management, and product abnormality-handling skills. Only those who are qualified can become our partners and be included in our “List of Suppliers.”</p> <p>The supplier assessment will be carried out once in every year, in which Quality Control, Warehousing, and Procurement departments will mutually score the suppliers’ quality, delivery schedule, and service quality. Qualification will be removed for any supplier who scores lower than the minimum standard.</p>

Three Aspects of Supplier Control and Selection:

1. Supplier management: Ruling out monopoly from a single supplier by cross-referencing market conditions, delivery status, pricing, and quality to maintain reasonable procurement.
2. Supplier management system certification: In response to environmental protection and safety and health requirements, suppliers who can provide international quality or environmental management system certification such as ISO 9001 and ISO 14001 will be the first to be introduced to our supply chain.

3. Supplier assessment: Evaluating suppliers based on the quality management system, production and delivery competency, technical development skills, environmental protection and pollution preventative management, and ability to handle product abnormalities on an annual basis; suppliers with scores lower than 70 (excluding 70) points will be placed under remedial procedures.

Quality Management System	Technical development competency	Somewhat Satisfied	Qualified
Production capacity and efficiency and competency	Environmental protection and pollution prevention management	Dissatisfied	70 points or above (inclusive)
Transportation and logistics competency	Product abnormality handling competency	Highly dissatisfied	Unqualified
Product supply competency	Level of completeness of the product abnormality handling system	10 points	Below 70 points (excluding)
Level of independence and completeness of the quality control organization	Ability to retrace and handle abnormal products	8 points	
Level of completeness of the production process quality management system	Rating	6 points	
Level of completeness of the raw material and finished goods inspection system	Superior	4 points	
Level of completeness of input and output material management	Good	2 points	

Evaluation of Suppliers' Environmental and Social Impact:

Nan Pao is committed to maintaining long-term cooperative relationships with domestic and foreign suppliers to jointly establish a sustainable supply chain. In addition to having regular evaluation of suppliers' quality, lead time, transaction status, service cooperation to ensure the product quality and stability, Nan Pao also urges suppliers to fulfill implementations such as protecting the environment, improving safety and health, and attaching importance to human rights, so as to jointly fulfill corporate social responsibility. Besides understanding suppliers' shipment conditions, we also obtain in-depth understanding of suppliers' operating status, development, and production environment through supplier interview and market data collection. If it has been determined that a supplier may have delivery and other unstable risks, we can timely

respond and adjust to maintain stable production and partnership, achieving mutual sustainable development as well as new opportunities for growth. From 2019 onwards, Nan Pao starts planning and gradually implements a systematic supplier environmental management, in which purchased materials are ensured to be of good quality and free of hazardous substance, and the "Supplier Environmental Protection Declaration" is formulated and required of suppliers' signing, in the hope that suppliers do not cause any damage to the environment or eco-system during the course of production and operation.

In 2018, no suppliers were suspended from trading due to production quality or delayed delivery.

Supplier Risk Management:

Besides understanding suppliers' output delivery conditions, we also obtain in-depth understanding to suppliers' operating status, development, and production environment through supplier interview and market data collection. If it has been determined that a supplier may have delivery and other unstable risks, we can timely respond and adjust to maintain stable production and partnership, achieving mutual sustainable development as well as new opportunities for growth. No forced or compulsory labor incidents occurred from Nan Pao to the Company's suppliers or contractors in 2018. In addition, no child labor was hired or used by suppliers in 2018. The major supplying areas in 2018 are Japan, Korea, China, Vietnam, Germany, Belgium, USA, Spain and Italy, excluded those countries are in political unsettlements.

The Supply Chain of Nan Pao's

Costs of raw materials account for Nan Pao's largest production costs. Moreover, the quality of raw materials is also a critical factor for the yield of production; therefore, stable raw material supply and positive material quality are our most important objectives for raw material procurement. For the top 10 raw materials that we had procured in 2018, in addition to factoring in the convenience and the freshness of raw materials, we also supported the development of Taiwanese industries. Local procurement of raw materials accounted for 78%, while overseas procurement made up the remaining 22%. Around 95% of top 10 raw materials used by Nan Pao were procured in Asia.

The main products of Nan Pao are resins, yellow gule, footwear adhesives and Polyol, the main raw materials are VAM, Toluene and EAC, the are 100% nonrenewable materials.

	2016 (Unit : ton)	2017 (Unit : ton)	2018 (Unit : ton)
VAM	4,269.84	3,569.23	3,333.56
甲苯	3,989.76	4,229.71	3,730.33
EAC	3,775.97	3,395.93	3,087.67

The chemical formula need to meet the requirements from the customers, avoid other impurities mixing into the products and cause the end product failure. Therefore, the raw materials and the packaging materials are mostly nonrenewable.

In addition to raw materials, the following is a list of procurement statistical data concerning labor practices, financing, and engineering at Nan Pao' s headquarters:

Type of contract (by company type)	Region of purchase	2016		2017		2018	
		Number of companies	Ratio of this procurement on the overall procurement (%)	Number of companies	Ratio of this procurement on the overall procurement (%)	Number of companies	Ratio of this procurement on the overall procurement (%)
Labor (contractual and service)	Domestic	368	2.98%	373	3.14%	384	3.42%
	Overseas	0	0%	0	0%	0	0%
Financing (raw materials)	Domestic	359	67.13%	365	66.74%	462	68.35%
	Overseas	58	18.78%	62	18.41%	64	21.72%
	Domestic	92	11.11%	98	11.71%	83	6.51%

Engineering (construction and equipment)	Overseas	0	0%	0	0%	0	0%
Total		817	877	100%	898	100%	993

Remarks: "Domestic" refers to Taiwan, and "overseas" refers to areas outside of Taiwan, such as China, the US, Vietnam, etc.

2.2 Green Material Recycling & Reuse

For environmental protection practices, Nan Pao reuses some of the multi-packaging from raw materials, however, Nan Pao will test on the packaging materials each time and not to effect the end product quality. Nan Pao provides a variety of specification of products for different customers with diverse purposes. Though we offer a variety of packaging choices, we actively respond to the trend of going green and to reduce waste. Therefore, for the bulk of packaging materials, the Bao Li Plant has achieved significant results in collaborating with downstream customers to recycle packaging barrels. After the packaging materials have been used and recycled, we will confirm the cleanliness and safety of the packaging barrels, then wash and reuse the materials. The barrels will not be replaced until they are damaged.

2.3 Green Logistics

As Taiwan's largest commercial port is Port of Kaohsiung and the majority of our domestic customers have factories located in southern Taiwan, we have established our headquarters and production sites in southern Taiwan to enhance service quality and to reduce carbon emission from long-distance logistics. The product transportation process emits enormous carbon emission. In terms of transportation, not only does shipping allow for much more loading than air transport, but its CO2e per unit is also far lower than other types of transportation. It is known to be the eco-friendliest and effective model for all. To protect the ecosystem, Nan Pao systematically reduces air freight and opts for ocean freight to lower the volume of CO2 emissions during cargo transportation. In addition, we also encourage our employees to share a ride to and from work. To reduce CO2 emission, only bicycles are allowed within the production sites.

To manage the quality of logistics contractors, Nan Pao has established the Contractor Vehicle Management Assessment Standard. Registration information for contractors' vehicles will be updated every year, and managers from relevant departments will also convene an assessment meeting for contractors' vehicles for the past year. Managers will discuss the level of satisfaction for logistics services and assign ratings accordingly. Nan Pao requires partner logistics vendors to establish an effective transportation and logistics allocation and to utilize vehicles returning from delivery routes to lower fuel consumption. We also require them to implement a joint transportation system, in which road, ocean, and air transportation can be effectively linked by using the unit-loading system. This allows the systematized transportation of a cargo unit from the shipper to the consignee, thus saving fuel and reduces waste emissions. Nan Pao's professional export sales and customs program have planned to carry out all aspects of the logistics process in a centralized manner and to comprehensively manage the process. This helps us to effectively link the scattered, separate logistics activities.

2.4 Green Certification

Greenhouse Gas (GHG) inventory was introduced in 2009 to understand the Company's GHG emissions through the inventory process and results, and to reduce GHG emissions in the future. The Company is committed to fulfilling our responsibility as a corporate citizen to mitigate global warming.

In 2012, carbon footprint inventory was introduced to inspect the carbon emissions during the operation activities throughout each product cycle, including the raw material stage, the material transportation stage, and the production stage. This helps us to calculate the carbon footprint of our products and to receive SGS carbon footprint inventory assurance for Reasonable Assurance Certification. The Water-based PU Footwear Adhesive (NP-99) has also received SGS "Carbon Footprint Inventory Statement," which makes Nan Pao the only company in Taiwan and throughout the world to receive this product-related accolade.

In 2013, our Water-based NP-3761G was given the "Product Footprint Certification Seal" by the Environmental Protection Agency, which indicates the emission volume of CO₂ from procurement of raw materials, manufacturing, assembling, logistics, and all the way to product consumption and waste processing or recycling. We wish to convey the Company's commitment to protecting our planet to the consumers by obtaining factual statistics through such rigorous carbon footprint inventory procedures.

In 2014, our hot melt adhesive production facility in Taiwan received the qualifying certification from the National Clean Production Evaluation System and the Green Factory Label, which further solidifies the Company' s determination to promote environmentally-friendly products.

In 2016, we completed ISO14064 verification for 188 Construction Glue and 3761 PVA Glue and are in compliance with the Carbon Footprint Calculation Guide for Products and Services. The life cycle of Nan Pao' s products, including designing, manufacturing, logistics, sales, and product uses, is guided by the 3R' s, which are Reduce (reducing energy and resource consumption), Reuse, and Recycle. In the future, Nan Pao will continue to allocate resources to reduce the environmental impact of the product life cycle to meet or even surpass the standards stipulated by laws.

In 2017, Nan Pao participated in the "Manufacturing Product Environmental Footprint and Resource Sustainability Promotion Project" conducted by the Industrial Development Bureau, Ministry of Economic Affairs, with the Water-based PU Dispersions, and won the award as a model manufacturer of product environmental footprint.

In 2017, Nan Pao participated in the establishment of the Database of Product Carbon Footprint Emission Coefficients coordinated by the Environmental Protection Administration of the Executive Yuan and received an award for the participation.

In 2017, Nan Pao' s first green factory site, the Vietnam Production Center, is in compliance with rigorous standards for energy, photovoltaic, water sources, and material consumption, and in accordance with sustainability policies, which helps the Company successfully receive LEED-Gold Certificate from the U.S. Green Building Council (USGBC) and attests Nan Pao' s efforts to maintain sustainable management and environmental protection.

In 2018, our Environmental-friendly Water-based Neoprene Glue 105G was the first in the world to receive Singapore Green Label. From a safety and eco-friendly perspective, we strive to research and develop green products that are hazard-free to human beings and the environment through technical innovations.

As of December 31, 2018, Nan Pao has received four "Green Building Material" certifications in Taiwan for the following four coating products: Water-based 815 Cement Paint, Water-based 815 Interior Emulsion Paint, Green Building Materials Solventless Epoxy Floor Primer (918AMB2G), and Green Building Materials Solventless Epoxy Floor

Topcoat (918ABTG). In the future, we will increase the ratio of revenue from green products step-by-step through marketing strategies and R&D, making Nan Pao a truly green enterprise

2.5 Green Production

Nan Pao has always focused on process management and going green. Since 2000, we have been striving to simplify our production processes to conserve energy and reduce carbon, on top of recycling and reusing resources to reduce waste. Our business expansion is founded on the basis of posing no harm to the environment, and we see considerations of possible environmental impacts as the number one priority. In evaluating the product lifecycle, we consider the range from the choice of raw materials, processing, product packaging, logistics, consumers, all the way to the disposal stage. In addition, we are dedicated to the long-term focus on global environmental trends and persist in the philosophy of sustainable management and advocacy for green products. We see quality as our goal and research and design green products that are in compliance with environmental regulations. Furthermore, we have been developing energy-efficient, solvent-less, water-based, and low-toxic green products one-by-one to reduce impacts on the environment and on human health.

2.6 Green Innovation:

Product environmental management can be traced back to its original design. Nan Pao introduces the green design element in as early as the design stage and works in line with market and customer requests. We have reduced environmental impacts from each stage of the product life cycle since the R&D stage. Moreover, we integrate the green design R&D processes with quality processes and undertake inspection and adjustment during each stage of the product development. To maximize the greatest benefits of green design, we have developed various types of products that pose lower environmental impacts, including “solventless, fast-hardening, water-based, and low-toxicity” products.

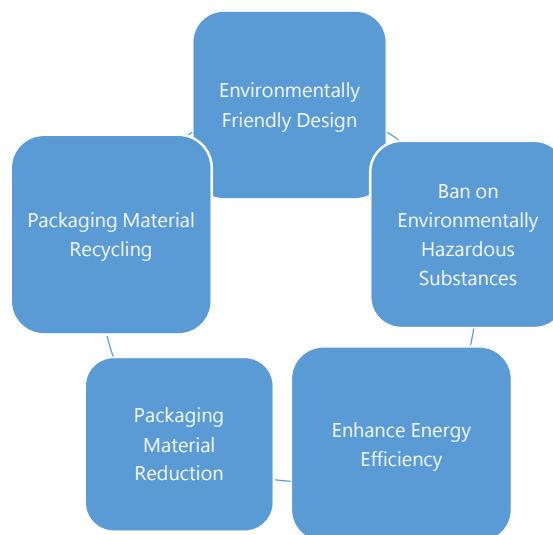
Nan Pao’s Research and Development Strategies:

The main direction of the Company’s future development is as follows: Internally, the

Company will continue to diversify and expand fields of research, be more environmentally- friendly (move toward water-based products/fast hardening, low-toxicity and lower VOC (volatile organic compounds), energy- efficient (UV light) hardening, normal/low temperature applications, manufacturing process improvements and automation), reduce carbon footprints (manufacturing process simplification and use of bio-materials), and continue to improve product quality to adapt to the current trends of lowering cost and increasing competitiveness. Externally, the Company will provide customizable services, low-energy/high-efficiency products, and effective solutions for customers to enhance customer relations, increase market share, and increase the added-value of products.

Circular-Economy Products

Nan Pao maximizes material efficiency



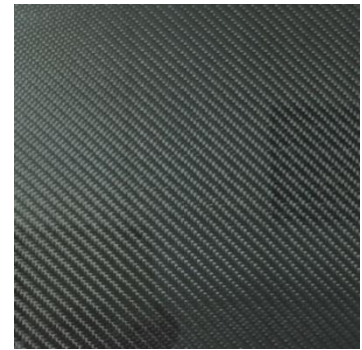
Most industries used to adopt the linear economy model, in which raw materials are mined to make a product, and after its use any waste is thrown away. Doing so not only accompanies an inefficiency use of energy and resources, but also churns out waste that leads to an environmental problem. As natural resources become scarcer, it is foreseeable that the supply of raw materials and their prices in the future will pose a risk to the sustainability operation of the Company. If this consumption model remains unchanged, we will not be able to leave the next generation a sustainable future. Therefore, companies need to rethink the way of using resources, reform and evolve to adopt the circular economy model, which can not only effectively improve the efficiency

of resource use, but also reduce operational risks and bring new business opportunities -
- the ultimate goal of Nan Pao' s environmental responsibility for its products.

In order to transform the product from the life cycle of "cradle to grave" to the circular economy model of "cradle to cradle" in the hope to maximize the efficiency of energy and resource use, Nan Pao' s transformation in design and service is extensive, in that it attaches importance to rejecting the use of toxic materials that hinder the reuse of products and improving the efficiency of use of energy and resources, in the hope to design and develop a green product of which the end product can be recycled as a resource available for reuse.

Nan Pao' s Circular Economy Design Products

1. Green recyclable shoe uppers: Made of low-melting-point polyester yarn and polyester fiber, of which yarn can be 100% recycled, and the biomass part can be biodegraded after being discarded.
2. Green biomass materials (PU, EVA foaming): The use of green sustainable materials and biomass resources (such as plant fiber, lignin and vegetable oil) is helpful in developing fluorine-free treatment agents, green biomass and recycling polymer materials that meet the ZDHC requirements, and that are applicable in midsoles and car mats that are biomass, shock absorption and high-elasticity foaming.
3. Thermoplastic carbon fiber composite: Most of the plastic products are made of thermosetting composite materials, making It difficult to be melted or dissolved after applying heat and pressure. Therefore, such products are difficult to be recycled or reused, deterring many industrialists who want to turn environmental-friendly. The thermoplastic carbon fiber composite materials are advantageous in that they are recyclable, able to be molded using diverse processing techniques, reusable, and capable of reducing energy consumption in the manufacturing process with rapid production hours, all of which are consistent with the current environmental trend.



Nan Pao' s Circular Economy History:

Step by step launching the BS8001 management system



Green recyclable shoe uppers
Green biomass materials
Thermoplastic carbon fiber composite

Waste recycling
Packaging material recycling

Products recycled to the same industry or other industries for use

Chapter 3. SUSTAINABLE ENVIRONMENT

- 3.1 Energy Management
- 3.2 Greenhouse Gas Management
- 3.3 Water Management
- 3.4 Air Pollution Prevention Management
- 3.5 Effluents and Waste Management

GRI Standards Management Policy: Environmental: Emission, Energy, Water, Effluents and Waste, Compliance to Laws Related to Environmental Protection

Reporting Requirements	Emission, Energy, Water, Effluents and Waste, Compliance to Laws Related to Environmental Protection
Materiality of Topic	<p>Environmental awareness had a huge awakening toward the end of the 20th century. The natural environment is no longer an external influence, but rather, businesses should include environmental protection into its overall strategic consideration. Businesses should see environmental protection as its mission.</p> <p>Energy: Energy is scarce across the world. To increase a company' s competitiveness, the company should conserve energy costs and fulfill environmental protection through effectively utilizing energy resources and increasing energy circular utilization rate.</p> <p>Water: The United Nations has indicated that climate change and global population growth pose threat to water consumption safety of over 1 billion people worldwide. Water management should be reinforced to prevent relevant conflicts; hence, companies need more effective water management to reduce operating risks.</p> <p>Emissions: The Paris Agreement has indicated that international carbon reduction trends should be reinforced responses to the threats of climate change from across the world. Laws and customer requests at each operating site have prompted businesses to promote greenhouse gas (GHG) reduction programs with mitigation effects to remain sustainable competitiveness.</p> <p>Effluents and Waste/Compliance to Laws Related to Environmental Protection: Environmental laws of each country and customers' requirements for environmental protection are increasingly strict; companies should consider</p>

	reducing environmental burden and effective resource utilization during production processes to enhance their sustainable competitiveness.
Boundaries of This Theme	Nan Pao Resins Headquarter
Management Objective for This Theme	Relevant management procedures have been established to effectively manage the Company' s risks of climate change, water consumption and water recycling, waste processing, and compliance with environmental laws.
Policy	<p>Nan Pao' s Environmental Policies</p> <ol style="list-style-type: none"> 1. Environmentally-friendly products: We continue to enhance green product R&D capacity and rigorously require environmentally-friendly products with international standards. 2. Legal compliance: Legal compliance is the basic requirement for the Nan Pao Group, and we will continue to carry out operations with standards that surpass the laws. 3. Pollution prevention: We manage pollutants from the source, and reduce pollution through improved solutions, equipment, and processes; the P-D-C-A management method has been adopted to promote continuous improvement of environmental management. 4. Energy conservation and waste reduction: Energy-saving equipment have been adopted at the plants, and we also recycle effluents and reuse packaging barrels. 5. Full participation: We clearly convey policies and require all employees to implement the policies to collectively protect the environment. 6. Continuous improvement: We propose improvement plans for processes and products that fail to meet requirements, carry out the improvement in practice, and review the result.
Specific Actions	To effectively manage the topic of emissions, Nan Pao has introduced international management systems, including ISO 14001 and ISO 50001 one-by-one.
Performance and Adjustment	From our greenhouse gas inventory, it was found that most of the emissions came from energy consumption. Hence, Nan Pao will implement energy consumption management to further achieve carbon emission reduction. Each of our production sites will establish energy baselines [power consumption per ton of product or volume of heavy oil consumption per ton of product (amount of natural gas)], an annual review will also be carried out to achieve the objective of energy conservation and carbon reduction.

Nan Pao' s Environmental Policy:

Green Products

- Continue to enhance green production competency and strictly adhere to international environmental product standards

Legal Compliance

- Legal compliance is Nan Pao's fundamental requirement, and we continue to carry out business operations at levels beyond legally-stipulated standards.

Pollution Prevention

- Manage pollutants from the source and reduce pollution fundamentally through improving materials, equipment, and processes by adopting the P-D-C-A management model to push for continuous improvement in environmental management

Energy Conservation and Waste Reduction

- Energy-saving facilities have been adopted at the production sites, and wastewater and packaging tanks are also recycled and reused.

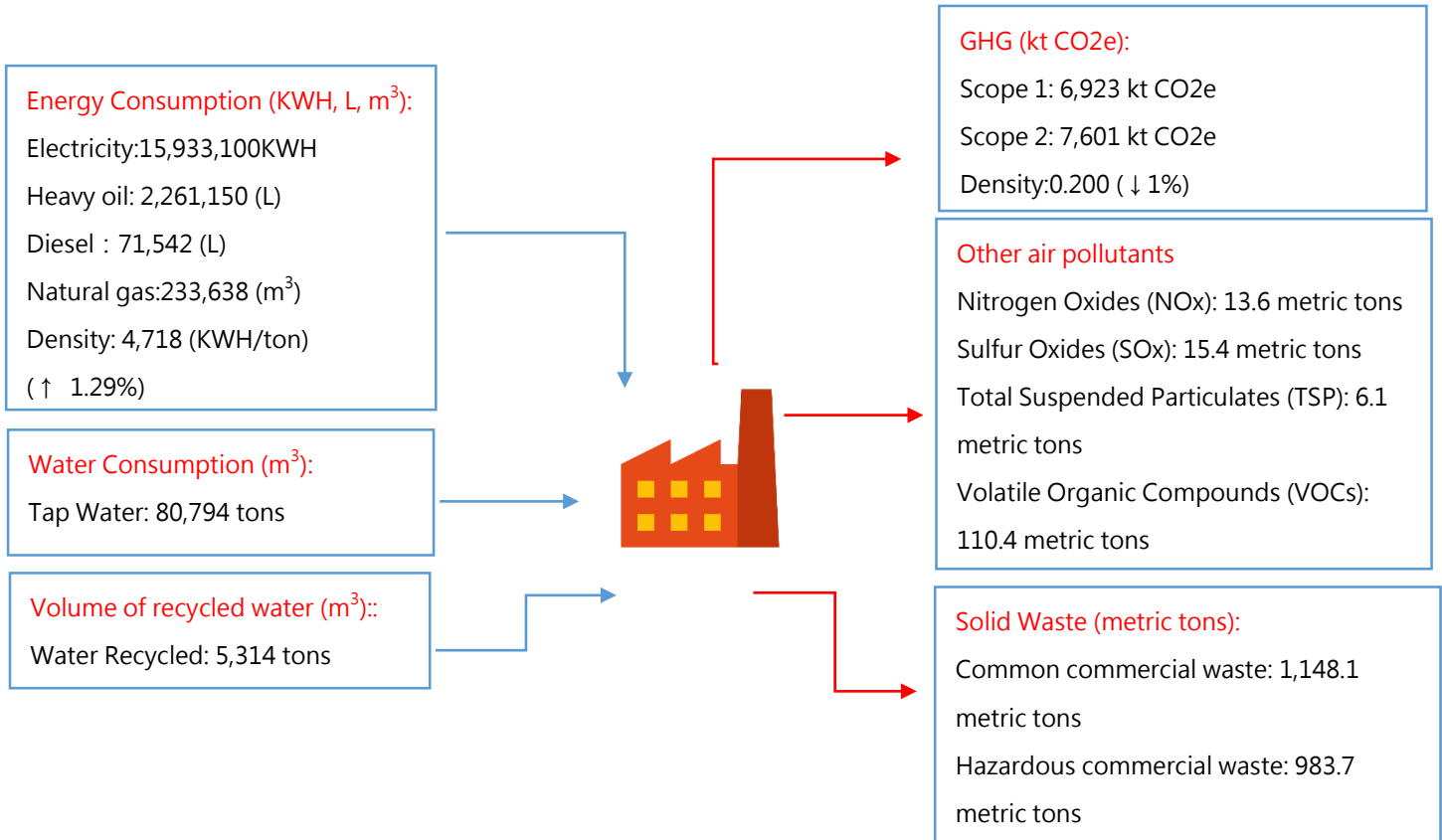
Full Participation

- We clearly announce policies and require fulfillment from all employees to protect the environment as a group.

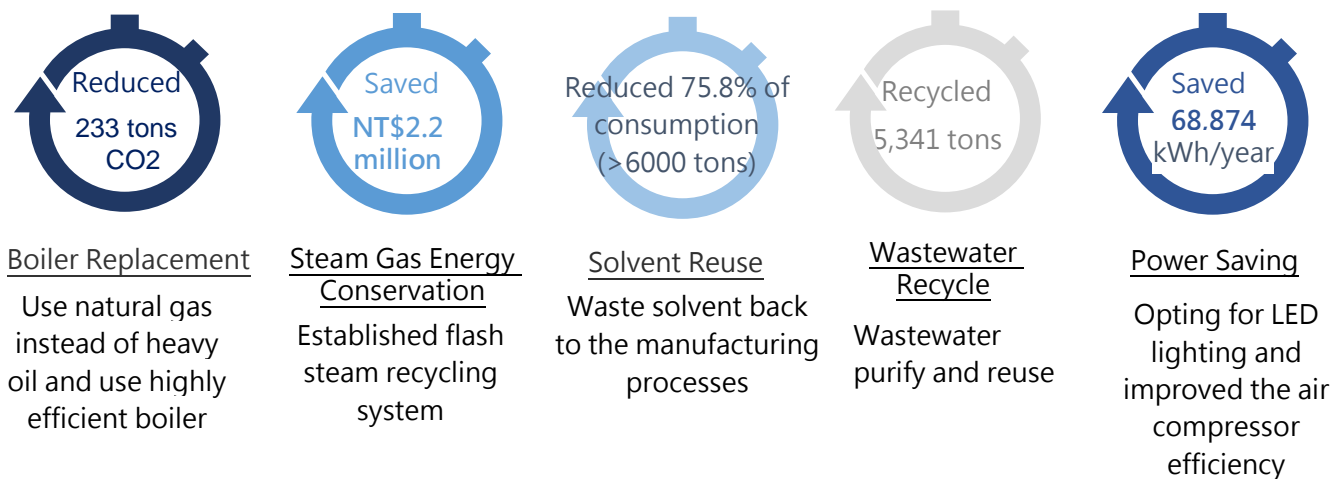
Continuous Improvement

- We propose improvement measures for processes and products that fail to meet standards and implement the measures and review results after improvements in practice.

Overview of Key Environmental Indicators:



Environmental Protection Highlights in 2018 :



3.1 Energy Management

Global warming has led to weather abnormalities, and climate and environmental changes have led to perils and financial losses, in addition to the public' s increased

awareness of climate issues. Nan Pao sees energy and greenhouse management as important issues in day-to-day operations, and we continue to promote energy conservation and carbon reduction measures, improve energy efficiency and greenhouse gas management to reduce the impact on climate change, and reduce risks brought forth by fluctuations in energy prices and energy supply. Concurrently, we also actively work with energy policies stipulated by local governments. The photovoltaic system has been established at the factories, which leads to more than 1% of autonomous production in renewable energy consumption.

Energy Management Review Team

Chaired by the General Manager at Nan Pao' s headquarters, a cross-departmental Energy Management Review Team has been set up. Executive positions are assumed by the energy management personnel and Quality Assurance Department representatives of each plant and divisional managers of each department relevant to the energy management system are appointed to join the Team upon delegation from the General Manager. The Team regularly meets to review energy consumption status and formulates energy-saving measures. It continuously monitors the performance of energy-saving projects and has set up relevant procedures and standards in accordance with the Energy Team' s relevant energy policies to facilitate implementations. In addition, the Team also provides detailed project information for the Energy Team to review.

Nan Pao Energy Policy

In compliance with legal regulations

Procurement performance

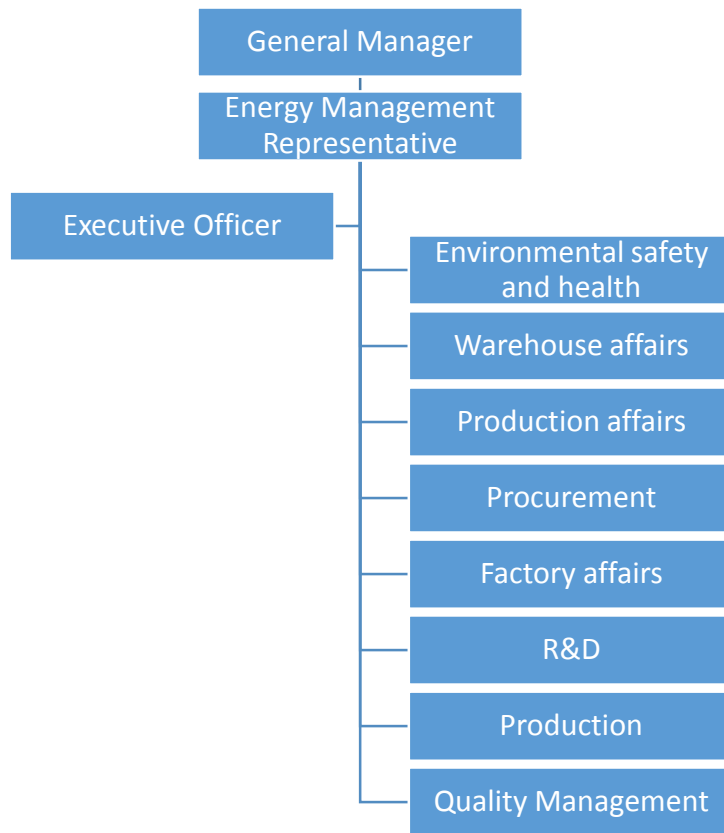
Energy conservation and carbon reduction

Continuous Improvement

Energy Review Target and Management of Action Plan

Analyze energy use and consumption, identify material energy usage, and identify and prioritize opportunities of improving energy performance to continuously enhance energy efficiency

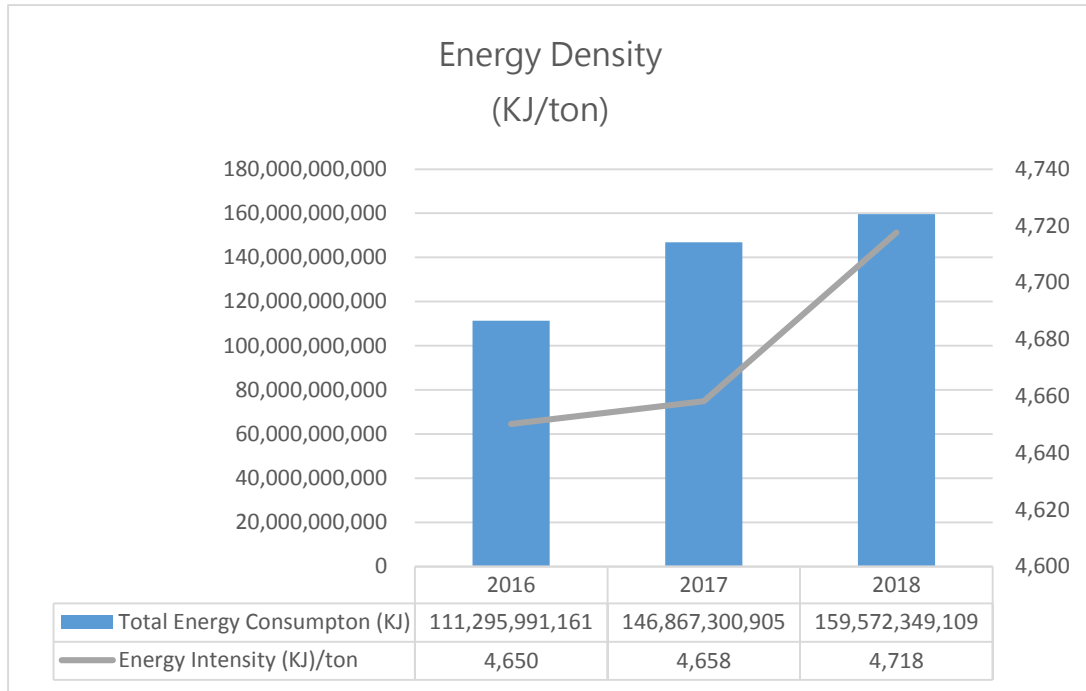
Structure of the Energy Management Review Team:



Nan Pao is going to gradually replace the high energy consumption equipment to reduce the green house gas emission and reduce the energy waste. Total energy consumption in 2018 raised 8.65%, however the energy density has only slightly risen 1.29%.

The energy consumption chart from 2016 to 2018.

Items	Unit	2016	2017	2018
Electricity	kWh / year	13,143,000	14,331,700	15,933,100
Liquefied Petroleum Gas (LPG)	KG / year	0	0	0
Gasoline	L / year	0	0	0
Diesel	L / year	77,287	76,268	71,542
Heavy Oil	L / year	1,524,000	2,290,000	2,261,150
Liquefied Natural Gas (LNG)	m3 / year	0	0	233,638



Nan Pao' s Energy Performance Management Achievements in 2018:

Items	Energy Conservation Methods	Effectiveness of Energy Conservation	Expenses Saved	Reduction in Carbon Emissions
1 Replacement of energy-consuming mercury lamps with LED lights	1. Replacement of 39 mercury street lights in the plants 2. Installment of 80W-LED street lights 3. Brighter than the mercury street lights according to the testing results.	Conserved 50,890KWh/year	NT\$178,115 / year	31.14ton-CO2
2 Air compressor system added with dew point control	Controlling the efficiency of 50HP air compressors with the Energy Performance Measurement and Monitoring System	17,984 kWh / year	NT\$38,646 / year	2.83ton-CO2
3 Improvement in thermal processing system	Replacement of the original steam-water mixer with a plate heating system to serve as the thermal processing system.	Saved fuel by 13.56 tons / year Avoidance of febrile temperature at cooling pools		

4	Oven system replacement	Replacement of ovens eliminates steam leakage, effectively recovers steam condensate and waste heat, and reduces waste water.	Reduced the amount of leaked steam by 1,764 tons / year Reduced fuel costs by 150 tons / year		
5	Secondary steam recovery	Recycled water for boiler use which effectively reuses steam condensate		Waste heat recovered from condensate costs NT\$2,165,304 / year	
6	Boiler replacement	Substituted heavy oil with natural gas and adopts fuel-efficient boilers		Reduced fuel costs by NT\$291,118 /year	Reduced carbon emissions by 233 tons-CO2
7	Warehouse air conditioning improvement	Changed household air conditioners to water-cooled air conditioners		Reduced electricity costs by NT\$403,630 / year	
8	Solar power system	Established a solar power generation system with a capacity of 266.2KW	Total power generation of 218480KW		

Green power generation and use

Apart from replacing high energy consumption equipment, the Company also invests heavily in replacing the heavy oil used by boilers at plants with natural gas and the renewable energy source - solar power. The Company initiated the solar power station project, evaluated the feasibility and cost-effectiveness of placing solar panels on the tops of production plants and completed the installation of the rooftop photovoltaic system at the hot melt adhesive plants in 2017. All the production facilities are being evaluated for installation, which would reduce carbon emissions, thus lower the cost of purchasing carbon emission permits. This demonstrates Nan Pao's efforts to reduce GHG emissions and to do what we can for the society.

In 2018, the solar power generation system at the rooftops of Warehouse Section No.1, Warehouse No.2 and Warehouse No.3 has been accelerated and completed. Boilers at the polyester section have shifted their fuel consumption from heavy oil to natural gas, effectively reducing the emission of particulate matter (PM). As for other boilers,

subsequent planning has been in place to shift their fuel consumption type to natural gas, which is expected to further reduce carbon emission volumes in the future.

3.2 Greenhouse Gas Management

In 2009, we introduced the Greenhouse Gas (GHG) Inventory and established a GHG Inventory Team. Relevant operating procedures have been standardized into Greenhouse Gas Inventory Management Procedures, and we can effectively understand the Company' s GHG emissions through GHG inventory and results. In 2012, carbon footprint inventory was introduced to inspect the carbon emissions during the operation activities throughout each product cycle, including the raw material stage, the material transportation stage, and the production stage. This helps us to calculate the carbon footprint of our products and to receive SGS carbon footprint inventory assurance for Reasonable Assurance Certification.

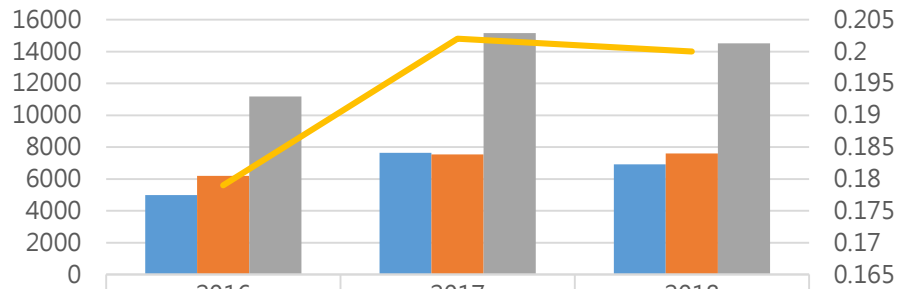
Results of product carbon footprint and GHG inventory have indicated that our primary emission sources are carbon emissions during the production phase. As its emission sources are GHG and power used during production processes, our primary carbon reduction targets are GHG and regulation over power consumption and its gradual reduction. The factories in Nan Pao certificated with ISO 50001 Energy System for a better management implement, we continuously monitor the greenhouse gas emission data and work on improving energy efficiency and reducing operating cost to reduce the emission.

From our greenhouse gas inventory, it was found that most of the emissions came from energy consumption. Hence, Nan Pao will implement energy consumption management to further achieve carbon emission reduction. Each of our production sites will establish energy baselines [power consumption per ton of product or volume of heavy oil consumption per ton of product (amount of natural gas)], an annual review will also be carried out to achieve the objective of energy conservation and carbon reduction.

We have gradually replaced the fuels of the steam boiler with natural gas instead of heavy oil to reduce greenhouse gas emission, we will replace all the fuels for the boilers by 2019.

Greenhouse Gas Emission Chart

Unit : kg CO₂e

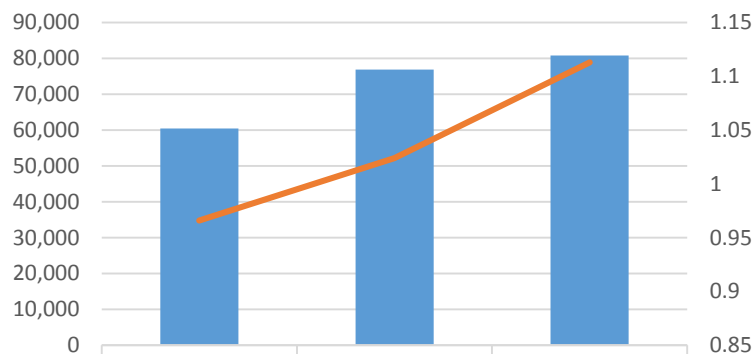


	2016	2017	2018
Scope 1(CO ₂ e) : (Gasoline, diesel, LNG, LPG, heavy oil)	4994	7633	6923
Scope 2(CO ₂ e) : (Electricity)	6194	7532	7601
Total emission =Scope 1+Scope 2	11,188	15,165	14,524
Emission Intensity (CO ₂ e/ton)	0.179	0.202	0.2

3.3 Water Management

Water Consumption

Unit : ton



	2016	2017	2018
Total water consumption	60,398	76,907	80,794
Water Intensity	0.966	1.024	1.113

Nan Pao' s water source comes from tap water supplied by Taiwan Water Corporation. We do not withdraw water from ecological conservation areas, nor do we use groundwater source. Effluents and surface runoff at other locations of operation do not significantly affect water bodies or species habitats. No factory of Nan Pao locates within

any ecological reserve area, nor within any water-source or water-quality protected area, nor is it surrounded by any species included in the IUCN Red List species and national conservation list species. Works of greening beautification have been done within factory compounds, surrounded by other wild arbors, shrubs and some herbaceous plants, as well as animal species, most of which are adaptive to human habitation.

There is a wastewater treatment station within each plant. After the wastewater is purified, some of which is recycled for machine cleaning, recovery tank cleaning, and as secondary water for supplementing the cooling pool. In 2018, the volume of water reclaimed from effluents amounted to 5,341 metric tons, evidencing the philosophy of recycle and reuse. Cleaner processing water is separately collected according to the water quality conditions, e.g., water recovered from steam heating is used for boiler steam heating to reduce the tap water consumption, as well as the use of heavy oil or natural gas.

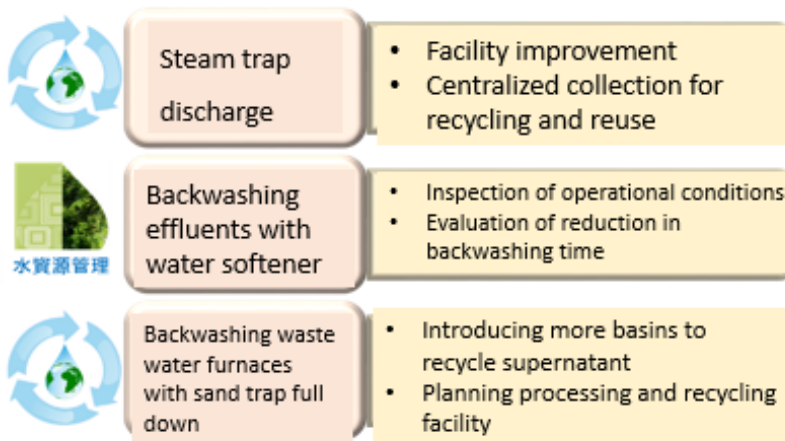
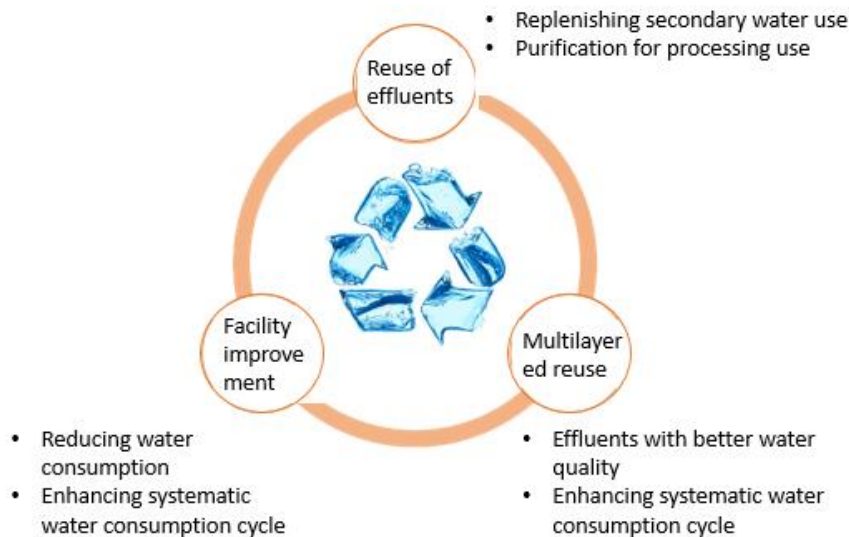
In addition, the water reclaimed from effluents serves other secondary uses such as wastewater treatment brewing, filter cloth cleaning, flushing bath toilets, etc., to improve the overall water recovery and reuse within plants. We will also accelerate the planning of a rainwater collection and reuse system throughout each plant and gradually implement it, so as to head for the goals of 100% cyclical use of recycled cooling water, as well as the cyclical use of recycled water.

Specific Water Conservation Measures in 2018

Energy-Conservation Measures and Volume of Conservation in 2018		
Energy-Conservation Measures	Practice	Volume Conserved
Effluent recovery and reuse	Cooling pool refills	5,341 tons / year
Rainwater recovery	Cooling pool refills	466 tons / year
Energy-Conservation Measures and Estimated Volume of Conservation for 2019		
Energy-Conservation Measures	Practice	Volume Conserved
Effluent recovery and reuse	Cooling pool refills	Estimated water conservation of 5800 tons / year
Effluent recovery and reuse	Plant watering	Estimated water conservation of 200 tons / year
Rainwater recovery	Cooling pool refills	Estimated water conservation of 500 tons / year

Steam heat recovery	Steam boiler water	Estimated water conservation of 15,000 tons / year
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2018 Nan Pao water resource planning and management process



3.4 Air Pollution Prevention Management

The air pollutants emitted by Nan Pao are primarily particulates, sulfur oxides, nitrogen oxides, and gaseous volatile organic compounds (VOCs), where the sources of pollution can be from manufacturing, operating boilers, and effluent treatment processes. To effectively reduce air pollution and emissions, we have reinforced the availability of machinery, and actively monitored concentrations of all flue gas emissions to ensure that the emitted concentrations can meet regulatory standards. The plants at Headquarters that are required to declare emissions under the environmental protection regulations in terms of air pollutant discharge are Plant No. 1, the Bao Li Plant, and Plant No. 5. Due to

the degradation of air quality in recent years, the competent authority had tightened the laws relating to the emission of particulates. Hence, in order to improve air quality, Nan Pao actively researched into changing of raw materials and installing new equipment for air pollution prevention and has been replacing the heavy oil-based boilers with natural gas based boilers since 2017. All the manufacturing factories do not produce, input, output or exhaust any ozone depleting substances (ODS) °

Since the plant area contains many chemical substances, the chemical smells often escape into the air. We have replaced feeding materials through manholes in reaction tanks with diaphragm pumps to avoid the chemicals contacting air, which would reduce the odors and the exposure to operators. Subsequently, we will also reform the worn equipment components in the plants (e.g., shaftless motors, open-blind assembly, autonomous inspection, etc.) to improve the odor problems in the plants.

Below is the statistical information of Nan Pao Headquarters' various air pollutants. Nan Pao is committed to reducing emittance sources and VOCs from products and production processes from the source.

Air pollution	Emission (ton)			
	VOCs	TSP	SOx	NOx
2017	76.708	7.139	16.313	11.092
2018	110.369	6.093	15.383	13.646

3.5 Effluents and Wastes Management

Effluents Management:

Effluents treatment grounds have been established at Nao Pao' s facilities. The operation process first goes through chemical coagulation, chemical treatment, and biological sludge treatment and discharge.

Due to that MBR film treatment units are installed at the rear end of the effluents treatment, water quality is maximized after treatment, thereby improving the reuse of the effluents in the plants and increase the water circulation rate. The recycled water is used as a secondary water to refill the cooling pool.

Each treatment unit and effluents, in addition to subjecting to self-inspection and self-monitoring made by dedicated personnel at regularly intervals, are also sampled and

sent to an external inspection agency for inspection. The Company has also constructed another MBR treatment unit to improve the effectiveness of wastewater treatment. At present, effluents are regularly monitored, of which the COD, BOD and SS testing values are all in line with the national water discharge standards.

Effluents and/or surface runoff from Nan Pao Operating Headquarters are discharged to the Liu-cuo drainage system and flows through the Cigu River. The Cigu River is approximately 15.5-km long and covers approximately 38 square km. It is formed by the convergence of the mainstream Liu-cuo drainage system and the tributary Cigu drainage system and flows through the Jiali, Xigang, and Cigu Districts. It enters the sea through the Cigu Lagoon.

Items	2016	2017	2018	
Wastewater volume(m ³)	23,595	20,374	23,255	
Water pollution testing	2016	2017	2018	Emission Standard(ppm)
	Yearly average monitoring value(ppm)			
Chemical Oxygen Demand, COD (mg/L)	24.63	17.7	36.1	100
Biochemical oxygen demand, BOD (mg/L)	4.13	3.9	2.0	30
Suspended solids, SS (L)	3.30	2.5	4.3	30

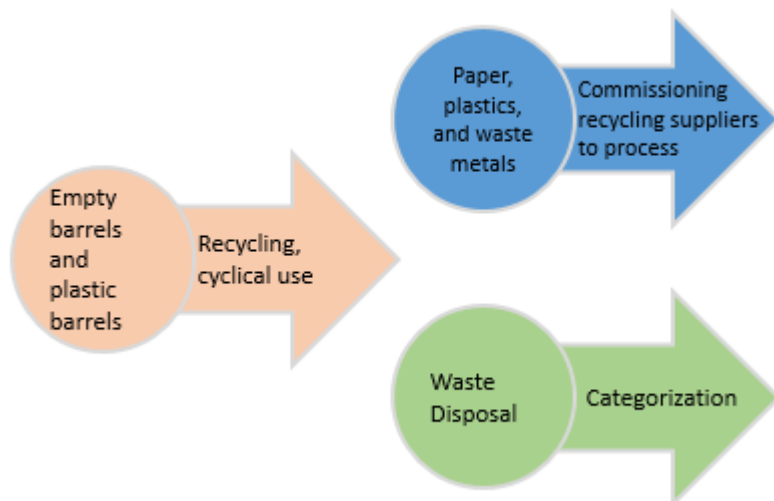
Waste Management:

Most of the waste generated by Nan Pao are waste solvent, waste resin, chemical waste barrels, waste dust, waste organic sludge, waste plastic mixture, and waste activated carbon. Our production processes mostly generate waste solvent and waste resin, while the air pollution prevention facilities lead to the generation of waste dust and waste activated carbon. The Company recycles and reuses the solvent in the manufacturing processes which substantially reduces the waste solvent.

Nan Pao' s resource recycling and reuse procedure are as follows: after sorting, the waste, paper, plastics, scrap iron, etc. will be recycled by recycling businesses. To reduce

the amount of waste, some empty iron drums and plastic buckets will be reused at our plants or used toward circular use.

No material leakage incident occurred at Nan Pao' s operating headquarters in Taiwan in 2018.



However, the Company was fined for an incident of air pollution in 2018

Date of Audit	Date of Verdict	Plant	Explanation of Breach	Legal Reference for Penalty	Fine	Improvement Measures
107.05.04	107.06.20	Plant No. 1	On May 4, 2018, personnel was dispatched to Plant No.1 to conduct an audit. On the spot, the waste resin storage site of Plant No.1 was caught on fire and no equipment was installed to collect and treat particulate pollutants, resulting in obvious particulate pollutants scattering in the air.	Penalty was given due to violation of Article 31, Paragraph 1, Subparagraph 1 of the Air Pollution Control Act; Article 6, Paragraph 1, and Article 60, Paragraph 1 of the Enforcement Rules for Air Pollution Behaviour Control Act; Article 3, Paragraph 1, Appendix Table of the Regulations for Penalty Due to Violation of the Air Pollution Control Act in Public and Private Places.	100,000	<ol style="list-style-type: none"> 1. Set up fire safety equipment, of which the signal is linked to the fire alarm control panel for monitor. 2. Set up CCTV monitoring system. 3. Sign contracts with a number of waste disposal companies to frequent waste removals.

4. Strengthen
waste
classification
management.

Chapter 4. QUALITY AND CUSTOMER SERVICE

- 4.1 Product Quality Management
- 4.2 Toxic Substance Inspection Standard
- 4.3 Customer Service
- 4.4. Protection of Customer Privacy and Rights
- 4.5 Customer Satisfaction

GRI Standards Management Policy: Customer Service: Customer health and safety/marketing and labeling

Reporting Requirements	Customer Service: Customer health and safety/marketing and labeling
Material Causes Behind this Theme	<p>To maintain product safety, during production processes from raw material input to finished output, we sample all batches of products. Only products that have passed inspections can be stored for subsequent delivery. At the same time, the production batch number would be printed on the packaging to allow for subsequent follow-up and tracking. Products that do not pass inspection would be rejected to rework. We maintain rigorous control over raw materials and product inspection standards in accordance with the CNS inspection standards in Taiwan.</p> <p>Marketing and Labeling Products produced by the Company are industrial specialized chemical substances, and labels must be clearly indicated on the product packaging so that customers and users will clearly understand the product name, hazardous substance label, warning message, and hazard preventative measures. We also clearly indicate on the label that the product is food-prohibited to prevent unethical businesses from adding the Company' s products in food.</p>
Boundaries of this Theme	The Company' s scope of impact for emission topic includes raw material suppliers in our value chain and the Company' s operating headquarters in Taiwan.
Management Objective for this Theme	Management procedures have been established to effectively manage Nan Pao' s product quality and provide customers with products and services that are stable, safe, and in compliance with legal regulations.

	<p>Quality is a fundamental factor in the overall management of the Nan Pao Group. Our goal is to provide customers with stable and safe products and services in compliance with legal regulations. The Company sees quality as the cornerstone to brand development and sustainable growth. In terms of internal management, we never compromise on our commitment to quality requirement and on 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 working mindset and actions.</p>
Policy	<p>Nan Pao' s Quality Policy includes the following:</p> <ol style="list-style-type: none"> 1. Quality First: Ensuring quality is the responsibility of each and every employee. All tasks related to products and services need to comply with enforced procedures and standards, and products that do not comply with quality inspection standards shall never be allowed to be distributed to customers. 2. Technical Leadership: We continue to develop products that meet customers' needs and to assist customers to enhance their added-value and lower costs; we focus on the provision of energy-saving, carbon-reducing products with low pollutants to prevent environmental pollution and damaging the Earth, as well as to protect the ecosystem. 3. Service-oriented: Service is a key added-value of Nan Pao' s products; we actively solve product application problems and work with customers on joint product development. To ensure customer satisfaction, a comprehensive technical service team has been designated to solve customers' problems of product use, R&D, and improvement at all times.
Management Procedures	<p>To effectively manage quality, the ISO 90001 international quality management system has been introduced to Nan Pao. We also regularly obtain certification and version update to comply with the latest international management standards.</p>
Management Evaluation Mechanism	<p>Pursuant to the ISO 90001 internal management review procedures, Nan Pao undertakes effectiveness evaluation on quality management in each year. We never compromise on quality requirements and on our determination to comply with relevant standards.</p>
Performance and Adjustment	<p>To clearly protect the safety of customers, we introduced the IECQ/QC 080000 Hazardous Substance Process Management (HSPM) system in January 2010. At the same time, we have also reinforced educational</p>

	<p>training for employees so that employees could better understand that it is our basic responsibility to produce products that are safe. The system was officially implemented in May 2010, and certification from BSI was received in September of the same year. From that point on, BSI carries out follow-up review every year, and the same hazardous substance management goal - hazardous substance shall not be found during inspection - is also established every year. Inspection of hazardous substances is carried out by Nan Pao's Quality Assurance Team in accordance with "Raw Material Inspection Standard" and "Finished Goods Inspection Standard" on the input and finished goods respectively. The purpose of which is to confirm whether the hazardous substance meets the target objective. No abnormalities have been found so far.</p>
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4.1 Product Quality Management:

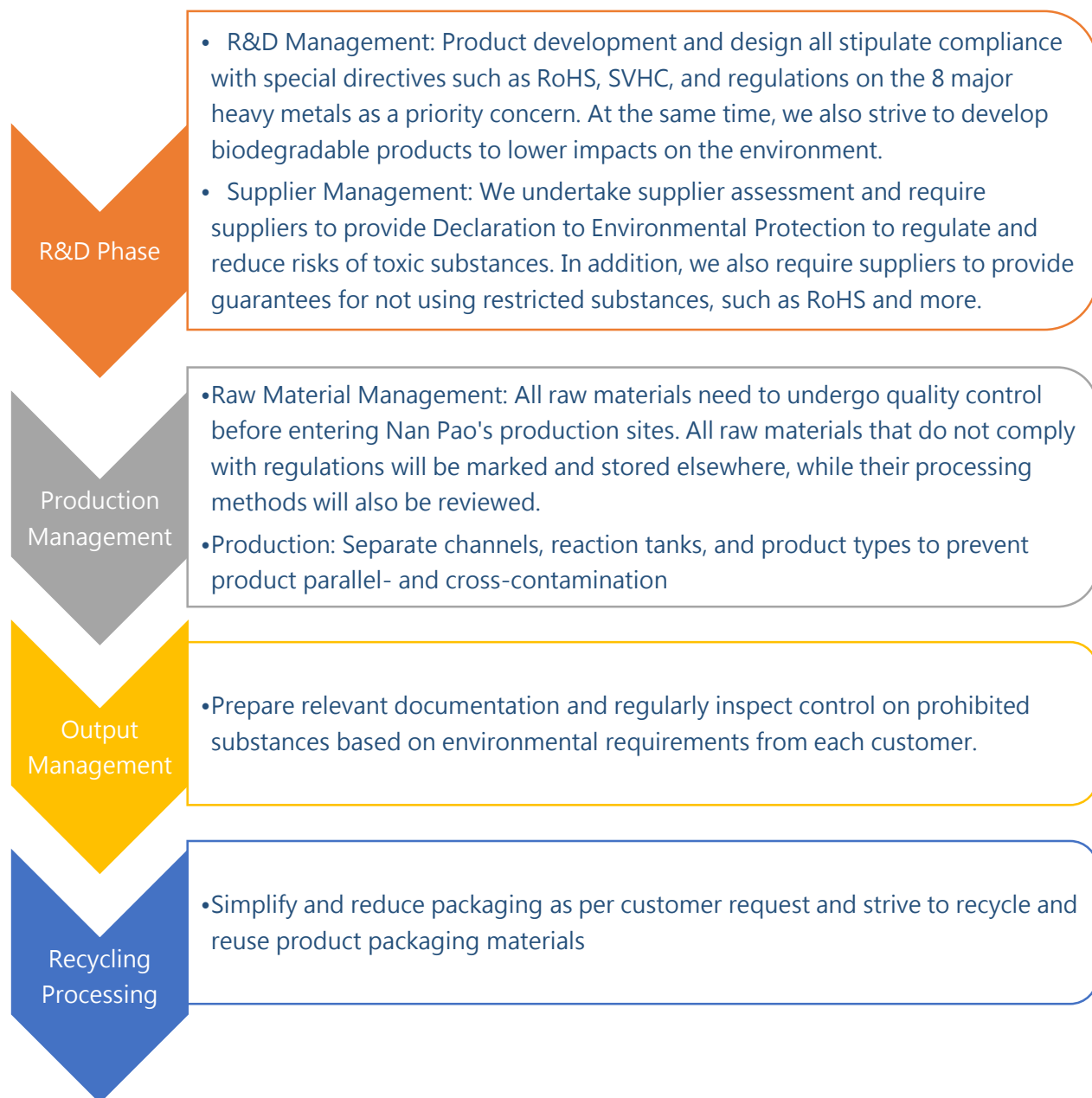
Ensuring Product and Service Quality:

Nan Pao has clearly established Quality Policy: Quality is a fundamental factor in the overall management of the Nan Pao Group. Our goal is to provide customers with stable and safe products and services in compliance with legal regulations. The Company sees quality as the cornerstone to brand development and sustainable growth. In terms of internal management, we never compromise on our commitment to quality requirement and on 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 working mindset and actions. To implement Nan Pao's Quality Policy, the following action plans have been adopted: Quality First: Ensuring quality is the responsibility of each and every employee. All tasks related to products and services need to comply with enforced procedures and standards, and products that do not comply with quality inspection standards shall never be allowed to be distributed to customers.

Technical Leadership: We continue to develop products that meet customers' needs and to assist customers to enhance their added-value and lower costs; we focus on the provision of energy-saving, carbon-reducing products with low pollutants to prevent environmental pollution and damaging the Earth, as well as to protect the ecosystem. Service-oriented: Service is a key added-value of Nan Pao's products; we actively solve product application problems and work with customers on joint product development. To ensure customer satisfaction, a comprehensive technical service team has been designated to solve customers' problems of product use, R&D, and improvement at all

times. The ratio of environmentally-friendly products (water-based or solid-state) produced by Nan Pao' s operating headquarters in 2018 accounted for 71.9%.

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



Nan Pao' s various operational sites have all passed the regular follow-up review of ISO 9001. The quality unit of each department has established relevant quality indicators in each stage of product development in accordance with the Company' s Quality Policy and Quality Assurance Handbook. We comply with Plan-Do-Check-Action (PDCA) cyclical quality management policy in carrying out supervision, measurement, analysis,

and continuous improvement over raw material input and finished goods. We strictly require the R&D process to be in total conformity with the environmental laws and relevant requirements of customers starting from raw material selection; the raw materials and finished goods inspection in each stage shall be completely fulfilled. For instance, our products are in compliance with the 168 substances in Substance of Very High Concern (SVHC), the 2.0 version of RoHS directive, REACH, and the 8 heavy metals from EU' s EN71 part 3. With the cross-control and supervision pursuant to Nan Pao' s clearly stated Raw Material Management Method, Production Management Method, and Processing Management Method, all products have been sampled and inspected before being stored as finished goods. We rigorously achieve our quality objective and never compromise on quality control.

4.2 Hazardous Substance Inspection Standard

Nan Pao complies with the REACH standard by EU and investigates chemical substances contained in our products in line with the supply chain to ensure that our products do not contain the Substance of Very High Concern (SVHC) stipulated by REACH directive. As for customer requirements based on environmental pollution prevention or prohibited substances for health concerns or other restricted substances over a certain volume, we rigorously undertake quality inspection on the raw material input and finished goods in accordance with Nike (RSL), Adidas/Reebok (A-01), EU WEEE (RoHS), Sony (SS-00259), REACH, 8 major heavy metals, and Green Building standards.

We provide inspection reports (SGS, TUV, etc.) and guarantees from independent third-party institutions based on customers' request. No breach of product/service and consumption incidents. No product has been banned from sales in any particular market, nor have there been any product-related conflict. Nan Pao' s operating headquarters for customers have gone through safety and health evaluations, including RoHS 2.0, REACH, EN-71 Part 3 (8 major heavy metals), NIKE RSL, and Adidas A-01.

Product Safety Inspection Process:

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

the CNS inspection standards in Taiwan.

To ensure customer health and safety in product consumption, all footwear products produced by the Company are sent to independent third-party institutions such as SGS to receive reports on substance prohibition directive from brands including Nike, Adidas, and Converse and more. Moreover, as the Company persists on exceptional quality and product safety, all products sold to EU have passed quality inspection. In 2018, the quality of all export products has complied with EU' s RoHS and REACH standards. Products produced by Nan Pao are industrial specialized chemical substances, and labels must be clearly indicated on the product packaging so that customers and users will clearly understand the product name, hazardous substance label, warning message, and hazard preventative measures. We also clearly indicate on the label that the product is food-prohibited to prevent unethical businesses from adding the Company' s products in food.

To clearly protect the safety of customers, we introduced the IECQ/QC 080000 Hazardous Substance Process Management (HSPM) system in January 2010. At the same time, we have also reinforced educational training for employees so that employees could better understand that it is our basic responsibility to produce products that are safe. The independent third party BSI carries out follow-up review every year, and the same hazardous substance management goal - hazardous substance shall not be found during inspection - is also established every year. Inspection of hazardous substances is carried out by Nan Pao' s Quality Assurance Team in accordance with "Raw Material Inspection Standard" and "Finished Goods Inspection Standard" on the input and finished goods respectively. The purpose of which is to confirm whether the hazardous substance meets the target objective.

4.3 Customer Service:

Technical Service:

Customer satisfaction is not only built upon product quality, but after-sale service is also the true determining factor to customer satisfaction. Our Technical Service Department is brimming with professional talent who has years of technical experience and has solved technical problems for many years. Moreover, a comprehensive database has been established, and professional talent is dispatched to each sales and services center 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.

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

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

Development Overview of Simplifying Customers' Production Processes:

Besides actively improving our production processes and enhancing efficiency, Nan Pao's R&D Department also works with customers to develop products with simplified processes as well as help customers to simplify their production processes to achieve better efficiency.

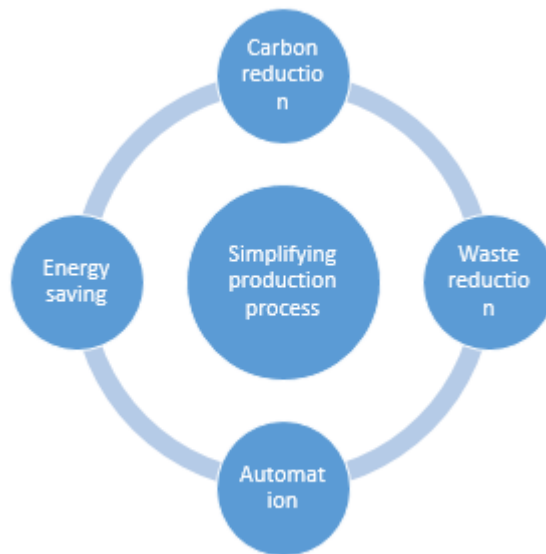
Products with simplified processes currently include water-based PU glue, water-based CR glue, hot melt adhesive, adhesive films, and insulating glass sealant.

Development Overview of Simplifying the Production Processes of Water-based Footwear Polyurethane Adhesive:

- 2010 - Accomplished liquefaction of water-based polyurethane glue
- 2012 - Achieved mass production of liquefied water-based polyurethane glue
- 2013 - Accomplished liquefied water-based footwear leather treatment agent
- 2014 - Promoted liquefied adhesive and automatic treatment agent spray with trading companies, and received certification from NIKE and Adidas
- 2015 - Liquefied adhesive and automatic spray system: products NP-200H, UE-312, and NP-101 have all gone into mass production and are supplied to NIKE and Adidas.
- 2016 - Developed water-based UV treatment agent and the automatic spray system
- 2017 - Improved the performance of 1K footwear water-based polyurethane glue and implemented it into automotive spraying system. The product NP-500/NP-500H certificated with Nike's materials for the replacement of NP-200/NP-200H.
- 2018 - UE-312L, the 1K primer for soft leather applied in automotive spraying processes certificated with Nike, it will replace the traditional solvent-based primer. Moreover, the water-based polyurethane glue will apply on model BOOST of Adidas.

Reduced customers' mixture processing and lowered energy consumption

Reduced the number of gel-mixing personnel and increased productivity per employee to allow for better project implementation



No hardening agent is used to prevent solvent use.
Reduced VOC

Extended pot life of adhesive and no expired adhesive was thrown away

4.4 Product Innovation

Core Innovative Technology from 2% footwear adhesive to 48% of footwear material: Presently, Nan Pao is striving to break through the existing constraints of footwear adhesive, in which the adhesive accounts for approximately 2% of the overall shoe material. Nan Pao is actively developing various footwear materials, including fluorine-free water repellent, shoe fabric, various high-performance midsole, and 3D-printed insoles and soles. All products have been developed and tested to prove outstanding performance. After they are successfully introduced to footwear brands, 48% of the overall shoe material will be produced by Nan Pao.



- In compliance with ZDHC 2020 Environmental Requirement
- Fluorine-free waterproofing agent



- High shock-absorbing foam midsole
- High-elasticity foam midsole



- Biomass foam midsole
- 3D-printed shoe inserts and soles



- Low-pollution dope-dyed yarn
- High wear-resistant low melting point shoe upper fabric

Plans and Developments of Textile Specialty Chemicals and Resins

- Establish a laboratory for professional functionality textile specialty chemicals.
- Marketing and Promotion for functionality textile



- 1. Fluorine-free waterproofing agent
- 2. Low melting point yarn

- 1. Primer for spinning
- 2. Binding for abrasion and wind resistance

- 1. Water repellent and resistance resins
- 2. High bonding strength / foam coating
- 3. Water repellent and anti-siphon

- 1. Anti-color shift primer
- 2. Sustainable materials

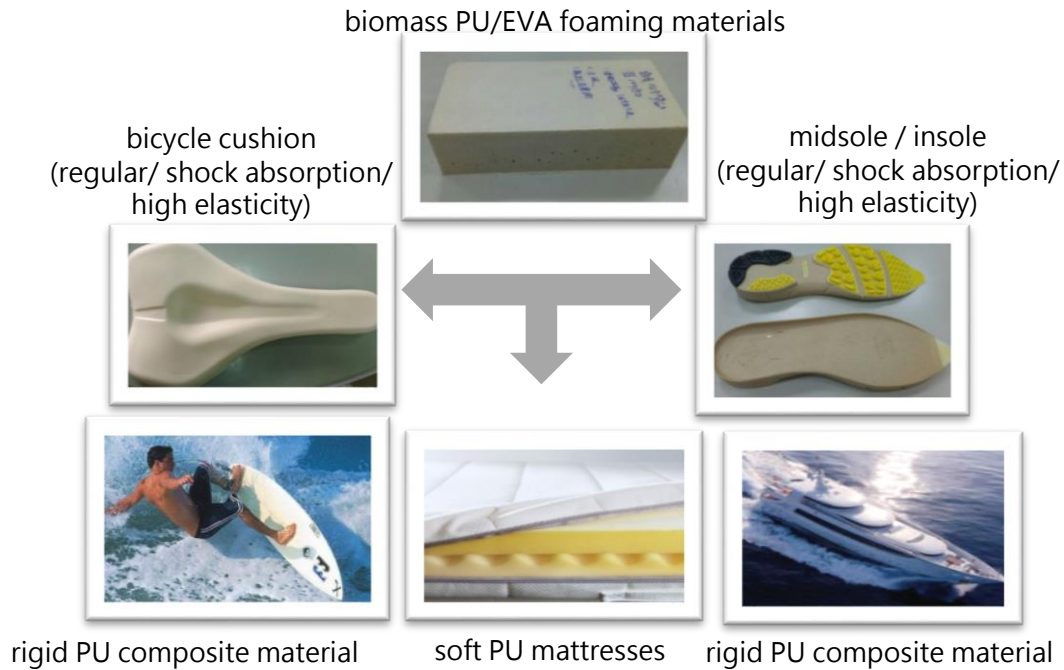
- 1. Anti-color shifting primer and yarn
- 2. Recyclable
- 3. Biomass

- Digital painting

- 1. High resolution/high bonding strength resins
- 2. Primer for textile
- 3. Binder/Dispersant



Applications for Biomass PU/EVA foaming materials.



Awards from Nan Pao' s customers

In 2018, Nan Pao received award for international trade outstanding export/import business certificate from bureau of foreign trade, MOEA

In 2018, Nan Pao received award for good quality and services from Interface.



4.5 Protection of Customer Privacy and Rights

In terms of customer privacy protection, we have dedicated personnel to file and document any business information, transaction information, or any information provided by customers that may have to do with their 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 will not be easily revealed. No grievances related to damages to customer privacy or loss of customer information were received in 2018.

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 2018.

4.6 Customer Satisfaction

To understand the level of customer satisfaction for Nan Pao' s services, we attempt to understand customers' awareness and valuation for 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' expectation. Currently, the content of the customer satisfaction survey includes "service," "product and quality management," "shipping," "staff service," "customer information collection," and "market information collection."

To understand the true opinions of Nan Pao Group' s customers, the Group customer satisfaction survey is carried out through interactive interviews, where customers are invited to explain actual problems and conditions so we could have a better understanding of their actual problems and opinions. As a whole, Nan Pao' s 2018 customer satisfaction remained in line with the results over the years, in which "staff service" received the highest score, especially the service attitude of the frontline salespersons. Nevertheless, we need to work more on "product and quality management." The questionnaire feedback of 2018 indicated that compared to our competitors, Nan Pao' s competitive advantages include good technical service, stable

product quality, good and efficient services, a renowned brand, high market share, reasonable prices and diversity of products, which are very positive feedback and encouragement for the Group.

Explanation for Relevant Implementation:

1) Scale of Survey and Targets

Based on needs for the year, the Business Head Office would propose a list of customers to visit, and the scope of this survey and targets of headquarter and subsidiaries. In 2018, 92 companies were visited.

2) Survey Method & Frequency

Based on the key needs of the Group for the year, each subsidiary would designate managers to visit customers in-person along with salespersons. This helps to strengthen customer relationship, while in-person visit also helps us to perceive customers' true opinions for each aspect of our service and avoids text distortion.

The customer satisfaction questionnaire is undertaken during the customer visit (once every year).

3) Feedback Mechanism

Problems reported by customers through the annual customer satisfaction survey will be turned into matters to be improved and must be solved within a designated time frame. Follow-up will be done next year to reduce reoccurrence of the same problems. In 2018, the follow-up issues were reviewed in quality insured meeting for a more efficient process.

Every year, customer satisfaction survey is carried out for the Group's three major business divisions, adhesives, footwear, and coating. In addition, timely response and handling of problems reported by the customers will be made. Each business division is in full support of the regular annual customer satisfaction survey, as the enhancement of customer satisfaction is the highest guiding principle of the Group's service. Nan Pao Group will continue to work toward enhancing customer satisfaction.

Chapter 5. FRIENDLY WORKING ENVIRONMENT

5.1 Talent Recruitment

5.2 Employee Caring

5.3 Fluent Communication Channels

5.4 Employee Development and Educational Training

5.5 Safe Working Environment

GRI Standard management policy : Labor relationship / Occupational Safety and Health

Reporting requirements	Labor relationshi	Occupational Safety and Health
Material Topic	Promote a quality working environment; protect the rights and interests of employees; and retain outstanding talents, so as to enhance the Company's human capital and competitiveness. Base on the principle of labor-management harmony and create a win-win situation.	Regard employees as important assets of the Company and contractors as an important working partner; To protect the safety and health of employees and contractors, we are committed to reducing the risk at workplace and maintaining safety and health.
Boundary and limitation	Headquarter in Taiwan	
Management Approach and Evaluation Mechanism	<ul style="list-style-type: none"> • Provide employees with education and trainings and rotation opportunities, and select and promote outstanding talents through a diverse internal promotion channel. • A performance appraisal system is in place to assess individual performance on a regular basis each year based on 	<ul style="list-style-type: none"> • Establish an Occupational Safety and Health Committee to serve as the highest governance body for review and proposal of matters relating to safety and health management. • Provide employees and contractors with sound safety and health management and education and trainings; systematically manage chemicals to avoid accidents

	<p>work goals and individual performance.</p> <ul style="list-style-type: none"> • Employee Welfare Committee is established for employees to independently discuss employee welfare matters. • Trade union is established, which holds regular labor-management meetings to seek employee welfare. • Unit managerial officers communicate with workers through regular meetings. • Full implementation through a sound internal organization and HR system • Ensure compliance with laws and regulations; in case of any non-compliance, investigations will be conducted and improvements will be followed up. 	<p>caused by improper use, or harm to employees' health due to improper exposure.</p> <ul style="list-style-type: none"> • Require contractors to comply with the Company's safety and health standards • Commit to the goal of zero occupational incident.
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5.1 Talent Recruitment

Nan Pao understands that outstanding human resource is one of the most important factors in becoming a successful business, and a company fulfills its strategic goals through its teams and executive competencies. Nan Pao provides quality work, and our employment principles are recruiting talent and placing the right persons in the right

positions. Employees can realize their full potential under our reasonable and fair HR policies and healthy internal structure. We treat all job-seekers with different races, genders, ages, religions, nationalities, and political standpoints equally, and our recruitment selection processes are open and fair. Upholding the philosophy of “valuing talent and being people-oriented,” we believe that not only are employees our most important partners, they are also our most important asset. In addition, Nan Pao strives to create a friendly working environment and has planned a comprehensive training system. We encourage employees to undertake self-initiated learning and promote professional enhancement in various competencies, helping to cultivate talent while creating opportunities for employees to grow with Nan Pao. Based on the basic human right of equal employment opportunity for all citizens, our recruitment is based on professional competency and experiences as we strive to create a fair employment environment.

Nan Pao’s recruitment is based on professional capability and does not discriminate on the basis of race, gender, age, physical or mental disability, religion, ethnicity, or any other factor protected by relevant laws; we strive to provide equal recruitment opportunities for all employees. In addition, we undertake talent selection through the Internet, campus, employment service centers, and other recruitment channels. We also integrate social responsibility philosophies, including equal opportunity, respect for human rights, employee diversity, ban on child labor, and ban on forced labor, into the recruitment process.

The Company has established a corporate culture of leadership, integrity, teamwork, and efficiency and has achieved sound development. We have also established a Code of Ethical Conduct for ethical management, no inappropriate profit, open information, intellectual property rights, fair trade, advertising, competition, personal data confidentiality, privacy, and a ban on retaliation. We respect our employees and treat them fairly. No infringement on human rights will occur. For the environmental, human rights, and social aspects, no incident of discrimination, sexual harassment, child labor, infringement on indigenous rights, or forced labor has occurred. Every employment contract signed by every employee with the Company throughout Nan Pao’s operational sites comply with local laws. In addition, in 2018, no operational site was reviewed by the local government over human rights issues.

Hiring Minorities:

To protect disadvantaged groups and to ensure equal employment opportunity, the Company has hired 8 employees with disabilities, accounting for 1% of all employees and surpassing the legal requirement. The Company is located in Xigang District, and

when jobs open up at the Company, residents from local communities suitable for the position will be considered first, which helps to increase employment opportunities for the local community. Nan Pao actively hire more disadvantaged people, we hired extra 3 disabled employees in 2018 and created a better working environment by position resignation.

Diversified Recruitment Channels:

Besides job banks, the Company also recruits international professionals through diversified recruitment channels, including social media websites, campus internship, internal recruitment, industry-academia cooperation, and various recruitment activities. Nan Pao strives to cultivate aspiring youths. This year, we also actively participated in industry-academia cooperation projects of major universities in hope of providing internship opportunities to foster students' technical and professional competencies. Furthermore, we also provide short-term internship opportunities for students so those still in school can obtain firsthand experiences of the workplace and utilize their knowledge in practice, which helps them to rapidly adapt to the work environment.

Recruitment Policy:

Nan Pao's recruitment, hiring, performance review, promotion, compensation, layoff, termination, and educational training for each position and for employees are completely based on competencies. No different treatment is made based on gender, race, stature, language, thinking, religion, political inclination, ethnicity, birthplace, sexual orientation, age, and/or marital status. In addition, we have also established clear standards to ensure that we are in compliance with the regulations of the Act of Gender Equality in Employment.

The Company welcomes outstanding talent from various industries. The department seeking to recruit will submit their recruitment application to the HR Department based on actual needs, and our talent recruitment process is open and transparent. We welcome talent from various industries and seek suitable candidates.

Human Resources Structure

Based on the basic human rights for equal employment opportunities, the Company concerns the professional abilities and experiences as we hire the employees. As of 2018, Nan Pao's operating headquarters has 692 employees, including 161 female workers and 531 male workers. As the Company is in the labor-intensive chemical engineering industry, there are more male than female in the Company. In terms of female managers, there were 5 of female managers and accounted for 8% of all the managers.

Manager and non-manager positions ratio

Gender	Male	Female	Total
Managers	59	5	64
Non-managers	472	156	628
Total	531	161	692

Note : The managers are those in position of assistant general manager and above.

Talent retention

To retain more competent talent, the Company actively creates a friendly working environment, encourage employees to have quality lifestyle besides work and provide training and more promoting opportunities. Nan Pao encourages our employees to enrich the abilities to reach a better career development.

Taiwanese and Non-Taiwanese employees	Male	%	Female	%	Total
Taiwanese employees	493	93%	161	100%	654
Non-Taiwanese employees	38	7%	0	0%	38
Total	531	100%	161	100%	692

Age group	Numbers	%
Under 20	2	0%
20-29	113	17%
30-39	262	40%
40-49	159	21%
50-59	123	18%
Above 60	33	4%
Total	692	100%

Education	Numbers	%
PhD	7	1%
Master	107	15%
Bachelor	370	53%
High school	161	23%
Under high school	47	7%
Total	692	100%

Human Rights Protection:

The Company has established a corporate culture of leadership, integrity, teamwork, and efficiency and has achieved sound development. We have also established a Code of Ethical Conduct stipulating ethical management, no inappropriate profit, prudential management of open information, intellectual property rights, personal data confidentiality, privacy, respect and fair treatment for employees, and non-infringement of human rights. In 2018, there were no incidents of discrimination, sexual harassment, child labor, infringement of rights of indigenous people, or forced labor. Every employment contract signed by every employee with the Company throughout Nan Pao's operational sites complies with local laws and regulations. No operational site was reviewed by the local government over human rights issues.

Nan Pao has established employee communication channels to allow for the optimal and greatest benefits of timely communications, including the Head of HR Mailbox for whistle-blowing of frauds and sexual harassment grievances, CEO's Hotline, Toolbox meetings, and a variety of seminars, all have led to benefits of communication and promoted the positive relations between the employer and employees. Based on the protection of employees' human rights, the Company carefully keeps confidentiality and handles grievances and the subjects they're involved with to ensure the freedom and confidentiality of employees in filing grievances.

Gender Equality

Nan Pao has established the "Regulations Governing Sexual Harassment Prevention and Discipline" to protect employees from sexual harassment. Nao Pao advocates the principle of "gender equality in employment" and actively promotes gender equality, in that employees receive equal pay for equal work of the equal nature regardless of their gender. Meanwhile, Nao Pao also pays attention to equal employment and equal promotion of women throughout their career. In 2018, Nan Pao did not have any incidents of discrimination or sexual harassment.

5.2 Employee Caring

Salary and Benefits:

Salary Approval and Adjustment

Due to that Nan Pao' s salary is related to seniority and performance and does not differentiate on account of age, gender, ethnicity, etc., our average salary level is higher than that of the same industry. Nan Pao upholds the concept of sharing profits with employees to attract outstanding talents, and to motivate and retain the in-service employees. Nan Pao Group (including Taiwan headquarters and overseas subsidiaries) offers employee salary and benefits that are in compliance with local requirements; in 2018, there was no incident of non-compliance of such kind at any location of operation.

1. Salaries: Based on the Company's overall operational status, salary adjustment will be made based on individual performance.
2. A certain ratio of profit and surplus will be allocated as the basis for employees' profit-sharing.
3. We assist employees in long-term investment financing and their pension plans to encourage employees to hold Company stock.
4. Performance review for rank-and-file employees will be undertaken on an annual basis. We recognize, reward, and inspire employees' outstanding performance through multiple incentive measures, such as: cash bonuses for the three traditional holidays, production contribution bonuses, project bonuses, idea proposition bonuses, awards for special contributions, teamwork bonuses, outstanding employee bonuses, seniority awards, etc.

Salary of non-supervisor full-time employees

Number of non-supervisor full-time employees	643
Total salary of non-supervisor full-time employees	NT\$466,072 thousand
Average salary of non-supervisor full-time employees	NT\$725 thousand

Employee Benefits:

The Employee Welfare Committee has been established at Nan Pao. All employee welfare expenditures in Taiwan have been allocated in accordance with legal regulations. A total of 0.5% of salaries, 0.05% of revenues, and 20% from selling scrap have been allocated and used for organizing various welfare activities for both local and foreign

employees. Expenditures from each branch of the Employee Welfare Committee are autonomously decided by the committee members and employees. These expenses include the costs of regularly organizing employee travel, Labor Day lucky draws, club activities, health checkups, scholarships, various bonuses and holiday gifts/bonuses, and employee group insurance.

Retirement Plan and Protection:

The Company has filed for labor insurance, public health insurance, and group insurance in accordance with the legal regulations in Taiwan. All employees who joined the Company after July 1, 2005 (inclusive) would be placed under the new pension scheme according, pursuant to the Labor Pension Act. All pension allocations are implemented within the legally stipulated standards. Since July 1, 2005, who have joined the Company prior to June 30, 2005 (inclusive) could voluntarily opt for the new scheme or the old pension scheme. Nan Pao handles employee retirement matters in accordance with the law. The Employee Pension Reserve Supervisory Committee has been established in compliance with legal regulations to review and supervise the use of pension funds. The Company allocates pension reserves on a monthly basis, and the full amount is remitted to the designated pension account of the Bank of Taiwan to ensure the rights of pensioners. Nan Pao carries out relevant calculations and payment principles for employees' pensions in accordance with the Labor Standards Act. Sound pension allocations and payments are given to every employee to protect their retirement lives. Besides joining labor insurance and public health insurance according to the law, the Company also provides additional group insurance for overseas Taiwanese staff and expat personnel. Moreover, the Company also remits employees' pensions to legally-stipulated accounts, pursuant to Article 55 "Pension Payment Standards" and Article 56 "Employees' Pension Reserves" of the Labor Standards Act. The ratio of employer contribution is 6% and 2% for the new and old employee pension schemes respectively. At the beginning of each year, calculations are made for those who follow the old pension scheme. As of December 31, 2018, full amounts have been allocated, and all formal employees have joined in the pension schemes.

Type of Retirement Plan	Source of Remittance	Ratio of Remittance
Old Pension Scheme (Labor Standards Act)	Remittance from the employer	15%
New Pension Scheme (Labor Pension Act)	Remittance from the employer	6%
	Voluntary remittance from the employee	Upper ceiling 6%

Mother Protection Plan:

For work that may pose health hazards to mothers, in order to ensure the health of female employees and infants for those who are anticipated to get pregnant, pregnant, gave birth in less than one year, or still nursing, the labor safety personnel, nurses, and departmental managers will assist them to arrange for environmental inspection, hazard evaluation, and hazard control. Moreover, medical doctors and on-site nurses will manage on a case-by-case basis, in which interview, health risk evaluation, risk classification management, and opinions about the appropriateness of work will be given. The on-site nurses will also care for the mother in each stage. If an occupational doctor has confirmed that the work will not pose health threats, the mother will be notified and her willingness to work will be respected in order to achieve equal opportunity to work and mother protection at the same time. In 2018, 9 employees had finished the mother protection evaluation.

The protection mechanism toward the beginning of pregnancy has been reinforced. Hence, when a pregnancy has been informed, we will provide a pink uniform for the pregnant employee to prevent accidents (e.g. collision and tapping the person's shoulder). We provide a reserved parking space for pregnant employees and ask security guards to help them to get to and from work by guiding traffic. Moreover, we distribute a nursing room satisfaction questionnaire from time to time to understand their current conditions and make improvements based on the results to provide a more comfortable and relaxing environment. The questionnaire results had indicated 100% satisfaction.

The Company and the Employee Welfare Committee also sign contracts with high-performing day care centers near the factory to provide childcare service and benefits for employees. To respond to the government's call for parental leave without pay policy, Nan Pao employees can apply for parental leave without pay, pursuant to Act of Gender Equality in Employment and Regulations for Implementing Unpaid Parental Leave for Raising Children. Moreover, employees can apply for extended leave based on personal needs as well as to return to the workplace early. Employees can continue to file for labor and health insurance at the Company during their parental leave period.

From 2015 to 2018, the ratio of returning to work after parental leave without pay and retention by gender shows that in 2018, one female had applied for parental leave without pay, and she is currently still in parental leave.

Number of Applicants for Parental Leave Without Pay from 2015 to 2018:

	Male	Female	Total
Number of applicants for parental leave without pay in 2017	0	1	1

Rate of returning to work	0	100%	100%
Number of applicants for parental leave without pay in 2016	0	1	1
Rate of returning to work	0	100%	100%
Number of applicants for parental leave without pay in 2015	2	0	2
Rate of returning to work	100%	0	100%

5.3 Fluent Communication Channels

Diversified Communication

Nan Pao established various bi-lateral channels of communication for employees. To ensure smooth communications between employers and employees, we regularly organize employee-employer meetings, bi-weekly meetings, departmental management meetings, seminars, and toolbox meetings. Various employee grievance mechanisms, including the opinion mailbox and Chairman's Mailbox, have also been set up. If a breach of regulations or illegal incidents has been found, grievances and whistle-blowing can be reported through relevant channels to the Company. During the regular employee-employer meetings, the management and employer and employee representatives will all attempt to understand and discuss matters of concern to the employees as well as propose effective and feasible solutions. In addition, pursuant to the law, we also grant employees the right to freedom of association. The Company does not hinder or interfere with the employees' right to freedom of association.

Nan Pao's Channels of Communication with Employees:

Title	Target	Description	Frequency
Head of HR Mailbox	All employees	Whistle-blowing of frauds and sexual harassment grievances	Any time
CEO's Hotline	Employees and investors	The Company's operating problems	Any time
Web-based customer service mailbox	Employees and external parties	Any issue	Any time
Weekly meeting	All employees	Divisional managers and above, including senior managers, will report the Company's operating	Once every two weeks

		policies and management performance to the employees.	
Employee Union seminar	Members of the Employee Union	Communicating and discussing employees' benefits and employee-employer issues with members of the Employee Union	Once every year
Toolbox meeting	Production departments	Any work-related issue can be raised and will be answered by managers and the accountable personnel.	Once every week
Employee Welfare Conference	Members of the Employee Welfare Committee	Explaining employee welfare activities and funding status to each member of the Employee Welfare Committee elected from each production site	Once every quarter

Organization of the Employee Union

Nan Pao' s Employee Union is established to promote solidarity, protect the rights and interests of members, enhance the knowledge of members, seek the welfare of members, improve the lives of members, strengthen mutual assistance and cooperation between the employer and employees, promote career development, and assist the government in pushing administrative orders. The Union serves as a channel of communication for both the employer and employees and actively promotes "harmonious employment relations and synergistic, win-win growth" as an objective.

One chairperson is established to represent the Union and handle day-to-day matters. The chairperson is elected by all members of the Union. Nan Pao' s Employee Union spares no effort in striving for employees' rights and interests. Its efforts are made in a rational and peaceful way, for example, through employment relations meetings, and seminars and conferences with the management, directors, supervisors, and general managers, in which the Union strives for the rights and interests of employees through negotiation. A members' conference is held once every year, and a directors and supervisors' meeting is held once a month, while an employment relations meeting is held once in every quarter.

Number of Employees of Nan Pao' s Operating Headquarters Who Participate in the

Employee Union:

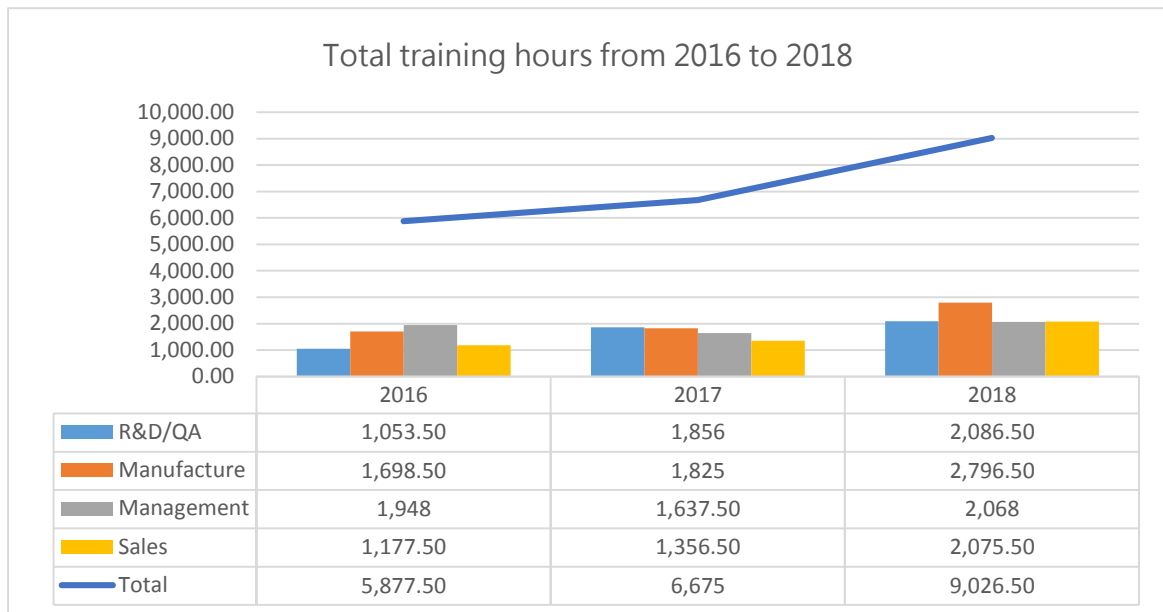
Number of employees in the Employee Union	2016	2017	2018
Male	349	350	340
Female	110	106	104
Total	459	456	444

5.4 Employee Development and Educational Training

A company' s sustainable management and continuous improvement need to arise from the development and cultivation of its human capital. Nan Pao' s training policy is "to develop competencies of the Organization in accordance with the Company' s vision and strategies so that the corporate culture and values are ingrained in the day-to-day actions of employees. We will develop unique competitive advantages by continuously enhancing core competencies, and foster well-rounded and globalized management talent, and formulate an organizational culture keen on learning and practice."

For the educational training plan to meet organizational strategic needs, the HR Department would understand the operational status of each business division through participating in the annual conference, then develop an annual training program based on the Company' s overall operational strategies. Moreover, divisional managers and ranks above from each department are asked to fill out a "Departmental Training Plan" based on the Company' s policy, annual management objectives, and KPI, and in consideration of actual training needs and employees' competency development. The HR Department will compile and draft the "Annual Training Program" based on the training needs of each department.

The Company calculates the hours of training in each year, and below is a compilation of training hours from 2015 to 2018.



Nan Pao provides diverse and enriched learning channels and developmental resources according to individual working needs, performance evaluation results, and career developmental needs. These resources include on-the-job training, classroom training, work coaching, the mentorship system, job rotation, and more. We conduct research for the employee competency and cultivation plan and require department managers to inspect the deficiencies in functionalities and employee skills based on job profiles and the talent development plan. This will help promote effective resource utilization, as well as systematically cultivate talent and establish talent and technical knowledge database, creating more value for the Organization.

The Company' s educational training system has been categorized into three types according to functionalities: new employee educational training, professional competencies, and management competencies. Such classification is made to ensure that the professional capabilities and skills needed in each role and rank can be achieved through specific, systematic training. Below is a summary of each training type:

1. Management competencies: Classified as the entry-level, mid-tier, and senior management based on managerial roles
2. Professional competencies: Classified as R&D/QA, production, administrative management, and sales based on functionalities
3. New employee orientation: All new employees must go through training programs, including organizational culture, work procedures, occupational safety, basic course on hazards, and more.

Nan Pao provides enriched course options through diverse training channels in the hope of enhancing employees' skill-sets and helping employees achieve a balanced life and work through diversified and comprehensive training programs. The training can be classified into two major categories based on relevance to work, including:

1. Professional competency courses, such as professional skill sets, languages, and legal knowledge. Employees can choose to enroll in these courses to enhance work-related competencies.
2. Balanced workplace and family seminars, such as health promotion, family interaction, and balanced diets. These courses are designed to help employees and further improve their quality of life, maintain physical and mental health, enrich lifelong planning, and achieve self-actualization.

Employee Competency Enhancement and Timely Facilitation

Nan Pao provides diverse and enriched learning channels and developmental resources according to individual working needs, performance evaluation results, and career developmental needs. These resources include on-the-job training, classroom training, work coaching, the mentorship system, job rotation, and more. We conduct research for the employee competency and cultivation plan and require department managers to inspect the deficiencies in functionalities and employee skills based on job profiles and the talent development plan. This will help promote effective resource utilization, as well as systematically cultivate talent and establish talent and technical knowledge database, creating more value for the Organization.

Performance Evaluation

Based on the Regulations on Employee Performance Evaluation, the Company conducts two semi-annual performance evaluation each year on employees subject to KPI evaluation. Except for advisors, employees in trial period, and trainees, the rest shall be evaluated. Employees not subject to KPI evaluation shall receive an annual performance evaluation. The supervisor will give a fair and objective evaluation based on the performance and how far an employee goes towards his/her goals, and provide an appropriate level of assistance through interviews with the employee. The supervisors will also understand the employees' ability to work and their development tendency through daily observation and interaction, plan on-the-job training or on-hand project for employees, and give promotion or job rotation to employees at an appropriate time point.

Human Rights Policy Training

The Company arranges “Gender Work Equality” and “Procedural Safety Advocacy” during new employee orientation. We irregularly promote the idea of gender equity of employment such as training lectures and meetings, including the topics of anti-sexual



discrimination, sexual harassment prevention and sexual grievance complaint channels.

In 2018, no breach of the Company's promise to protect employees' human rights occurred, and no grievance for human rights was received in any of the Company's operational sites. We have also passed relevant customer reviews on human rights, child labor, and labor conditions.

The Company has notified employees in advance of the implementation of material operational changes that may significantly affect employees' rights. The length of notice period differs depending on the nature of the material changes. There were no material operational changes affecting employees' rights in 2018.

5.5 Employee Health Management

Health Center

Nan Pao hires a professional designated nurse to care for employee health services. The nurse specializes in external injury handling and medical attention, as well as one-on-one consulting so that employees can receive more medical resources and professional consulting. We hope that the professional medical staff will help employees to achieve more accurate health awareness. We organize health promotional activities based on the abnormality obtained through health checkups. Safety and health operation seminars are regularly held at the plants. Senior managers and labor safety personnel and on-site nurses will talk face-to-face, and the bi-lateral communication will help managers to understand the health and labor safety needs, which allows for planning of health

promotional activities.

Contract Resident Physician Service

Monthly, Nan Pao arranges for physicians from the occupational medicine department to the factory sites to identify and improve occupational hazards, provide employee with health consultation, track and manage health problems, make referrals, or provide medical service programs.

New Employee Physical Examination

Nan Pao provides pre-employment physical examinations upon hiring new employees. Doing so is intended to understand the health of employees, so that the Company can understand whether the employees are uncomfortable or sick before taking up their jobs, thereby averting the threat of infectious diseases at the workplace. If any abnormality is found, Nan Pao will give health guidance in a timely manner. In consideration of new employees having to pay for the pre-employment physical examination, Nan Pao has signed a new employee physical examination contract with the hospital to reduce their expenses. The total number of people reviewed for such contract in the 2018 totaled 125.

Health Checkups

Nan Pao concerns about the health care and relative response measures of the employees, we arranges regular health checkups and free cancer screening at hospitals for employees. Health checkup tiered management is undertaken based on employees' health checkup results, in which abnormality and re-examination notices are individually issued to urge employees for them to seek medical treatment as soon as possible. The Company also signs a preferential agreement with hospitals to establish the concept of early detection and early treatment. Employees who need to arrange regular medical appointments will be cared for on a case-by-case basis to provide timely care for them. In 2018, we had continued to follow up on the conditions of 57 employees. We analyze the health status of all employees and see health abnormalities as indicators.

A special health checkup is arranged based on the results of the inspection of special operating environment done by occupational health and safety personnel. An occupational doctor will evaluate the tiered results and undertake comprehensive tiered management. Individual health instructions will be provided for employees who require tier-2 management or above, and the occupational doctor will provide consulting service and educational training in order to prevent occupational diseases.

Health Workplace Lectures and Promotion

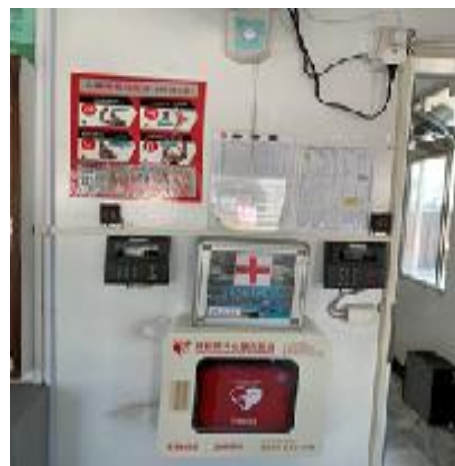
Nan Pao analyzes the health status of overall employees. By taking health abnormalities of employees as indicators, a set of health lecturing courses and promotional activities are devised. The courses adopt dynamic, active and interactive activities that stimulate employees interests, e.g., "Prevention of Heat Injury and Heat Stroke" , "Blood Pressure and Health", "Promotion of Blood Donation Activities", "Anti-smoking, Anti-Beetle Nuts and Drugs", "Promotion of Inoculation of Public Flu Vaccine", "Introduction of National Health Insurance Express APP ", etc., all are aiming to enrich health knowledge and promote physical and mental health for employees after work.

Hypertension Prevention and Control Activities

In conjunction with physical examination and health lectures, Nan Pao sets up blood pressure machines at each plant to facilitate the regular measurement of blood pressure by employees themselves. Occupational nurses track any health abnormality of employees, and post information on prevention of hypertension on the bulletin board from time to time.

Educational Training for First Aid (AED and CPR)

Nan Pao has established an automatic external cardiac defibrillator (AED) at the guard' s office in each plant since 2015 to prevent emergencies in the plants. In the case of a cardiac arrest due to sudden arrhythmia, if AED and massaging can be given within one minute, the success rate of first aid can be improved. Besides setting up first aid personnel and emergency response personnel, all employees are also requested to learn first aid techniques. Hence, we also regularly arrange educational training, total number of trainee are 459.



Emerging Health Topics

For the four major health topics relevant to Occupational Safety and Health Act, overwork, ergonomics, and workplace stress, Nan Pao has established relevant corresponding protection plans to be implemented by relevant departments. Management needs to be carried out in many aspects. For example, the HR Department will control working hours, and occupational safety and health personnel will implement relevant management and strengthen employees' work-safety awareness, and the

Employee Welfare Committee will organize de-stressing trips for employees. The on-site nurses will also reinforce the management over groups with elevated risks, plan relevant health promotional measures, and request the Southern Taiwan Workers' Service and Health Center to utilize its enriched resources to facilitate management to reduce chances of occupational diseases. Moreover, interview and consulting with occupational doctors will also be arranged to provide professional medical service. In 2018, a total of 39 persons received such interview and consulting service at Nan Pao's operating headquarters.

Occupational Safety and Health Certificates :

1. Senior friendly demonstration company
2. AED certification
3. Healthy workplace certification
4. Excellent performance workplace certification-Healthy Management Award



5.6 Safe Working Environment

Cultivate a Culture of Safety and Health and Enhance Everyone's Awareness of Workplace Safety:

As a chemical producer, Nan Pao has always been committed to promoting safety and health. All of our chemical substances are subjected to rigorous safety and health inspection management procedures and in compliance with the law of Taiwan and company policies. We also understand that the target of corporate sustainable operation can only be fulfilled through an emphasis on safety. Besides installing quality hardware and protection facilities at our production sites, we are also aware that employees' behavioral safety and attitude are the keys to implementing procedural safety. Therefore, we advocate workplace safety awareness, and workplace safety drills and educational training have become key practices every year at Nan Pao. Each department puts autonomous workplace safety management and safety and health protection into practice, and each site also aspires to achieve zero occupational hazards and strives to become the benchmark for safety and health throughout the industry.

Nan Pao's Safety and Health Policy:

As a chemical producer, Nan Pao has always viewed employees' safety and health as one of the key issues. We undertake safety and health management with regulations that surpass the law and set zero occupational hazards as a goal. We believe that prevention is more important than improvement. Therefore, we undertake risk evaluation to comprehensively manage potential risks to ensure personnel safety and reduce workplace hazards to physical health. Moreover, we enhance employee's awareness of safety and health through educational training so that employees all understand that maintaining safety at workplace environment is the responsibility of everyone. Moreover, they shall also follow safety and health regulations in day-to-day activities to ensure zero health hazards and no work-related safety incidents. The Company promises to implement the following Safety and Health Policy:

- Legal compliance: Legal compliance is the basic requirement for Nan Pao Group, and we will continue to carry out operations with standards that surpass the law.
- Workplace safety: Maintaining workplace safety is the highest principle of our work. We require employees to comply with various standardized health and safety regulations.
- Environmental health: We implement the 5S requirements to maintain a clean, safe, and healthy environment.
- Full participation: All employees across all ranks and departments need to understand, comply with, and fulfill various labor safety requirements and to undertake various educational training.
- Consulting and communication: We establish, implement, and maintain safety and health procedures both internally (employees) and externally (contractors), and consult about whether any changes will pose risks to safety and health.
- Continuous improvement: We continuously reduce various potential risks with the goal of zero occupational hazards.

Establishing the Safety and Health Committee

To comprehensively fulfill occupational safety and health management, Nan Pao established the Safety and Health Committee in 2001. The committee is the highest-ranking organization of reviewing and discussing safety and health management and is chaired by the chief manager of each production site in turn. Members of the Safety and Health Committee include occupational safety and health personnel, business department managers, supervisory personnel, occupational safety and health engineers

and technicians, medical personnel related to employee safety services, and employee representatives. These members are responsible for drafting, negotiating, and supervising matters related to the environment, safety, and health at each production site, and the committee regularly convenes once in every quarter. Moreover, the biweekly safety meeting for the factories follows up the safety auditing defects to prevent occupational accidents.

Statistical Data on Occupational Hazards

Nan Pao focuses on the workplace environment and safety of the operating personnel. An accident reporting and investigation mechanism are established, and the causes of all occupational hazard accidents will be analyzed, and improvement measures will be proposed and implemented. We also regularly analyze in which types of departments occupational hazard accidents are more likely to occur and what these accidents are. Based on the results, we propose relevant countermeasures and management to reduce occurrences.

In cases of an occupational hazard or occupational disease, the on-site nurse will provide immediate medical attention and subsequent assistance and caring for the employee. If an employee has taken work-related injury leave for more than the consecutive days (inclusive), a recovery evaluation meeting will be held, and an occupational doctor will be asked to facilitate evaluating whether the person's work needs to be adjusted or changed. The work-related injury will also be discussed during a weekly meeting at each plant and relevant safety promotion for employees to stay alert will be provided in the hope of lowering the recurrence rate. Examples include posters of emergency reporting procedures and emergency relief network and advocacy for transportation safety.

The hours of work-related injury incidents in 2018 lists below:

Classification	Details	2016	2017	2018
	<i>Total working hours</i>	1,223,744	1,302,272	1,390,528
Work-related death	Female	0	0	0
	Male	0	0	0
	Total	0	0	0
Total working days	Female total working days	37,999	38,441	40,201
	Male total working days	114,972	124,343	132,610
	Total working days	152,971	162,784	172,811

Work-related injury ratio	Female work-related injury incidents	1	1	0
	Male work-related injury incidents	9	0	3
	Total <i>work-related injury incidents</i>	10	1	3
Work-related injury leave days	Female work-related injury leave days	2	475	0
	Male work-related injury leave days	370	0	72
	Total work-related injury leave days	372	475	72

Workplace Safety

As a part of the chemical production industry, Nan Pao sees employee safety and health as one of the Company's top priorities. Therefore, the following safety management tasks are strictly carried out. We implement safety and health management based on high standards set by ISO 14001 and OHSAS 18001: rigorous standards on minimizing occupational hazards. We establish contingency strategies for chemical leaks, fires, blackouts, explosions, odors, earthquakes, typhoons, floods, personnel casualties, abnormalities in wastewater or waste gas treatment systems, public protests, and environmental accidents. To ensure the effectiveness of the annual contingency drill at each production site, we request each site to learn from past experiences and carry out various standardized drills, including earthquakes, fires, gas leaks, and chemical leaks, so that critical contingency procedures can be executed correctly. The highest-ranking managers at each production site will request each site to minimize occupational hazards to a minimum by setting rigorous standards. In addition, we also regularly carry out performance evaluation of production sites and accountable managers every year. Nan Pao will implement and certificate with ISO 45001:2018, Occupational Health and Safety Management system in 2019 to create a safety working place for both employees and visitors and reduce the losses from work-related incidents and diseases.

Emergency Response

To take accurately and effectively responsive strategies and procedures in case of emergency to minimize the possible personnel damage, financial loss, and environmental impacts, Nan Pao has planned training programs for relevant personnel. We hope to continuously improve employees' response and thus strengthen the disaster relief capability within the plants. The content includes:

1. Emergency response information: including the map of the plant, distribution of machinery, and emergency response diagrams

Firefighting equipment: including the fire extinguishing system and broadcasting system

Emergency response equipment: including various protective gear, individual protection tools, portable respirators, handheld detectors, leakage processing equipment, and warning equipment

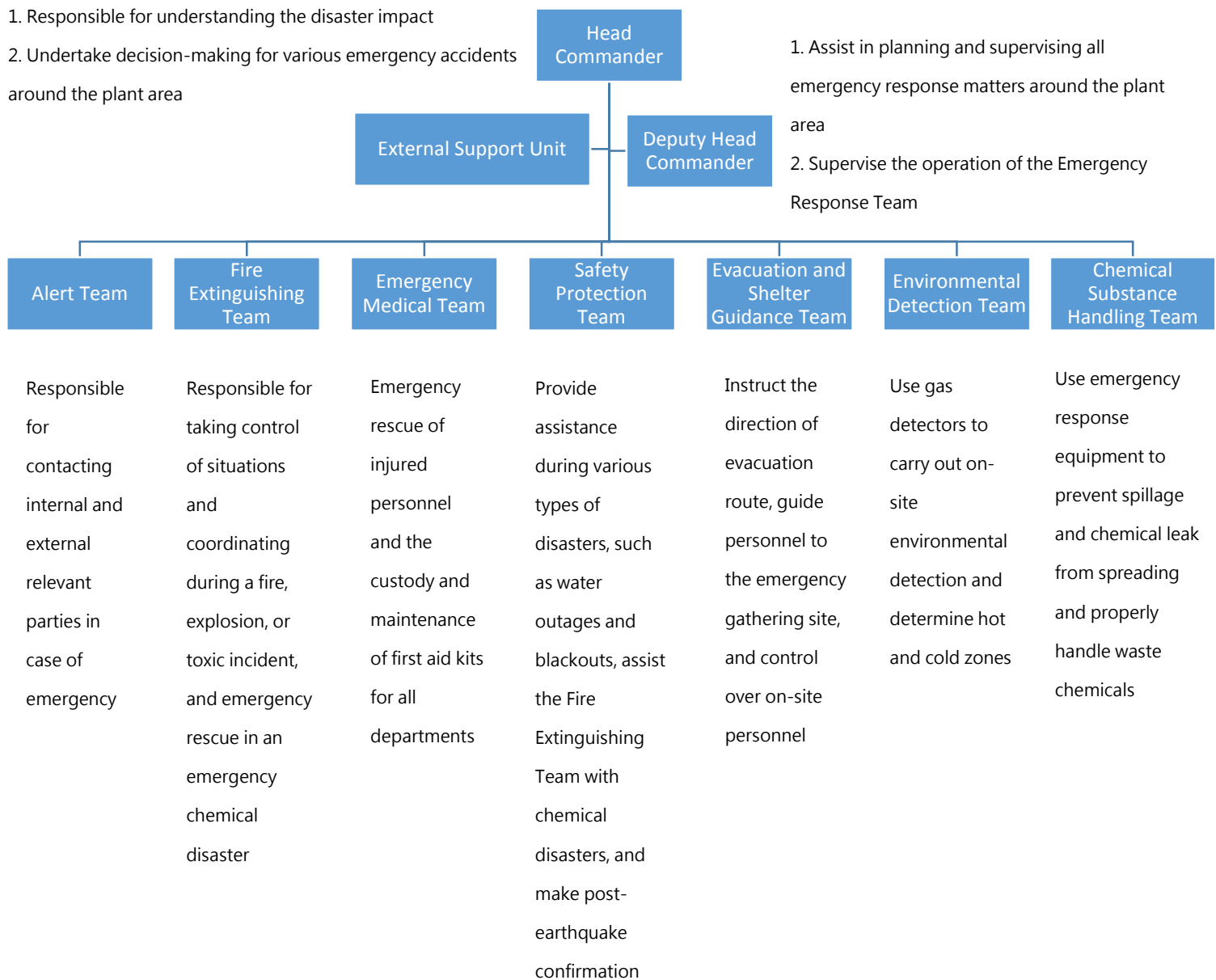
2. Standardized emergency response procedures and strengthening personnel training

3. The staff is well-trained and familiar with the emergency response skills including warning, disaster relief, site control, caring for patients, and disaster relief facility support. Types of training include:

Emergency Response Team training: including fundamental, advanced, and response applications

Firefighting training: Fire extinguishing training is held to all employees in accordance with the law.

The following is a diagram of the Emergency Response Team:





Management of Operating Environmental Hazards

To provide a safe and comfortable working environment, Nan Pao improves the operating environment based on the characteristics of the operational sites. We instruct and require employees to use individual protective gear in hazardous operating environments, and set up warning signs to prevent the risk of employees' exposure to hazardous factors at work.

Nan Pao focuses on the likelihood of employees developing muscular and skeletal discomfort at work. After separately assessing the exposure time and risk factors of manual processing, repeated operations, prolonged standing, poor posture, and visual inspection procedures, we have provided facilitative equipment including stackers,

trolleys, and forklifts, on top of promoting the accurate posture for lifting objects to the employees. The health management unit is responsible for follow-up inspection, and the case has been closed already.

Chemical Substance Management

One of the most important tasks to achieve corporate sustainable growth is to strengthen internal chemical substance management and safety management throughout the product lifecycle. Nan Pao has established a list of hazardous substances and their corresponding safety data sheet (SDS). The content of the data sheet is in full compliance with regulations of the Globally Harmonized System of Classification and Labeling of Chemicals (GHS).

Supplier and Contractor Management

When undertaking high-risk procedures, contractors need to clearly define the safety protection and preventative measures that operating personnel must adopt.

Contractor Management Measures

A. Personnel management: Before operating personnel from contractors can begin, they shall form a negotiation organization and warn of any hazards. Personnel must have necessary safety measures and wear individual protective gear during operation.

B. Construction audit: We undertake safety audits of contractors during construction processes, and undertake post-construction performance evaluation and annual audit assessment.

C. Educational training: We undertake relevant training for personnel of contractors to ensure that they can safely carry out their work in the plant area.

Security Guard Educational Training

Security companies and security personnel commissioned by Nan Pao are all reputable businesses throughout the industry. In 2018, the security company we contracted was ETS.

The Company commissioned the professional competency educational training for security personnel to ETS. Besides carrying out the “security personnel training program” from the Ministry of Interior in each year, regular educational training courses on emergency relief drills are also scheduled in every year, and self-defense firefighting teams have also been assigned. The purpose of which is to take effective action when the fire breaks out to reduce the loss of lives and property. By improving the hands-on experience of the security personnel through drills, we can effectively reduce damages from fire and ensure the safety of lives and property.

Community Environmental Safety

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

Each plant has their hazardous chemicals labeled, listed, disclosed their Safety Data Sheet (SDS), and takes the necessary general measures to improve the management of chemicals. Nan Pao has set up an environmental monitoring plan to monitor workplaces exposed to organic solvent, dust and noise, and reported the monitoring plan and results to the central competent authority.

In order to prevent neighboring communities from being affected by the odor and leakage of toxic substances caused in the course of chemical production, we has prepared a set of safeguard measures, e.g., environmental protection equipment within each plant, environmental management system and environmental protection education and training for related personnel to achieve the goals of compliance with local laws and regulations, mitigation of environmental pollution, and sustainable environmental management. Statistics suggested no complaints or cases of serious negative impact on local communities in 2018.

Chapter 6. COMMUNITY COMMUNICATION

6.1 Educating School Children

6.2 Caring for Senior Citizens

6.3 Caring for Disadvantaged Groups

GRI Standard Management Policy: Local community (Safe community and environment)

Reporting request	Local community
Material Topic	Pay attention to the ecological protection, environmental impact and personal and property safety of local communities in the operating area. Actively participate in the educational development and care activities for the underprivileged groups of the local community.
Boundaries	Taiwan Headquarter
Management Approach and Evaluation Mechanism	<p>Ensure that the location of operation does not destroy the ecology, and be the protector of nature.</p> <p>Develop management measures to actively treat and manage emissions such as waste gas, wastewater, and waste to minimize environmental impact.</p> <p>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.</p> <p>Established the Nan Pao Foundation and actively participate in the after-school tutoring courses with schools in the community where the operation locates, and actively cooperated with charities to care for the underprivileged people or groups in the communities where we operate.</p>

Community Health and Safety

As a chemical manufacturer, Nan Pao actively undertakes various protective measures so as not to influence the neighboring community with odors from producing chemicals

and emissions of hazardous substances. Since the plant area contains many chemical substances, the chemical smells often escape into the air. We have replaced feeding materials through manholes in reaction tanks with diaphragm pumps to avoid the chemicals contacting air, which would reduce the odors and the exposure to operators. Subsequently, we will also reform the 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, Nan Pao plans to recycle 100% of its effluents in recent years. The wastewater will no longer be discharged to the Liu-cuo drainage system, and 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 the emission of VOCs and its impact on the community environment.

Nan Pao 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.

Community Engagement

Nan Pao believes in the importance of giving back what we have taken from society. 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 Nan Pao 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."

6.1 Educating School Children

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

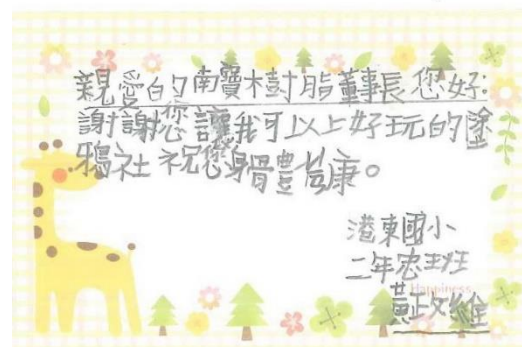
Due to increasingly open policies and social changes, socioeconomic gaps have been widened, which leads to problems such as single-parent families, intergenerational families, and foreign families. Xigang District is a remote area of Tainan City, and its income standard is far lower than the national average. Children from such family backgrounds will eventually grow old on this land. Only education can help them to choose their lives and pursue and realize their dreams.

Every child is like a seedling. Some are roses with soft petals, while others are strong and resilient like camphor trees. Therefore, we must provide diverse courses and diverse cultural learning opportunities adapted by different children. We need to respect the

differences among children and to further unleash their diverse potentials and creative skills. Based on this philosophy, Nan Pao Foundation has teamed up with six 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 coaching and summer and winter camps for the students. The courses by school teachers of each school based on the students' needs. In addition to professional academic development, club activities designed to enhance students' positive interests in arts and athletics are also included.

2018 Talent Cultivation Activities (Only major events are listed.)

Target	Description
Si Gang Elementary School	After-school coaching, summer and winter camps
Gang Dong Elementary School	After-school coaching, summer and winter camps and book donations
Cheng Gong Elementary School	After-school coaching and summer and winter camps
Hou Ying Elementary School	After-school coaching and summer and winter camps
Song Lin Elementary School	After-school coaching and summer and winter camps
Wen Nei Elementary School	After-school coaching and summer and winter camps
Shi Gang Junior High School	Sponsorship of the soft tennis competition





Photos: The after school lessons and activities in the elementary schools in the community.

6.2 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, Nan Pao Social Welfare Foundation has learned that currently, 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 on the Dragon Boat Festival, Mid-Autumn Festival, and Chinese New Year. 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 to accompany the senior citizens to 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 the goal 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, as most young people have migrated for work, the senior citizens are suffering from loneliness even though some of them may have sufficient material resources. To encourage the senior residents of Xigang District to participate in social activities to maintain physical and mental well-being, Nan Pao 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 the 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, Nan Pao 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.

2018 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	The 2018 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	The 2018 Double Ninth Festival welfare event



Photo : Nan Pao Resins supported Huashan Social Welfare Foundation for a moon festival lunch.

6.3 Caring for Disadvantaged Groups

As the income gap has largely widened in Taiwan within the last decade, wealth and resources have come to be owned by a minority few. Located in a remote area, Nan Pao has firsthand experience of the difficulties in life. Therefore, Nan Pao Foundation also provides emergency relief as solutions 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 us spread Nan Pao'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. Nan Pao also collaborates with Taipei Medical University and provides funds for the 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.

2018 Senior Citizen Caring Activities (Only the major events are listed.)

Target	Description
Tobias Social Welfare Foundation	Tuition allowance

Chao Hsing Social Welfare Foundation	Medical supports for children with mental disabilities
Tainan Ciguang Xinzhi Welfare Association	DIY Crafts Class
Eden Social Welfare Foundation	Jiali Dandellion Workshop and Nan Pao Charity Baseball Day
Provision of activity allowance for Tainan Welfare Association for the Aurally or Verbally Challenged	Rice donation to the aurally or verbally challenged



Photo: Eden Social Welfare Foundation attended Nan Pao Charity Baseball Day.

Other Donations and Sponsorships in 2018 (only major activities are listed)

Target	Description
Tainan City Philharmonics	Charity Tour for Disadvantaged Groups
Xi-gang District Library	Reading promotion activities
Community service clubs from universities	Universities
Taipei Medical University	Medical research
Personal emergency relief and funeral aid	Applicants and individuals in-need



Photo: Nan Pao supported the community library for a reading program and donated the used barrels to a kindergarten for a kid’ s show.

From 2016 to 2018, Nan Pao 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	One –time Donation	Others	Total
2016	2,874,840	560,000	200,000	526,869	4,000,000	1,060,000	9,221,709
%	31.2%	6.1%	2.2%	5.7%	43.4%	11.5%	100.0%
2017	2,263,549	658,750	480,000	773,150	0	1,720,000	5,895,449
%	38.4%	11.2%	8.1%	13.1%	0.0%	29.2%	100.0%
2018	1,968,000	860,000	822,000	1,000,000	0	2,122,000	6,772,000
%	29%	13%	12%	15%	0%	31%	100%

The Large-scale Blood Drive in Xigang District

Nan Pao was the chief organizer of a joint blood drive at Xigang District, Tainan in July 2018. Biorich Bio-Technology Co. Ltd. , Apogee Optocom Co., Ltd. and Cheng-Ruei Constructional Co.,Ltd also participated in the event by providing lucky draw prizes. We called on our employees and the local community to join in the blood drive, and as a result, a total of 433 bags of blood had been donated, and the number of participants also rose by 55% compared to the previous year. This outstanding result also provided a much-needed relief for the blood bank. This was Nan Pao’ s first time organizing such a large-scale blood drive. The turnout was brilliant, and many Nan Pao employees also rolled up their sleeves to donate blood, which helped lead to the event’ s success.



Photo : The blood drive activity in 2018.

Education Support Award

Nan Pao donated and supported education program for Si Gang Elementary School and Taipei Medical University in 2018, Ministry of Education awarded Nan Pao two Silver metal awards for the contribution of education.



GRI Standard Disclosure Index

Number	Disclosure Title	Pages	Undisclosed reason
102-1	Name of the organization	1	
102-2	Activities, brands, products, and services	9~10	
102-3	Location of headquarters	9	
102-4	Location of operations	9	
102-5	Ownership and legal form	41	
102-6	Markets served	10	
102-7	Scale of the organization	9	
102-8	Information on employees and other workers	88	
102-9	Supply chain	47~49	
102-10	Significant changes to the organization and its supply chain	46~47	
102-11	Precautionary Principle or approach	27~30	
102-12	External initiatives	50~51,81,118	
102-13	Membership of associations	22	
102-14	Statement from senior decision-maker	3~4	
102-15	Key impacts, risks, and opportunities	27~30	
102-16	Values, principles, standards, and norms of behavior	24~25	
102-17	Mechanisms for advice and concerns about ethics	25~27	
102-18	Governance structure	16~18	
102-19	Delegating authority	18~20	
102-20	Executive-level responsibility for economic, environmental, and social topics	31~32	
102-21	Consulting stakeholders on economic, environmental, and social topics	35~36	
102-22	Composition of the highest governance body and its committees	15~16	
102-23	Chair of the highest governance body	15	
102-24	Nominating and selecting the highest governance body	15~16	
102-25	Conflicts of interest	20	
102-26	Role of highest governance body in setting purpose, values, and strategy	15~16	
102-27	Collective knowledge of highest governance body	17~18	
102-28	Evaluating the highest governance body' s performance	15	

GRI Standard Disclosure Index

Number	Disclosure Title	Pages	Undisclosed reason
102-28	Evaluating the highest governance body' s performance	15	
102-29	Identifying and managing economic, environmental, and social impacts	37~38	
102-30	Effectiveness of risk management processes	27~30	
102-31	Review of economic, environmental, and social topics	38~39	
102-32	Highest governance body' s role in sustainability reporting	31~32	
102-33	Communicating critical concerns	39~40	
102-34	Nature and total number of critical concerns	39~40	
102-35	Remuneration policies	19	
102-36	Process for determining remuneration	90	
102-37	Stakeholders' involvement	35~36	
102-38	Annual total compensation ratio	90	
102-39	Percentage increase in annual total compensation ratio	90	
102-40	List of stakeholder groups	35~36	
102-41	Collective bargaining agreements	94~95	
102-42	Identifying and selecting stakeholders	34~35	
102-43	Approach to stakeholder engagement	37~38	
102-44	Key topics and concerns raised	39~40	
102-45	Entities included in the consolidated financial statements	22	
102-46	Defining report content and topic Boundaries	1	
102-47	List of material topics	39~40	
102-48	Restatements of information	1	
102-49	Changes in reporting	1	
102-50	Reporting period	1	
102-51	Date of most recent report	1	
102-52	Reporting cycle	1	
102-53	Contact point for questions regarding the report	126	
102-54	Claims of reporting in accordance with the GRI Standards	1	
102-55	GRI content index	119~125	

GRI Standard Disclosure Index

Number	Disclosure Title	Pages	Undisclosed reason
102-56	External assurance		Not yet included external assurance
201-1	Direct economic value generated and distributed	23	
201-2	Financial implications and other risks and opportunities due to climate change		Not yet included TCFD
201-3	Defined benefit plan obligations and other retirement plans	91	
201-4	Financial assistance received from government	23~24	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	90	
202-2	Proportion of senior management hired from the local community	88	
203-1	Infrastructure investments and services supported	117	
203-2	Significant indirect economic impacts	117	
204-1	Proportion of spending on local suppliers	47	
205-1	Operations assessed for risks related to corruption	26	
205-2	Communication and training about anti-corruption policies and procedures	25~26	
205-3	Confirmed incidents of corruption and actions taken	26	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	25	
301-1	Materials used by weight or volume	48~49	
301-2	Recycled input materials used	49	
301-3	Reclaimed products and their packaging materials	49	
302-1	Energy consumption within the organization	61~62	
302-2	Energy consumption outside of the organization	61~62	
302-3	Energy intensity	62	
302-4	Reduction of energy consumption	62~63	
302-5	Reductions in energy requirements of products and services	78	
303-1	Water withdrawal by source	66	

GRI Standard Disclosure Index

Number	Disclosure Title	Pages	Undisclosed reason
303-1	Water withdrawal by source	66	
303-2	Water sources significantly affected by withdrawal of water	66	
303-3	Water recycled and reused	67~68	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	66	Not yet occurred
304-2	Significant impacts of activities, products, and services on biodiversity	66	Not yet occurred
304-3	Habitats protected or restored	66	Not yet occurred
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	66	Not yet occurred
305-1	Direct (Scope 1) GHG emissions	64~65	
305-2	Energy indirect (Scope 2) GHG emissions	64~65	
305-3	Other indirect (Scope 3) GHG emissions	64~65	
305-4	GHG emissions intensity	65	
305-5	Reduction of GHG emissions	59	
305-6	Emissions of ozone-depleting substances (ODS)	68~69	
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	69	
306-1	Water discharge by quality and destination	69	
306-2	Waste by type and disposal method	69~70	
306-3	Significant spills		Not yet occurred
306-4	Transport of hazardous waste	70	
306-5	Water bodies affected by water discharges and/or runoff	69	
307-1	Non-compliance with environmental laws and regulations	71	
308-1	New suppliers that were screened using environmental criteria	46~47	
308-2	Negative environmental impacts in the supply chain and actions taken	46~47	
401-1	New employee hires and employee turnover	88	

GRI Standard Disclosure Index

Number	Disclosure Title	Pages	Undisclosed reason
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	90~91	
401-3	Parental leave	92~93	
402-1	Minimum notice periods regarding operational changes	89	
403-1	Workers representation in formal joint management– worker health and safety committees	102~103	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	103~104	
403-3	Workers with high incidence or high risk of diseases related to their occupation	99	
403-4	Health and safety topics covered in formal agreements with trade unions	94	
404-1	Average hours of training per year per employee	96	
404-2	Programs for upgrading employee skills and transition assistance programs	97	
404-3	Percentage of employees receiving regular performance and career development reviews	97	
405-1	Diversity of governance bodies and employees	88	
405-2	Ratio of basic salary and remuneration of women to men	90	
406-1	Incidents of discrimination and corrective actions taken	86	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	93	
408-1	Operations and suppliers at significant risk for incidents of child labor	46,98	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	46,98	
410-1	Security personnel trained in human rights policies or procedures	108~109	
411-1	Incidents of violations involving rights of indigenous peoples	98	
412-1	Operations that have been subject to human rights reviews or impact assessments	89	
412-2	Employee training on human rights policies or procedures	89	

GRI Standard Disclosure Index

Number	Disclosure Title	Pages	Undisclosed reason
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	89	
413-1	Operations with local community engagement, impact assessments, and development programs 3	109	
413-2	Operations with significant actual and potential negative impacts on local communities		Not yet occurred
414-1	New suppliers that were screened using social criteria	46	
414-2	Negative social impacts in the supply chain and actions taken	46	
415-1	Political contributions		Not yet occurred
416-1	Assessment of the health and safety impacts of product and service categories	76~77	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	77	
417-1	Requirements for product and service information and labeling	76	
417-2	Incidents of non-compliance concerning product and service information and labeling	77	
417-3	Incidents of non-compliance concerning marketing communications	77	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	82	
419-1	Non-compliance with laws and regulations in the social and economic area	82	
103- Economic Performance	The mechanisms and results of the evaluation of the management approach; any related adjustments	56~57	
103-Energy	The mechanisms and results of the evaluation of the management approach; any related adjustments	56~57	
103-Water	The mechanisms and results of the evaluation of the management approach; any related adjustments	56~57	
103- Emissions	The mechanisms and results of the evaluation of the management approach; any related adjustments	56~57	

GRI Standard Disclosure Index

Number	Disclosure Title	Pages	Undisclosed reason
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103-Supplier Environmental Assessment	The mechanisms and results of the evaluation of the management approach; any related adjustments	42	
103- Local Communities	The mechanisms and results of the evaluation of the management approach; any related adjustments	110	
103- Supplier Social Assessment	The mechanisms and results of the evaluation of the management approach; any related adjustments	42	
103-Marketing and Labeling	The mechanisms and results of the evaluation of the management approach; any related adjustments	72~73	
103-Company Governance	The mechanisms and results of the evaluation of the management approach; any related adjustments	12~13	
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Appendix Report Information

- Feedback

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

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