

NANPAO

NANPAO RESINS

SUSTAINABILITY REPORT 2021



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CONTENTS

0	0.1 Message from the Chairperson	04	3	INNOVATION AND SERVE		5	VALUE CREATION (Employees, Customers and Suppliers)	
	0.2 About NANPAO and Key Performance Indicators for ESG	05		3.1 Innovation Capacity	23		5.1 Employee and Welfare	38
	0.3 Key Issues and Stakeholder Engagement	08		3.2 Accountable Chemical Management	26		5.2 Employee Communication and Development	41
	0.4 Sustainable Development Blueprint of NANPAO	11		3.3 Good Customer Relationship	28		5.3 Safe Occupational Environment	42
1	CORPORATE GOVERNANCE	12	4	GREEN MANUFACTURING AND LOW CARBON TRANSFORMATION			5.4 Good Supplier Management and Relationship	45
2	INTEGRITY AND ACCOUNTABILITY			4.1 Greenhouse Gas Emission and Management	31	6	COMMUNITY ENGAGEMENT	
	2.1 Internal Control and Internal Audit	17		4.2 Energy Management	32		6.1 Community Safety and Health	47
	2.2 Anti-Corruption and Ethical Corporate Management	17		4.3 Water Resources	33		6.2 Child Education	48
	2.3 Strengthening Risk Cultural Awareness	18		4.4 Air Pollution Prevention	34		6.3 Elderly Care	48
	2.4 Risks and Opportunities of Climate Change	19		4.5 Waste Management	35		6.4 Care for the Underprivileged	49
	2.5 Conflict of Interest	20		4.6 Ecological Protection	36	7	APPENDIX	
	2.6 Human Rights Policy	20					7.1 SASB Index	51
	2.7 Information Security Management	20					7.2 GRI Index	52
							7.3 Information on Report Issuance	54
							7.4 Assurance report	55

Introduction By The Chairman

After 60 years since it was first established, Nan Pao Resins Chemical Co., Ltd. continues to make progress by upholding the principles of consistent brand building, technology enhancement and service improvement. NANPAO has been a leading business in the industry since the 1990s, investing plenty of resources to develop eco-friendly and sustainable products that are water-based, and of low volatile organic compounds (VOC), low carbon emission and low energy consumption. With the global trend that focuses on environmental sustainability, the Company shall continue to deepen corporate sustainability principle internally. As such, 2021 was set to be the first year of Environmental, Social, and Governance (ESG) implementation of the Company. At the same time, the Company is also committed to achieving carbon neutrality in 2050 and has formulated plans to do so and delineate the future mission and goals. Hopefully, with our effort, we are able to create a higher value and more contribution for all stakeholders, thus turning sustainable development as an opportunity for enterprise growth.

NANPAO seeks to create a symbiotic relationship with members of its supply chain. Apart from consistently creating highly effective production for the supply chain, the Company also pays more attention to the safety management of chemicals, whereby the quality of all exported products is required to meet the provisions of Restriction of Hazardous Substances Directive (RoHS) and REACH regulations. Furthermore, the Company has also signed up to become a bluesign® SYSTEM PARTNER. To reduce the environmental impact of raw material extraction and synthetization, we also put concerted effort in the research and development of biomass raw material and recycled raw materials, so as to consistently launch sustainable products made with these materials to the market and acquire a more steady competitive advantage.

The most important asset of NANPAO is its employees. As a chemical plant, we see employee safety and health as the top issue concerning the Company. Apart from adopting and complying with ISO 45001, which is an international standard for health and safety at workplace, which aims to reduce occupational hazard to the minimal or even zero, the Company also closely monitors the safety of vendors operating in the plants. The occupational safety principle of NANPAO is “Zero Danger and Grace Under Pressure” . We believe that preventive measures are more important than improvement measures. Therefore, we undertake risk assessment and management to identify potential risks, and provide education and training to cultivate safety awareness in our employees so that we can construct a safe working environment with zero hazards.

NANPAO is concerned with the economic, social and environmental impact on the world. As a result, we look to conduct the planning of the next ten years based on the development of the world and industry. In the future, we shall brave challenges steadily to become a top international enterprise that coexists and prospers harmoniously with the wonderful world and society.

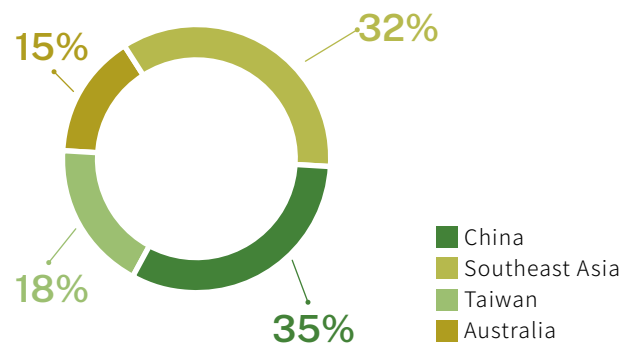


Nan Pao Resins Chemical Co, Chairperson *Wu cheng-Hsien*

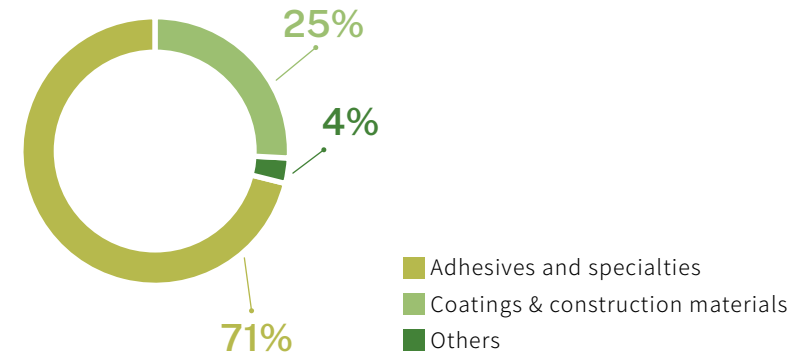
About Nan Pao

- 1 Main products: Adhesives and specialties, powder and liquid coatings, footwear materials and construction materials.
- 2 In 2021, the global sales amounted to **NT\$18 billion**.
- 3 In December 2021, the market value of the Company amounted to **NT\$17.1 billion**.
- 4 The Group has over **3,000** employees.
- 5 The Company has **23** factories in seven countries.
- 6 In 2021, the Company invested an expenditure equally to **2.7%** of the total sales for research and development (R&D).
- 7 Eco-friendly and low-impact products contributed 63% of total revenue.

Sales percentage of locations of operation in 2021

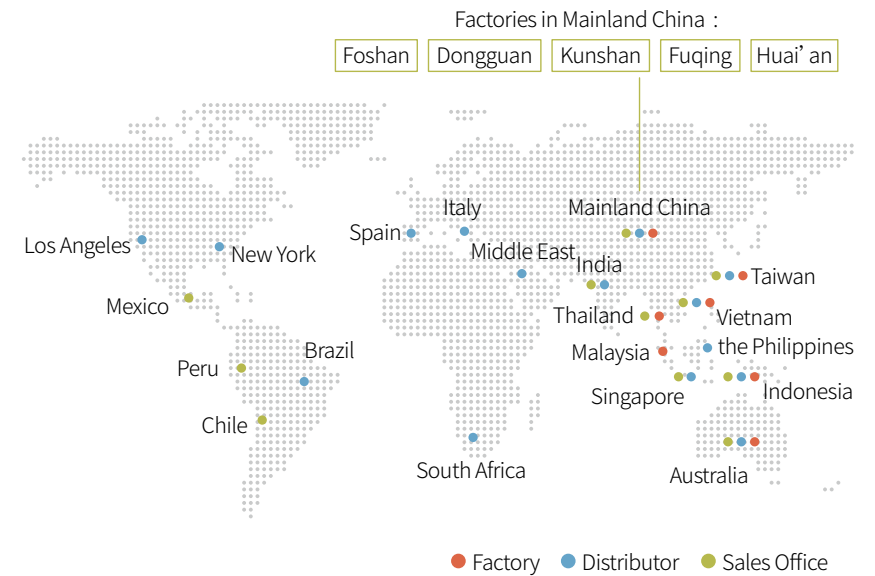


Sales percentage of locations of operation in 2021



Global Locations: Access to Customers

Focus on Growth of Asian Market



Economic performance

2021 Consolidated Financial Statements included a total 62 subsidiaries, namely Nan Pao Resins Chemical Co., Ltd., Nan Pao Electronic Material Co Ltd., ITLS International Development Co., Ltd., Prince Pharmaceutical Co., Ltd., Phymed Bio-Tec Co., Ltd., Biorich Biotechnology Co., Ltd., Nan Pao Advanced Materials Co., Ltd., Nan Pao Resins (China) Co., Ltd., Nan Pao Resins (Dongguan) Co., Ltd., Nan Pao Resins (Foshan) Co., Ltd., Fuqing Nan Pao Resins Co., Ltd., Thai Nanpao Resins Chemical Co., Ltd., Nan Pao Resins Viet Nam Enterprise Ltd., Pt. Indo Nan Pao Resins Chemical, Nan Pao Resins India Pvt. Ltd., Philippines, Inc. Nan Pao Resins International Ltd., Nan Pao Advanced Materials Vietnam Co., Ltd., NP Australia Pty. Ltd., etc. (For the full list of companies included in the Consolidated Financial Statements, please see attachment on Consolidated Financial Statements information.)

Item/Year	Unit: NT\$ in thousand			
Item/Year	2018	2019	2020	2021
Operating revenue	16,022,220	17,113,546	15,551,344	17,980,007
Cost of revenue	12,214,806	12,396,017	11,181,051	13,877,962
Gross profit	3,807,414	4,717,529	4,370,293	4,102,045
Operating expenses	2,906,404	3,035,500	2,868,593	3,049,851
Operating income	901,010	1,682,029	1,501,700	1,052,194
Non-operating income and expenses	134,802	110,653	104,392	150,347
Income before income tax	1,035,812	1,792,682	1,606,092	1,202,541
Income tax expense	(319,182)	(477,458)	(338,970)	(273,188)
Net income from continued operations	716,630	1,315,224	1,267,122	929,353
Net income	716,630	1,315,224	1,267,122	929,353
Other comprehensive income (loss) for the year (net)	(267,886)	(482,222)	23,934	4,972,725
Total comprehensive income	448,744	833,002	1,291,056	5,902,078
Basic earnings per share (NT\$)	6.15	10.19	10.12	7.26

※ For the list of companies incorporated in the Consolidated Financial Statements, please see annual report on Consolidated Financial Statements information.

Tax governance

Nan Pao is committed to abide tax laws of various locations of operation and provisions of international taxation standards in computing the income tax expenses accurately and performing tax filing in accordance to regulations. In 2021, the global income tax expense of Nan Pao amounted to NT\$343 million. The types of tax expenses mainly included profit-seeking enterprise income tax and tax levied on undistributed surplus earnings. The income tax expenses in Taiwan constituted 51% of the group income tax expenses.

Organization Memberships

To uphold the principles of contributing to the industry and sharing prosperity and growth, Nan Pao leverages on its practical experience in vertical integration of industrial chain and share the knowledge on consortium platforms.

Name of Organization (in chronological order)	Position Assumed		
	Board of Directors	Special Interest Committee	Member
SATRA Technology			V
Taiwan Synthetic Resins & Adhesives Industrial Association, R.O.C.	V		V
Taiwan Footwear Manufacturers Association			V
Taiwan Footwear Manufacturers Association - Youth Center			V
Taiwan Circular Economy 100 (TCE 100)			V
Taiwan Chemical Industry Association			V
Association of Bio-based Material Industry			V
Chemical Society Located in Taipei – Kaohsiung Branch	V		V
Hierarchical Green-Energy Materials Research Center			V
Taipei Building Material T.A.			V (Honorary Director)
Importers & Exporters Association of Taipei			V
Taiwan Institute for Sustainable Energy			V
Taiwan Center for Corporate Sustainability			V (Initial Judge)
CSRone			V
Yi Tsai Club			V
Tainan Cultural Foundation	V		V
Guangdong Adhesives Industry Association	V		V
China Adhesives and Tape Industry Association			V
Jiangsu Flooring Material Association			V
China Association for Quality Inspection			V
Kunshan Passive Building Alliance			V
Society of Automotive Engineers of China			V
Dongguan Security Production Association	V		V
Dongguan Precursor Chemicals Management Industry Association			V
China Chemical Industry Environmental Protection Association			V
China National Building Waterproof Association			V
China National Household Paper Industry Association			V
Shouguang City Waterproof Industry Association			V
Guangdong Chamber of Commerce of Sanitary Products			V

Key Performance Indicators for ESG



Governance

- 1 Sustainability ESG Risk Rating (100-0; 0 being the lowest risk). July 2020 - 36.0 / July 2021 - 31.1 / August 2021 - 23.4
- 2 Corporate Governance Evaluation Top 6%~20%
- 3 National Taipei University SEED Corporate Sustainability Rating System BBB (high ratings in economic, environmental aspects).
- 4 Established Nan Pao Resins Chemical (Bangladesh) Co., Ltd. for sales and services of adhesives.
- 5 Sustainability Accounting Standards Board (SASB) indicators on disclosure and third-party assurance.
- 6 Board of Directors performance external evaluation - Outstanding scoring.
- 7 Integrity and Legal Compliance: Prevention of Insider Trading Management for Directors and Managers (100% completion rate).



Environment

- 1 Officially committed to achieve carbon neutrality by 2050.
- 2 Established zero-carbon roadmap.
- 3 Eco-friendly and low environmental impact products for the Group constituted 86% of total sales.
- 4 Verified greenhouse gas scope 3 emission from various locations of operation.
- 5 Invested in renewable energy (proactively installed solar panel in Taiwan, Foshan and Thailand factories).
- 6 Conferred certification of Higg Facility Environmental Module, Higg FEM.
- 7 Conferred certification of bluesign®SYSTEM PARTNER.



Social

- 1 Made a cumulative welfare donation of NT\$66,657,709.
- 2 Assigned experts from Nan Pao to conduct chemistry and science courses in the community to produce mutual benefits.
- 3 One third of employees in Taiwan factory attended online self-learning to increase corporate competitiveness.
- 4 Accorded "2021 Happiest Employees Award" by 1111 Job Bank.
- 5 Held first "Factory Open Day", inviting the community to visit the factories to facilitate social security interaction.

Preparation Principles

2021 is set to be the first ESG year for Nao Pao. This is the first time that a sustainability report is prepared from the perspective of the Group in accordance with Global Reporting Initiative (GRI) Core Options and standards for Chemicals Industry developed by Sustainability Accounting Standards Board (SASB).

The data of the Report is collected and compiled by the Sustainability Management Team of Planning Department. Each year, the Report shall be issued in both Chinese and English versions. For the complete report, please download from Nan Pao official website.
<https://www.nanpao.com.tw/csr.aspx?id=16>

Period and scope covered by the Report

The Report covered the period between January 1, 2021 and December 31, 2021. The previous report was released in June 2021. The current Report shall be released in August 2022. The next report is forecast to be released in August 2023.

The Report discloses financial information pertaining to Nan Pao Resins Chemical Co., Ltd. and all its subsidiaries (hereinafter, Nan Pao). The entities covered includes Nan Pao (the 1st factory, Pao-Li factory, the 5th factory, Guiren factory, Dongguan factory, Foshan factory, Fuqing factory, Kunshan factory, Indonesia factory, Vietnam factory, Thailand factory), Foshan Nan Pao Great-will Advanced Materials Ltd., Nan Pao Advanced Materials Vietnam Co., Ltd. and Nan Pao Materials Viet Nam Co., Ltd. The auditing was performed by Deloitte & Touche. Unless indicated otherwise, the financial information is expressed in NTD. The environmental and social information is mainly pertaining to Taiwan Nan Pao Resins.

Third-Party Assurance

The assurance of the Report was performed by Ernst & Young in accordance with Statements of Assurance Engagements Standards (SAES) No. 11, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by Accounting Research and Development Foundation (ARDF) in the form of limited assurance. The Independent Assurance Statement can be found at the end of the Report.

The factories of Nan Pao have acquired relevant environmental and social certifications, which are in line with international standards so as to ensure the legal compliance of control measures and their implementation for various aspects.

1 SAES No. 1 is established by referring to the relevant provisions of International Standard on Assurance Engagements (ISAE) 3000 Revised.

Contact Information

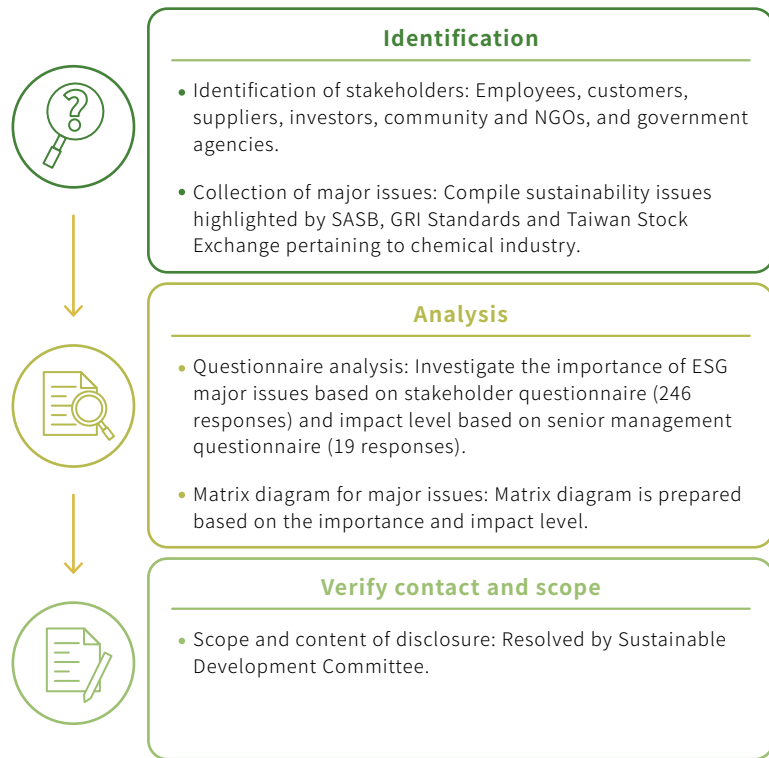
For any advice or recommendation regarding the report, we welcome your input. Kindly reach out to us: Sustainability Management Team, Planning Department, Nan Pao Resins Chemical Co., Ltd. No. 10, Ln. 99, Nanhai St., Xigang Dist., Tainan City, Taiwan (R.O.C.)
Telephone number: +886-6-795-2801
E-mail: info@nanpao.com

Major Issues and Stakeholder Engagement

In the process of performing materiality analysis, the Company gains an understanding of issues that stakeholders are concerned with and contemplates how these issues may influence the Company. The analysis therefore, serves as a basis for reference in preparing the Report. Via information disclosure and communication channels, we hope to engage in a two-way communication with stakeholders, informing them of the Company’s endeavor in business management, environmental protection and social welfare.

Apart from referring to “Global Reporting Initiatives (GRI) Standards”, issues highlighted by industry counterparts raised by Taiwan Stock Exchange, as well as major issues raised “Sustainability Accounting Standards Board (SASB)” in which investors have highlighted pertaining to chemical industry, the Company has compiled 17 sustainability issues that concern Nan Pao.

2.1 Identification Procedures of Major Issues



2.2 Stakeholder Engagement

Nan Pao is keen to establish multiple-way communication channels that are transparent, effective and timely to enhance the understanding and trust of stakeholders. This is our first step in practicing CSR. Subsequently to evaluating the actual operation, the Company has delineated six main types of stakeholders, including employees, customers, suppliers, investors, community and non-governmental organizations (NGOs), and government agencies. Via survey, the Company collects the feedback of each type of stakeholders, seeking to resolve their queries and responding to their needs.

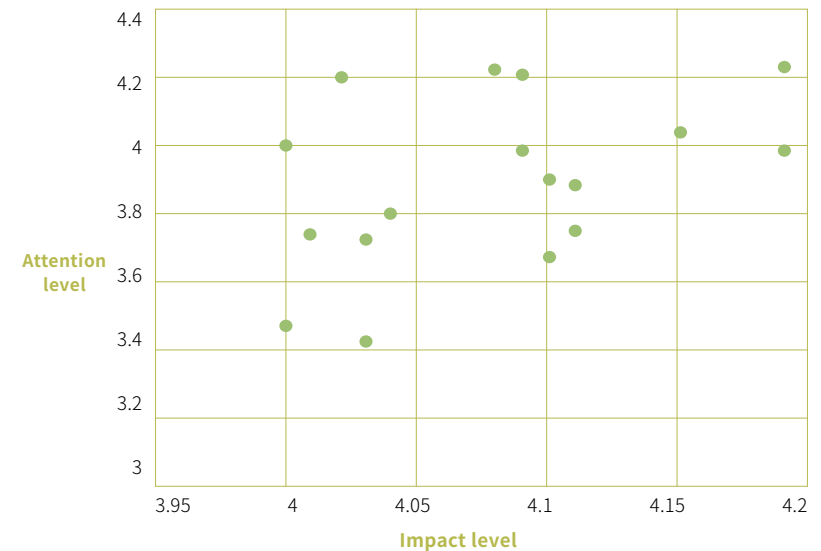
Communication and Issues of Concern of Stakeholders

Stakeholder	Issue of Concern	Communication Channel(s) and Frequency	Nan Pao Response
Employees	<ul style="list-style-type: none"> • Enhance business performance and strategies • Strengthen environmental safety and health management. • Create job satisfaction. • Improve employee career development. 	<ul style="list-style-type: none"> • Electronic notice board (real-time) • Employee meeting (bi-weekly) • Toolbox meeting (weekly) • Union member meeting (quarterly) • Labor-management meeting (quarterly) • Staff Welfare Committee meeting (quarterly) • E-mail announcements (real-time) 	<ul style="list-style-type: none"> • In the communication meetings, executives of different levels share with employees matters pertaining to business operation and technological development of the Company. • The Company has established and improved cross-regional transfer policy, as well as providing and communicating the corresponding measures so as to assist employees in taking on challenges. • The Company has established emergency response team and conducts emergency response exercise each year. Every two years, the Company provides health checkup to all employees.
Customers	<ul style="list-style-type: none"> • Innovative products and services. • Customer management. • Circular economy and product life cycle. • Information security and customer privacy. 	<ul style="list-style-type: none"> • E-mail and telephone communication (real-time) • Satisfaction survey (yearly) • Sustainability Report (yearly) • Customer mailbox (real-time) • Sales personnel (real-time) • Technological innovation exhibition (yearly) 	<ul style="list-style-type: none"> • Attend product launch of customers, Inno Fair, every year. • No customer complaint on information security or privacy violation in 2021. • Conferred NIKE Global Chemical Engineering Summit - Recognized for Best Adhesive Vendor • Visitation to customers for satisfaction survey each year

Stakeholder	Issue of Concern	Communication Channel(s) and Frequency	Nan Pao Response
Suppliers	• Ethics	• Sustainability Report Survey (yearly)	• Establish supplier evaluation mechanism and request suppliers to sign on Ethical Conduct Declaration.
	• Product quality		
	• Environmental safety and health management	• Supplier questionnaire (ad-hoc)	• Organize vendor convention.
	• Waste management	• Complaint mailbox (ad-hoc)	• Before undertaking high risk operation, inform the safety precautions and preventive measures that must be adopted by supervisory personnel from vendors.
Investors	• Financial performance	• Regular Shareholders' Meeting/institutional investor conferences (yearly)	• Convene Annual Shareholders' Meeting to inform the business operation and development trend of the Company.
	• Risk management	• Regular publication of annual and quarterly reports, and Sustainability report (yearly)	• Upload annual and quarterly reports onto the Company website in a timely manner.
	• Climate change	• Visits to investor roadshows (yearly)	• Actively participate in investor briefings(quarterly)
		• Investor relations section on the Company website (monthly)	• Collect investment information and report to senior management and the Board of Directors on a quarterly basis.
Communities and NGOs	• Community communication	• Sustainability Report (yearly)	• Nan Pao Social Welfare Foundation is cooperative in completing management procedures review performed by the Department of Social Welfare each year.
	• Cash and material donations	• Nan Pao Social Welfare Foundation (real-time)	• Donation to community elementary school for after-school program and societies.
	• Charity and welfare activities	• Welfare program and visitation (real-time)	• The cumulative donation of Nan Pao Social Welfare Foundation has amounted to NT\$66,657,709.
Government agencies	• Corporate governance	• Correspondences and visitation (ad-hoc)	• The Company is cooperative in completing corporate governance procedures review performed by FSC.
	• Transparent disclosure	• Consortium communication platform (ad-hoc)	• Annual report, Sustainability report and the Company website disclose company information in accordance with the provisions of competent authority.
	• Energy and climate change	• Conferences - E.g. conventions, seminars, forums (ad-hoc)	• The Company is cooperative in inspection and program advisement.

2.3 Matrix Diagram of Stakeholder Concerns for ESG Major Issues

Issue of Concern	Attention level	Impact level
Waste management	4.19	4.22
Occupational safety and health	4.08	4.21
Legal compliance for environment and social aspects	4.15	4.03
Greenhouse gas emission	4.19	3.98
Energy management	4.09	4.2
Economic performance	4.02	4.19
Customer health and safety	4.09	3.98
Labor-management relations	4.1	3.89
Chemical safety and environmental management	4.11	3.87
Integrity and transparency	4.11	3.74
Product efficiency and innovation	4.04	3.8
Supplier environmental evaluation	4.1	3.66
Water management	4	3.99
Local communities	4.03	3.72
Air quality	4.01	3.73
Supplier social evaluation	4	3.46
Anti-corruption	4.03	3.41



Importance of Major Issues to Nan Pao

Type	Content	Importance and Risk	Involvement			Corresponding Issue		Corresponding Chapter
			Nan Pao	Up-stream	Down-stream	GRI	SASB	
E	Waste management	Properly undertake the treatment and cleaning of hazardous substances produced from the manufacturing process and proactively reduce the waste volume to alleviate environmental pollution.	●		○	306: Effluents and waste	Waste management of hazardous substances	4. Environmental sustainability
S	Occupational safety and health	Ensure occupational safety to establish a safe and comfortable labor working environment, and consistently reduce and control the occurrence rate of occupational hazard so as to prevent casualties.	●	○		403: Occupational safety and health	Labor health and safety Occupational safety emergency responses	5. Inclusive growth
G	Legal compliance for environment and social aspects	Legal compliance is the most important cornerstone of the business operation. The Company shall implement a steady corporate governance in line with internal and external supervisory management and risk evaluation mechanism.	●	○		307, 419: Environmental and social economic compliance		1. Steady Corporate Governance
E	Greenhouse gas emission	Apart from executing greenhouse gas emission and inspection, the Company has established reduction measures for curbing greenhouse gas emission and strengthening the resilience of corporate sustainable management.	●	○	○	305: Emission	Greenhouse gas emission	4. Environmental sustainability
E	Energy management	Due to shortage and disruption of electricity supply, the Company has established energy management procedures and reviewed response measures.	●			302: Energy	Energy management	4. Environmental sustainability
G	Economic performance	The Company engages in steady business operation to maintain profitability so as to provide investors with value-add and sustainable value.	●	○	○	201: Economic performance		Economic performance
S	Customer health and safety	The Company implements reviews, inspection protocols, product labeling, etc. on the sources of raw materials to prevent products from threatening customer health.	●	○	○	416: Customer health and safety		3. Innovation momentum
S	Labor-management relations	The Company provides a safe working environment and pays close attention to employee training and career development. Various communication and dialogue avenues are provided.	●	○		401: Employment		5. Inclusive growth

Type	Content	Importance and Risk	Involvement			Corresponding Issue		Corresponding Chapter
			Nan Pao	Up-stream	Down-stream	GRI	SASB	
E	Chemical safety and environmental management	Chemical safety is one of the most important management aspect. As a result, the Company engages in effective management of chemical storage and labeling in factories so as to prevent using potentially hazardous chemical substances.	●	○	○	306: Effluents and waste	Chemical safety and environmental management	3. Innovation momentum
G	Integrity and transparency	By engaging in fair and ethical business management, the Board of Directors shall practice due care as a good administrator to oversee the Company from unethical conduct and ensure the implementation of ethical corporate management policies.	●	○	○			1. Steady Corporate Governance
E	Product efficiency and innovation	The Company proactively researches and develops eco-friendly products to reduce the impact level on the environment, and create economic value for customers at the same time.	●	○	○	302: Energy	Enhancement of products and their efficiency when used.	3. Innovation momentum
G	Anti-corruption	To uphold business management principles, the Company has established corporate governance procedures, ethical conduct, etc., and conduct the corresponding education and training.	●	○	○			1. Steady Corporate Governance
E	Water management	Extreme weather has affected different regions where occurrences of heavy rainfall and drought have become more frequent. Furthermore, the water resource risk may also severely affect the Company operation.	●		○	303: Water and effluents	Water management	4. Environmental sustainability
S	Local communities	To prevent production activities from affecting the daily lives of residents nearby, the Company proactively interacts with and listens to community residents.	●			413: Local communities	Social relationship	6. Community Engagement
E	Air quality	The production processes may produce specific air pollutants. If they are not managed properly, they may affect the surrounding environment.	●		○	305: Emission	Air quality	4. Environmental sustainability
E	Supplier environmental evaluation	To prevent the disruption of supply chain the Company must control the impact level on the environment in the supply chain management so as to reduce the negative environmental influence and promote environmental protection.	●	●		308: Supplier environmental evaluation		5. Inclusive growth
S	Supplier social evaluation	To prevent production activities from affecting the daily lives of residents nearby, the Company proactively interacts with and listens to community residents.	●	●				5. Inclusive growth

● Direct influence ○ Indirect influence
 Note: The major issues are arranged in descending order according to scores given by stakeholders.

Sustainable Development Blueprint of Nan Pao

Nan Pao has determined 2021 to be the first year of sustainability for the Company. In accordance with the vision and mission of the “Sustainable Development Committee Charter”, the Company has designated the Sustainable Development Committee as the highest level decision making center for ESG and is chaired by the Chairperson. Whereas, the “Sustainable Development Working Team” comprises senior executives of different areas, reviewing the core operational capabilities of the Company collectively, establishing short, medium and long-term ESG development directions and fostering the core competitive advantage of Nan Pao concertededly.

Nan Pao has designated CSR as a separate independent issue since 2012 and established “CSR Management Committee” in 2020 for reporting the results and programs for sustainable development to the Board of Directors. The committee reports the relevant development issues and international trends pertaining to economic, environmental and social aspects to the Board of Directors to enhance the knowledge on sustainability management of Nan Pao’s highest governance authority.

For the governance framework and operating system ranging from the Board of Directors and management echelon to various departments, the economic, environmental and social CSR measures for which stakeholders are concerned with have been implemented in the vertical supervision and horizontal communication to respond to the corresponding issues.

Core of Sustainable Management

1.Support from senior management:

The Chairperson and CEO take part and promote ESG work in-person, where senior management leads the organizational teams of various functions to get involved in sustainable programs that are rooted in core capabilities of the Company. The senior management is committed to perform its best in completing these assignments.

2.Sustainable development platform:

ESG sustainability management platform, greenhouse gas platform and environmental data management platform are established to monitor the sustainability progress and performance of various unit in real-time. Furthermore, meetings between the Sustainable Development Committee and Sustainable Development Working Team are convened regularly to formulate strategies and undertake cross-departmental coordination so as to cultivate the momentum for actions within the organization for achieving sustainability.

3.Participation of medium level management:

The medium level management is the main force in promoting the sustainable programs. These programs involve many diverse, as well as complicated issues, which are overseen by respective departments, and require cross-departmental communication and collaboration so as to cultivate the momentum for actions within Nan Pao for achieving sustainability.

Achieving SDGs

For the stiff challenges facing all humanity, Nan Pao is keen to achieve Sustainable Development Goals (SDGs). Under the leadership of the Sustainable Development Committee, Nan Pao has established four sustainability policies and selected nine main Sustainable Development Goals (SDGs). The Sustainable Development Working Team takes charge in coordinating cross-departmental resources and forces, and formulating 16 measurable and time-sensitive long-term goals to incorporate SDGs into the organizational

culture and routine operational activities. The team collaborates with internal and external stakeholders to consistently explore and research on governance/economic, environmental and social development opportunities so as to co-create values and share a sustainable future.

Circular economy



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- Water resource management and reuse water.
- Recycling and reusing of solvents and waste.
- (Degradable) Products and chemicals of circular economy.
- Recycle and reuse of material resources (packaging materials, etc.)

Low-carbon Mission



7 AFFORDABLE AND CLEAN ENERGY



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



13 CLIMATE ACTION



17 PARTNERSHIPS FOR THE GOALS

- Energy conservation and carbon reduction
- Installation of renewable energy equipment
- Low-carbon products (reduce production processes, eco-friendly raw material, etc.)

Social inclusivity



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Community building: After-class tuition (foundation), environmental courses (story-telling center and employees)
- Environmental protection and public welfare: Enhance the passion and number of facets of employee participation
- Industry-academia cooperation

Social inclusivity



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



17 PARTNERSHIPS FOR THE GOALS

- Strengthen sustainability connection with strategic partners
- Supplier chain management
- Co-procurement management

SDGs



Consistently donate over NT\$600,000 each year for servicing elderly living alone.



1. Consistently support the after-class tuition, and summer and winter camps for six elementary schools.
2. Provide more than two chemistry courses for elementary students by utilizing the Company's core chemistry competence.



1. The Taiwan factory has adopted ISO 46001 water efficiency management systems and aims to increase the water recycle rate by 33% in 2022.
2. Launch powder coating for water piping, which is able to prevent the piping from releasing chemical substances into tap water and assist in promoting the direct drinking water policy, hence providing better quality and sustainable tap water to users.



70% of the factories in operation has installed renewable energy power generation facility.



Sustainable supply chain:

1. Require suppliers to sign on "Supplier ESG Commitment Declaration". The completion rate exceeds 90%.
2. The completion rate for local raw material suppliers exceed 70%.

Facilitate safety of working environment:

1. Lower disabling injury to zero occurrence.
2. Regularly conduct disaster exercises each year.



Consistently make investment to stay ahead technologically. The R&D expenditure amounted to 3% of the revenue.

In 2025, the sales growth rate of green products is targeted to be 15%.



Chemical Management

Join the ranks of Zero Discharge of Hazardous Chemicals (ZDHC) Certification contributors and acquire level 3 certification for products.

Promote health management

Maintain occupational disease due to exposure to chemicals at 0 cases.



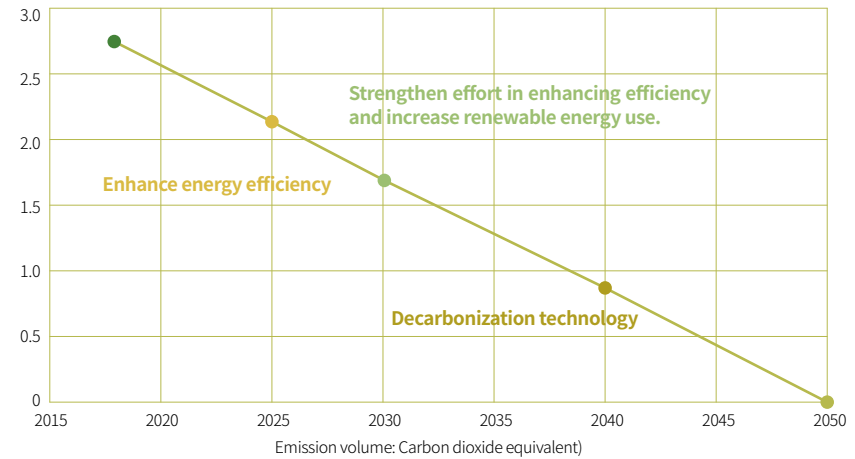
Consistently reduce carbon emission, and curtail carbon intensity by 10% in 2025 to fulfil reduction target that is based on life cycle in 2050. All subsidiaries to adopt Task Force on Climate-related Financial Disclosures (TCFD) to enhance the resilience of supply chain against climate change risks.



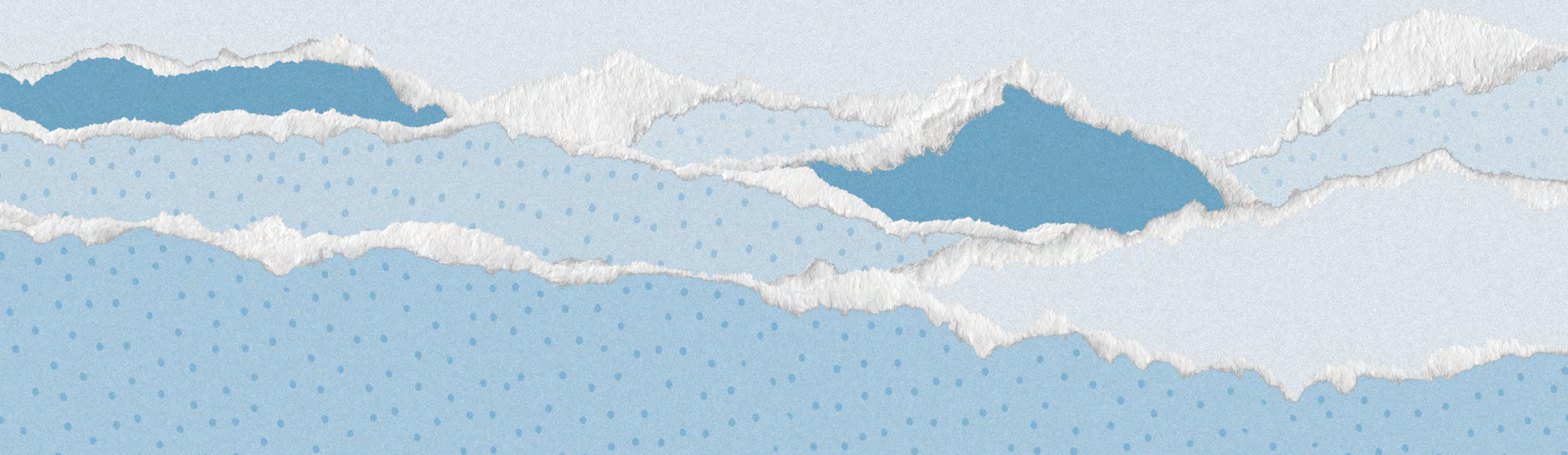
Reduce by 50% the number of high concerned-chemical types and volume used by 2030. Furthermore, the Company is proactively seeking other alternatives, e.g. non-formaldehyde/non-nonylphenol/non-boric acid formula design.

Sustainable Goals of Nan Pao

Commit to achieve carbon neutrality by 2050
Nan Pao zero-carbon roadmap - Carbon reduction at early stage and zero carbon at later stage

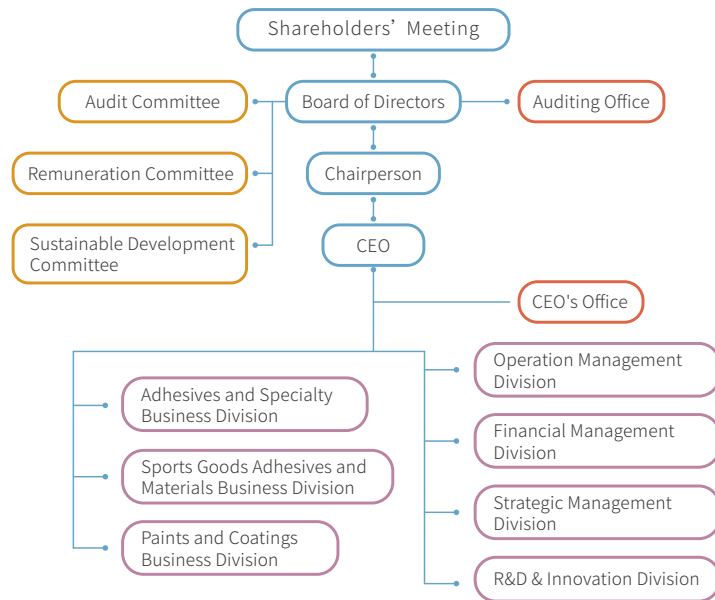


1. CORPORATE GOVERNANCE



01 Steady Corporate Governance

Business Operation and Management Framework



Board of Directors

Nan Pao firmly believes that a robust and efficient Board of Directors is the foundation of good corporate governance. Meanwhile, the Company has also established internal audit unit which regularly performs audit on the operational procedures and efficiency of the headquarters, subsidiaries and affiliated companies each year. Meanwhile, it also reports its operation to the Board of Directors.

For the nomination and election of Directors, the Director election procedures are undertaken in accordance with the Company Act and the relevant regulations in a fair, just and transparent manner. The composition of the Board of Directors shall take into consideration the organizational culture, business model and long-term development, as well as implementing the diversity policy for the

Board members. The Board members shall possess the knowledge, skills and competence required for performing their duties. Of which, they shall possess capabilities in the following fields, namely business judgment, accounting and financial analysis, business management, crisis management, industrial knowledge, international market perspective, leadership and decision-making.

The Board of Directors is led by the Chairperson, Cheng-Hsien, Wu. Each quarter, the management team shall report to the Board regarding the business performance, environmental safety, investment results, etc. The Board shall offer appropriate recommendations pertaining to business strategies proposed by the management team. The management team and the Board of Directors maintain a smooth communication. Both parties seek to achieve the goals of the Company so as to optimize shareholder interests.

To enhance the supervisory function and strengthen management mechanism, there are three functional committees operating under the Board of Directors: (All committee member positions are held concurrently by Independent Directors.)

All committee member positions are held concurrently by Independent Directors

Audit Committee
established in 2017

Assist the Board of Directors in performing the supervisory duties pertaining to accounting, audit, financial reporting procedures and the quality and integrity of financial control.

Remuneration Committee
established in 2017

Assist the Board of Directors in executing and evaluating the overall salaries and benefit policies and remunerations of Directors and Managers.

Sustainable Development Committee (CSR committee)
established in 2020

Coordinate and formulate the overall sustainable policy and strategic goals of the Company.

Note: For the education and work experience of the Board members, please see page 12~18 of the 2021 annual report.

As per Articles of Incorporation, the Board of Directors meeting is convened at least once every quarter to oversee and gain an understanding of the execution of operational planning, representation of financial reporting, and audit report as well as its follow-up. In 2021, seven Board of Directors meetings were convened to implement supervision and gain an understanding of the execution of business planning. The average in-person attendance rate amounted to 95.92%. Important resolutions of the Board meetings are announced on the Investor Relations section on the Company website regularly.

The “Corporate Governance Code of Practice” provides for the diversity policy of the Board members, paying attention to the gender equality of the member composition, where the Board aims to elect at least one female Director. It is estimated that the next Board of Directors shall increase one female Director to achieve the goal.

Performance of the Board of Directors and Director Remuneration

For the management echelon, the Company has formulated the relevant remuneration policy and Procedures for Performance Evaluation of Managers to support the sustainability management strategy. The Remuneration Committee takes charge in formulating the policy and procedures, and regularly reviews the yearly and long-term performance goals and salary and remuneration policies, system, standard and structure of Directors and Managers. The committee also regularly evaluates the performance goal attainment of Directors and Managers, and establishes salary and remuneration items and amounts for individual Directors.

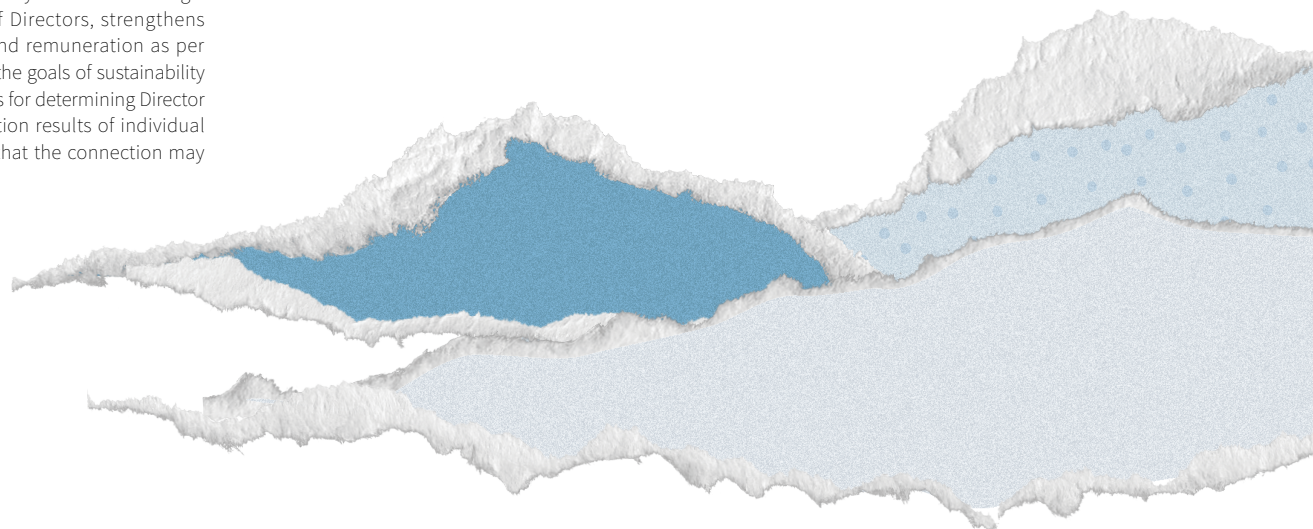
To facilitate the connection between Director performance, and the Company vision and strategic goals, the Remuneration Committee evaluates the core competence of Directors, strengthens accountability and implements the connection between performance and remuneration as per Procedures for Performance Evaluation of the Board of Directors. Moreover, the goals of sustainability development strategies are also incorporated into the performance indicators for determining Director remuneration in a flexible manner. Furthermore, the performance evaluation results of individual Directors are set to be the reference for their respective remuneration so that the connection may generate win-win effectively.

Shareholder Interests

The Board of Directors is the highest governance authority and the center of major business decision making. Its duties include appointing and overseeing the management echelon, business performance, legal compliance, and conformity to the Articles of Incorporation and resolutions of the Shareholders’ Meeting so as to maximize the shareholder interests. The Board meeting is convened at least once every quarter. It can also be convened as and when necessary in the event of an emergency. To the best of their ability, all members shall perform the duties of the Board in evaluating business strategies, risk management, yearly budget and business performance, and supervising major capital expenditure and investment decisions.

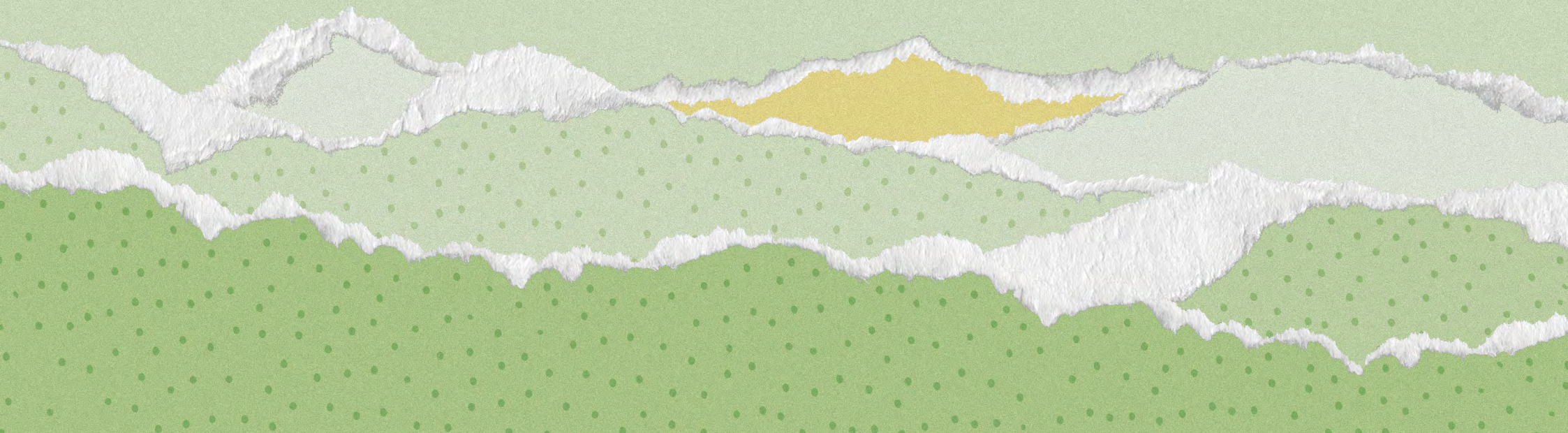
Nan Pao pays close attention to the interests of each shareholder and treats all shareholders equally. The Company implements electronic voting in Shareholders’ Meeting and encourages shareholders to participate in corporate governance. Shareholders may participate in the decision making of the Company via voting in the Shareholders’ Meeting. Ratification, discussion and election proposals are resolved one by one and the results of each resolutions are announced promptly in the Shareholders’ Meeting. The Company has provided a diverse range of voting avenues to facilitate the shareholders in exercising their rights and enhance corporate governance effectively.

* For the share capital structure, please refer to P.73 of NANPAO’ s 2021 annual report.



2. INTEGRITY AND ACCOUNTABILITY

2.1	Internal Control and Internal Audit	17
2.2	Anti-Corruption and Ethical Corporate Management	17
2.3	Strengthening Risk Cultural Awareness	18
2.4	Risks and Opportunities of Climate Change	19
2.5	Conflict of Interest	20
2.6	Human Rights Policy	20
2.7	Information Security Management	20



02 Integrity And Accountability

Major Issues :

- Anti-corruption
- Environmental and social legal compliance
- Integrity and transparency

Management Policy

The Board of Directors and various unit convene meetings on a regular basis, enabling senior management echelon to monitor the progress of goal attainment and supervise their performance. Audit Committee is established to assist the Board of Directors in performing the supervisory duties pertaining to accounting, audit, financial reporting procedures, and quality and integrity of financial control.

2.1 Internal Control and Internal Audit



Internal Control

The internal control policies are formulated in accordance with the Regulations Governing Establishment of “Internal Control Systems by Public Companies” promulgated by Financial Supervisory Commission (FSC) and by taking into consideration the design of actual operating activities which is approved by the Board of Directors by resolution. The policies are executed and the processes are managed by the Board of Directors, Managers and other employees. The internal control policies include control mechanism for corporate and operational levels. The objective of the policies is to delineate the scope and standard of internal control system of various business units to ensure the effectiveness of internal control design and execution, thus facilitating a robust management.



Internal Audit

Nan Pao has established an Auditing Office, which is under the supervision of the Board of Directors, to assist the Board and Managers in inspecting and evaluating the effectiveness of internal control, measuring results and efficiency of business management, as well as reliability, timeliness and transparency of reporting and legal compliance. The Auditing Office also proposes recommendations on improvement measures to reasonably ensure that the internal control system is implemented in an effective manner, and serve as the basis for reviewing amendments made to the internal control system.

Based on the scale of investment, operation status, management needs and other regulatory requirements, the group-wide Auditing Office is designated to have one executive, and internal audit personnel capacity who meet the job requirements and perform internal audit assignments in an independent, objective, and fair manner. The internal audit personnel consistently attend training to enhance their auditing quality and capability. They also consistently improve the auditing procedures and skills, proactively developing audit supporting tools to increase the effectiveness of the audit.

The Auditing Office has established a risk-oriented internal control system and performed auditing based on the yearly audit plan, in which, the scope covers the internal control system of the Company and its subsidiaries. It also reviews the self-evaluation report on internal control of the Company and its subsidiaries, which shall serve as the basis for evaluation on the overall internal control system and the issuance of Internal Control Statement by the Board of Directors and Managers, along with findings on internal control weaknesses and improvements on anomalies.

The head of internal audit reports to the Independent Directors on a regular basis and communicate the audit results to them. Furthermore, the head of internal audit also updates on the internal audit operation in the Board Meeting. In the event of a special circumstance, the head of internal audit shall also report to the Independent Directors. In 2021, there was no such circumstance. Meanwhile, the head of internal audit also needs to consistently follow up on the requirements and recommendations proposed by the Independent Directors, Audit Committee and Board of Directors, and completes and reports the actions taken therein within a given time period.

2.2 Anti-Corruption and Ethical Corporate Management

Integrity is the bedrock of Nan Pao’s operation. To foster a working environment and atmosphere that meet the moral standard, the Company requires all employees to gain a deep understanding and abide the code of conduct when undertaking business activities.

To enhance corporate governance, the Company established Corporate Governance Code of Practice (amended in 2021), Procedures for Ethical Management and Guidelines for Conduct (amended in 2021) and Code of Ethical Conduct (amended in 2018) for all directors, managers and employees to follow. Furthermore, Regulations Governing Whistle-blowing from Internal and External Parties provide for the complaint and whistle-blowing mechanism. For more information, please proceed to the Company website and MOPS.

For the Board of Directors meetings, in the event that a Director encounters a conflict of interest of himself/herself or the juristic person he/she represents, and that the Company’s interest may be harmed, he/she may express his/her opinion or answer queries, but may not participate in discussion and voting. Furthermore, he/she shall recuse himself/herself and shall not represent other Director(s) in exercising voting rights.

Nan Pao also monitors anti-corruption management closely and has established internal control system in accordance with the law or regulations, including accounting system. Each year, the effectiveness of design and execution shall undergo evaluation and self-inspection and reviewed by the Auditing Office. For external parties, before fostering a business relationship with distributors, suppliers, customers and other business counterparties, the Company shall first evaluate the legality of their business activities and legitimacy of relevant policies they practice, as well as whether they have a record of potential unethical conduct.

The human resource department takes charge of formulating the ethical management policy and relevant measures, whilst the Auditing Office is responsible for overseeing the implementation and execution, and reporting to the Board of Directors, the highest management authority. In 2021, no major violation of ethical management was found.

To ensure that employees fully understand the relevant regulations, the Company also undertakes education and training, including requiring overseas factories conducting code of conduct training for all new recruits, and new recruits to sign the Code of Ethical Conduct to deepen the integrity culture and strengthen the awareness on legal compliance.

2.3 Strengthening Risk Cultural Awareness

The objective of risk management is to prevent operational disruption, enhance customer service quality and increase shareholder interests. Furthermore, risk management is an effort that seeks to contain risks produced by various functions within a manageable scope and achieve the goal of managing risk and generating reward to a reasonable level whilst ensuring capital adequacy. As such, risk management is able to serve as a reliable support for operational development. Therefore, to effectively identify, measure, oversee and control various risks, Nan Pao upholds the principle that “no operational process is above risk”, which is the most important underlying principle of risk management.

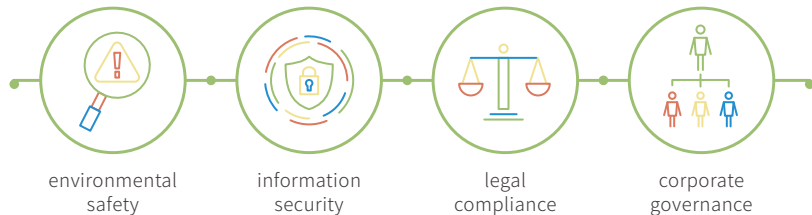
Risk Management Policy and Procedures

Nan Pao has established “Risk Management Policy and Procedures” which is approved by the Board of Directors by resolution and serves as the highest guiding principle for risk management. From 2021 onward, risk assessment is performed regularly each year, whilst different risk management policies are formulated and implemented to mitigate different risk type, covering management goals, organizational structure, accountability and risk management procedures. Furthermore, effective identification, measurement and mitigation of various risks must be performed to contain risks produced by various business activities within a manageable scope.

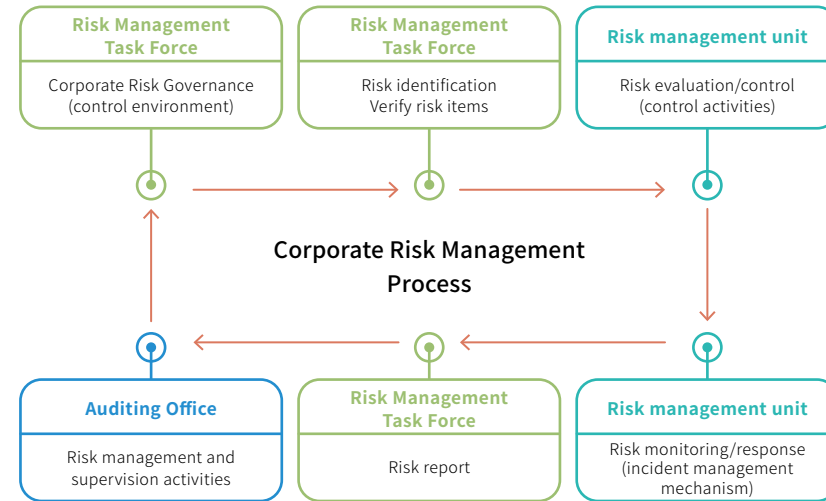
Scope and Organizational Structure of Risk Management

To implement checks and balances of risk management, the Company consolidates and manages different types of strategies, and potential operational, financial and hazardous risks by establishing corporate risk management procedures. The objective of the exercise is to provide appropriate risk management for all stakeholders, assessing the frequency of risk event occurrence and the severity of impact on the Company using a risk matrix, delineating the order of priority of different risks and risk levels, and undertaking the corresponding risk management strategy according to risk levels.

The Company starts off from three risk issues of concern pertaining to ESG to further identify risk items. The main scope of risk management includes four aspects, namely “environmental safety”, “information security”, “legal compliance”, and “corporate governance”.



In 2021, the Company had consolidated various risk management units and established “Risk Management Task Force”, which is under the purview of the Board of Directors. The CEO serves as the convener of Risk Management Task Force. The highest executive of each functional unit serves as member of the task force. Each functional unit regularly undertakes identification of risk items and risk control. Each year, the task force regularly reports on the risk assessment results and operation of risk management of the preceding year to the Board.



For identified and analyzed risks, the main corresponding supervisory and control measures are as follows:

Long-term Emerging Risks in Energy Management and Risks of Alternative Energy

Risk description: In response to the deterioration of climate abnormality, a global campaign is promoting reduction of greenhouse gas emission and achievement of carbon neutrality program by 2050. Furthermore, international regulations are gradually starting to impose carbon fees on carbon emission entities, or requiring these entities to achieve zero carbon emission or reduce total emission volume via carbon trading, or adopt green energy altogether.

Corresponding strategy: Develop GHG reduction plans and make carbon costing plans

Information Security Management Risk

Risk description: In recent years, cases whereby governments and companies from all over the world becoming victims of hacking syndicates are on the rise. For example, due to improper information security protection, operations of companies are affected, causing severe operational risk.

Corresponding strategy: Adopt ISO27001 Information Security Safety Management System

Key Talent Risk

Risk description: The situation where talents of Taiwan are scouted is deteriorating. Of which, some are with malicious intent to steal core technologies and trade secrets. As companies develop, talents are imperative, especially key talents. They are lifeline to the sustainable development of companies. The COVID-19 pandemic has given rise to a sluggish international economy. Many companies are having their employees taking turn to work in office or have adopted a work-from-home model. Companies are facing plenty challenges in terms of human resource utilization strategy. Compounded by a global competitive environmental, management succession and talent scouting between companies, key talents have become increasingly important for the continuity of companies.

Corresponding strategy: Establish a talent database and carry out talent retention plans for talents with important positions.

2.4 Risks and Opportunities of Climate Change

The average temperature of the planet continues to rise. In recent years, occurrences of natural disaster due to extreme weather are taking place in every corner of the globe. Controlling climate change has become one of the most important actions for the world. Nan Pao is also keen to contribute to alleviating the impact of climate change. At the end of 2020, Nan Pao started to plan for a Task Force on “Climate-related Financial Disclosures (TCFD)”, inviting professionals to conduct the relevant TCFD training for employees. At the end of 2021, the Company officially adopted the TCFD program for analyzing the operational risk exposure due to climate change.

Governance

The Board of Directors has established the Sustainable Development Committee to take charge of formulation of governance strategies pertaining to sustainability and climate issues. Professor Yun, Chen (Independent Director) serves as the chairperson of the committee and Cheng-Hsien, Wu (Chairperson) serves as his deputy. Every half a year, the committee reports to the Board of Directors meeting, and receives supervision and recommendations from the Board.

Under Sustainable Development Committee, the ESG Sustainability execution and strategy team has been established, where CEO, Ming-Hsien, Hsu serves as the head of sustainability strategy, and the Operation Management Offices serve as the team leaders of various subsidiaries. The committee consolidates the routine management activities pertaining to climate change and energy issues within various factories, review their execution quality and results, and regularly report to the Chairperson.

Meanwhile, the Company has also established Energy Management Committee, which convenes energy conservation meeting on a regular basis, serves to learn the best practice from the industry counterparts and develop energy conservation measures that are applicable to various factories.

Risk management

Risk type	Key factor/risk issue	Impact level	Period of impact	Risk to Nan Pao	Opportunity derived	Financial influence	Strategic response
Transformation risk	<ul style="list-style-type: none"> Policy and regulations: Greenhouse gas emission control 	High	Short-term	<ul style="list-style-type: none"> Investment in low-carbon technology, equipment and management cost. Total carbon emission volume and carbon trading, carbon fee and carbon tax systems. 	<ul style="list-style-type: none"> Smart low-carbon production Participation in carbon trading Differentiating enhancement of competitiveness 	<ul style="list-style-type: none"> Capital expenditure Operational costs 	<ul style="list-style-type: none"> Establishment of carbon reduction roadmap and achieving carbon neutrality in long term Promotion of energy conservation and carbon reduction measures Change to low energy consumption equipment Promotion of recycling and reusing of waste Management of greenhouse gas scope 3 emission intensity
	<ul style="list-style-type: none"> Market: Low-carbon technology 1. Renewable energy 2. Carbon capture, utilization and storage (CCUS) 	High	Medium-term	<ul style="list-style-type: none"> Regulations and procurement of renewable energy 	<ul style="list-style-type: none"> Expansion of new energy business Development and application of carbon capture technology 	<ul style="list-style-type: none"> Capital expenditure Operational costs 	<ul style="list-style-type: none"> Investment in energy efficiency enhancing equipment Investment in solar power generation Proactive search of new energy such as wind, biofuel, geothermal, organic solvent cracking power generation

Risk type	Key factor/risk issue	Impact level	Period of impact	Risk to Nan Pao	Opportunity derived	Financial influence	Strategic response
Transformation risk	<ul style="list-style-type: none"> Market: 1. Environmental protection and sustainable products 2. Green supplier certifications (Bluesign, ZDHC, Higg Index) 	High	Short-term	<ul style="list-style-type: none"> Investment in technology and management cost 	<ul style="list-style-type: none"> Enhancement of product competitiveness 	<ul style="list-style-type: none"> Capital expenditure Operational costs 	<ul style="list-style-type: none"> Increase of sales percentage of eco-friendly products Consistent investment in R&D expenditure to increase R&D capacity Proactive improvement on the passing rate of product testing
	<ul style="list-style-type: none"> Market: ESG sustainability investment 	Medium	Short-term	<ul style="list-style-type: none"> Impact on Company image 	<ul style="list-style-type: none"> Intention for stable and long-term investment 	<ul style="list-style-type: none"> Investment and fund raising 	<ul style="list-style-type: none"> Establishment of designated ESG department Regular communication with institutional investors/media on Company performance results
Physical risk	<ul style="list-style-type: none"> Typhoons and floods 	High	Short-term	<ul style="list-style-type: none"> Surge of transportation and equipment maintenance costs due to heavy rainfall / typhoons and floods 	<ul style="list-style-type: none"> Strengthening of operational resilience 	<ul style="list-style-type: none"> Operational costs 	<ul style="list-style-type: none"> Use of WRI scientific model to evaluate physical risks of various production bases Real-time monitoring of precipitation, water level and changes in water regime to establish sales emergency response coordination mechanism Utilization of real-time water resource statistics from Water Resources Agency to formulate strategies for tackling water shortage Situation management: Adoption of optimal storage management and flexible adjustment of transportation Adoption of water conservation production processes and programs
	<ul style="list-style-type: none"> Change of precipitation parameter: Water shortage 	Medium	Short-term	<ul style="list-style-type: none"> Influence on production capacity due to droughts and water shortage 	<ul style="list-style-type: none"> Strengthening of operational resilience 	<ul style="list-style-type: none"> Revenue 	<ul style="list-style-type: none"> Adoption of water conservation production processes and programs
	<ul style="list-style-type: none"> Disruption of supplier chain 	Medium	Short-term	<ul style="list-style-type: none"> Increase in raw material costs and transportation disruption 	<ul style="list-style-type: none"> Strengthening of operational resilience 	<ul style="list-style-type: none"> Operational costs 	<ul style="list-style-type: none"> Self-produced raw material and flexible adjustment of transportation

2.5 Conflict of Interest

The Rules of Procedure for Board of Directors Meetings include a recusal provision in the event of a conflict of interest, whereby “For any proposal in which a director or the judicial person he or she represents is an interested party, the director shall explain the important aspects of his/her interest relationship at the Board meeting. When his/her interest is likely to compromise the interest of the Company, the director shall not participate in the discussion and voting on the proposal, and the director shall abstain him or herself from discussion and voting on the proposal and cannot exercise the voting right for and on behalf of another director.” The Company has established three seats for Independent Directors. Independent Directors offer recommendations based on professionalism and experience in an objective and fair manner. For any discussion on a proposal, the Board of Directors has to take into full consideration the opinion of Independent Directors, and have the reasons of their concurrence or objection, or their opinion documented in the meeting minutes. The Board shall also uphold the principle of recusal in the event of a conflict of interest to effectively protect the Company interest.

Due to the morality and self-discipline upheld by Directors and a comprehensive mechanism in operation, to date, no conflict of interest incident has ever occurred in the Board meetings since the establishment of the Board.

※For positions held concurrently by Directors, please see page 10-11 of the 2021 annual report.

2.6 Human Rights Policy

To protect the basic human rights of employees and value chain partners (including customers, suppliers/vendors, distributors, joint ventures and local communities) of Nan Pao Resins Chemical and its subsidiaries (hereinafter, “Nan Pao”), and promote environmental, social and economic sustainable development, Nan Pao supports and respects the “Universal Declaration of Human Rights”, the first and second principles of The “United Nations Global Compact (UNGC)”, three pillars on human rights protection and respect, and access to remedy of “United Nations Guiding Principles” on Business and Human Rights, and international human rights provisions of International Labor Organization (ILO) Declaration on Fundamental “Principles and Rights at Work”. Nan Pao also observes the law and regulations in locations of operation to ensure the implementation of human and working rights.

Protection of Privacy and Personal Data

Nan Pao pays close attention to protection of privacy and personal data. We have established privacy and personal data protection policy. We also require members of Nan Pao and other collaborative vendors to comply with Personal Data Protection Act promulgated by ROC, General Data Protection Regulation promulgated by EU and personal data protection law in any location of operation when collecting, handling, utilizing, retaining and disclosing personal data so as to ensure legal compliance, and that concerted effort is put in to protect personal data, and the rights and interests of every individual.

To consistently strengthen the awareness of members of Nan Pao on personal data protection so as to implement management and operation that meet regulatory requirements, we educate them on regulations and operating procedures on personal data protection, and review the maintenance on personal data protection via internal training and important announcements on a regular basis. Based on the evaluation results, relevant management programs and measures shall be formulated.

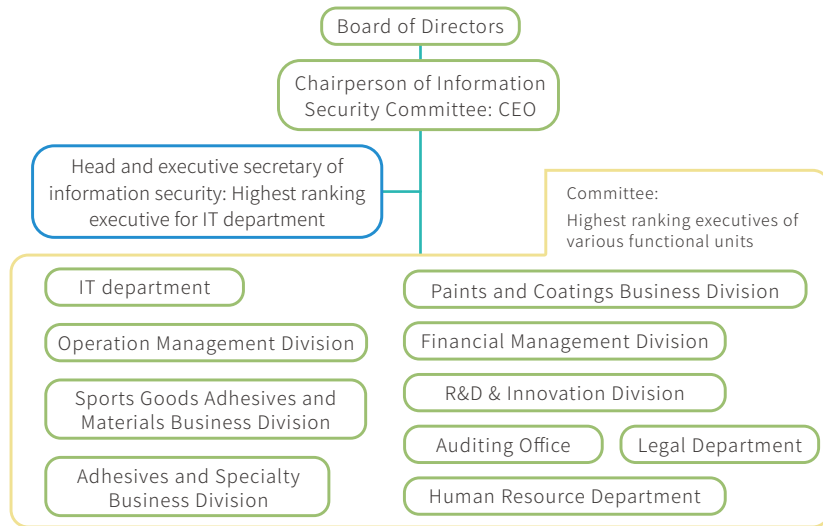
Legal Compliance

Nan Pao seeks to ensure that its business activities are compliant with relevant regulations. To ensure the implementation of legal compliance, we shall consistently pay attention to any domestic or overseas policies and regulations that may affect the operation of the Company and foster a corporate culture that enshrines and deepens legal compliance into each and every location of operation. The corporate governance officer and legal department assist Directors in legal compliance and supervision of legal compliance operation of subsidiaries so that relevant operating activities are compliant with regulatory requirements. Furthermore, adoption of control mechanism for legal compliance risk in risk management evaluation shall assist the assessment of potential legal compliance risk exposure of relevant operations. Meanwhile, the Company requires all subsidiaries to make timely report on punishment imposed for failure to observe regulations. Afterward, legal compliance and audit departments shall require subsidiary in question to propose improvement measures and supervise the implementation so as to strengthen the corporate governance system. For domestic regulations, “Securities and Exchange Act”, “Securities Investor and Futures Trader Protection Act”, “Labor Standards Act”, “Enforcement Rules of the Occupational Safety and Health Act”, “Regulations on Occupational Safety and Health Management”, “Air Pollution Control Act Enforcement Rules” and “Trade Secrets Act” are the main focal statutes for legal compliance, which are adopted and utilized for amendments made to internal regulations after evaluation. Education and training are also conducted to further enable Directors, Managers or employees of Nan Pao and its subsidiaries to gain more understanding in abiding the relevant law and regulations. In 2021, the Company had ensured the compliance with the Company Act, Fair Trade Act and other important regulations pertaining to corporate governance and public firms. No violation of the aforementioned regulations was noted. For all legal compliance items pertaining to operation, the Company aims to have zero punishment.

2.7 Information Security Management

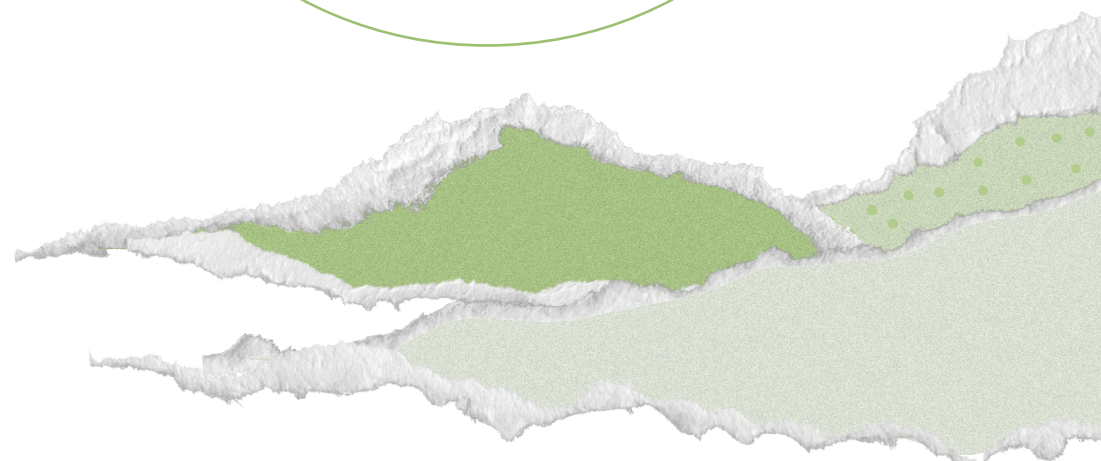
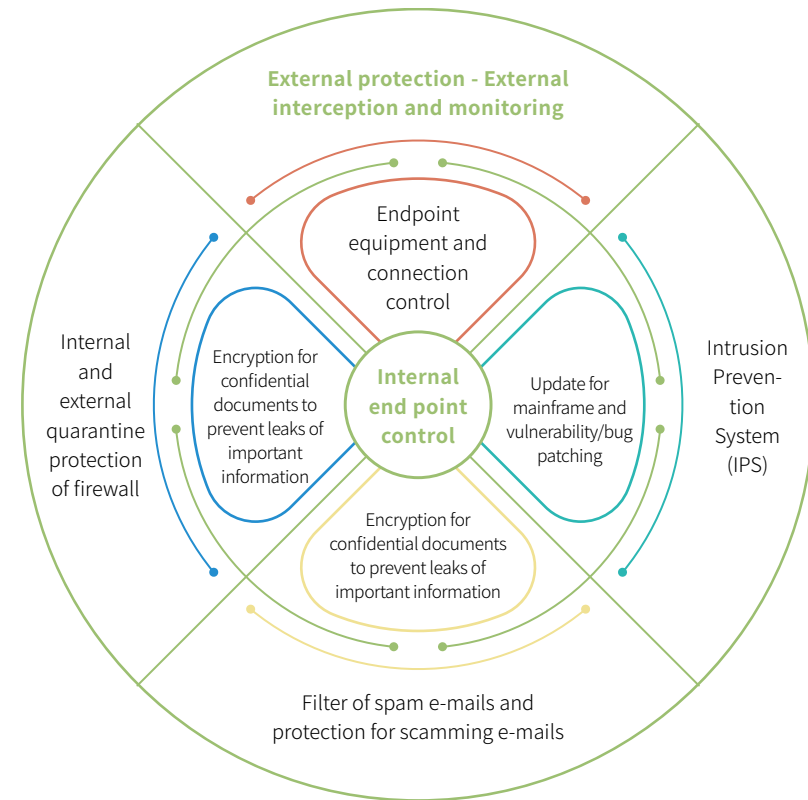
As smart production technology develops, from the perspective of corporate governance, the Company has established “Nan Pao Information Security Policy” that serves as the highest management principle, as well as the “Information Security Committee Charter”. The Company consistently adopts information security protection and innovation technology to incorporate and internalize information security control mechanism into daily routine procedures, systematize the monitoring of information security, and protect the confidentiality, completeness and usability of important assets so as to ensure safe operation of information systems, equipment and network, thus achieving the goal in sustainable development.

Since 2022, the headquarters of Nan Pao has adopted ISO 27001, i.e. certification for information security management system, to strengthen the awareness for information security and implement prevention, correction and improvement measures generated from audit work. Furthermore, the Company has established Information Security Organizational Framework, in which Ming-Hsien, Hsu (CEO) serves as the designated Director for information security, and Pei-Yi, Kuo (Assistant Manager) serves as head and executive secretary of information security. Whereas, internal audit unit comprises Auditing Office and other members, and takes charge of producing audit report and following up on improvement status.



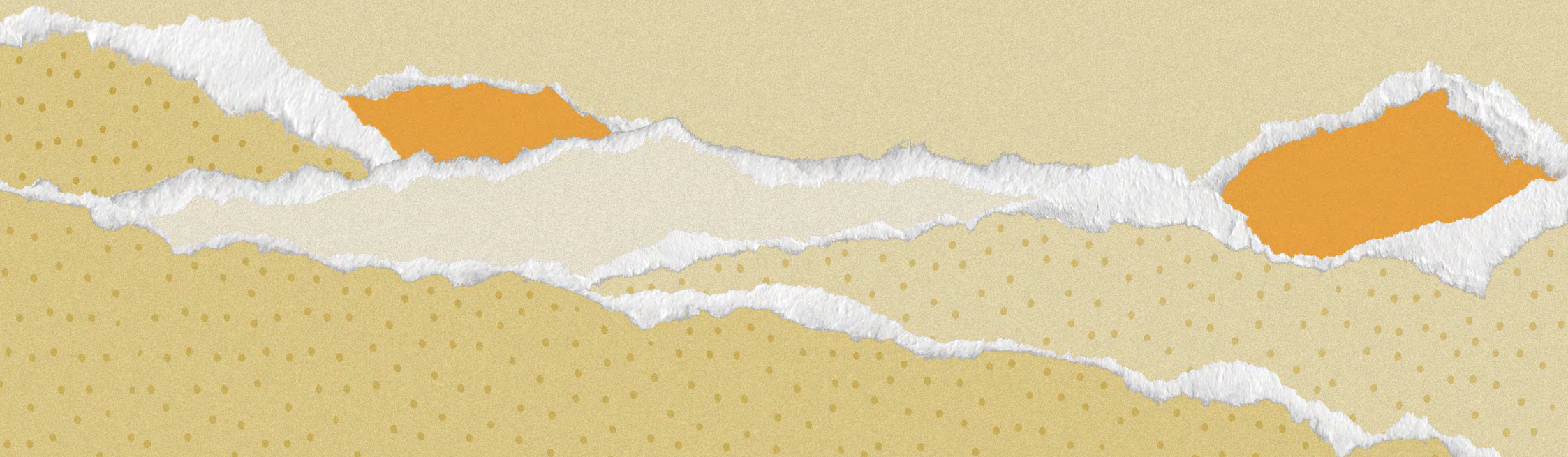
To effectively implement information security management, via “information protection work promotion team” overseeing Taiwan factories and various units of overseas subsidiaries, the Information Security Committee reviews the applicability and protection measures of information security policy based on the management circulation mechanism of Plan-Do-Check-Act (PDCA) to ensure the achievement of the reliability target and continuous improvement.

Information Security Protection Map



3. INNOVATION AND SERVE

3.1	Innovation Capacity	23
3.2	Accountable Chemical Management	26
3.3	Good Customer Relationship	28



03 Innovation And Serve

Major Issue




- Chemical safety and environmental management
- Customer health and safety
- Product efficiency and innovation

Objective: Research and develop sustainable green products, recycling measures, and green solutions that reduce energy consumption to provide diverse products to customers.

Management Policy

- To effectively manage quality, all products must pass the international testing standard, Restricted Substances List (RSL) before delivery. The Company has adopted quality management system, ISO 9001, and regular updated its certification to fulfil the latest international management standard.
- The Company proactively allocates talents and resources into researching and innovating products, increasing sales of green products, and leading people's lives onto a new epoch of sustainable development and circular economy.

Results and goals of innovation

 <p>Eco-friendly and low-impact products</p> <ul style="list-style-type: none"> • contributed 63% of total revenue in 2021. • Revenue of green products grew 13%. <p>Note1. 2019: NT\$9,653,530,894 2020: NT\$9,148,437,112 2021: NT\$10,380,273,092 (Comparison between 2021 and 2020)</p>	 <p>Eco-friendly and low-impact products</p> <table border="0"> <tr> <td>• 2019 (base)</td> <td>Base year</td> </tr> <tr> <td>• 2023 (goal)</td> <td>+10%</td> </tr> <tr> <td>• 2025 (goal)</td> <td>+15%</td> </tr> </table>	• 2019 (base)	Base year	• 2023 (goal)	+10%	• 2025 (goal)	+15%	 <p>Hazard assessment</p> <ul style="list-style-type: none"> • Hazard assessment The hazard assessment for the headquarters in Taiwan has been completed 100% (Globally Harmonized System of Classification and Labelling of Chemicals (GHS level 2).
• 2019 (base)	Base year							
• 2023 (goal)	+10%							
• 2025 (goal)	+15%							

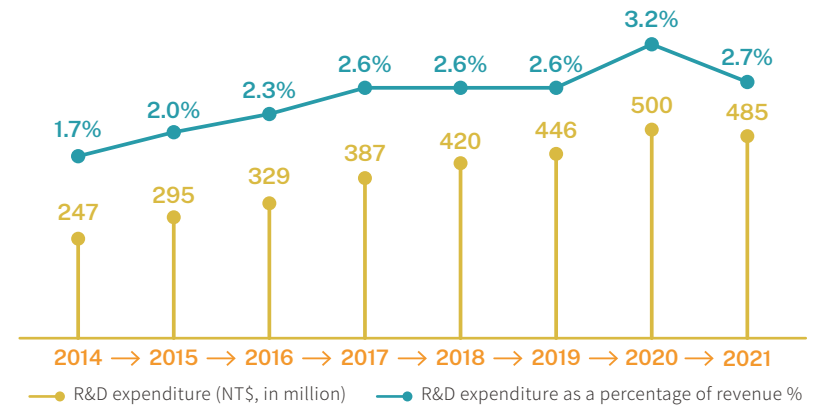
Note 2. Performance data of the Company includes the following entities: Nan Pao Resins Chemical, Nan Pao Resins (Dongguan), Nan Pao Resins (Foshan), Foshan Nan Pao Great-Will Advanced Materials, Nan Pao Resins (China), Fuqing Nan Pao Resins, Nan Pao Resins (Vietnam), Nan Pao Advanced Materials Vietnam, Ninh Binh Plant in northern Vietnam, PT Indo Nan Pao Resins Chemical, Thai Nan Pao Resins Chemical and NP Australia.

Note 3. Green products identification: Water-based, low solvent or solvent free: carbon emission reduction, minimizing or eliminating safety and health risks. Low-VOCs: air pollutants reduction, minimizing or eliminating safety and health risks.

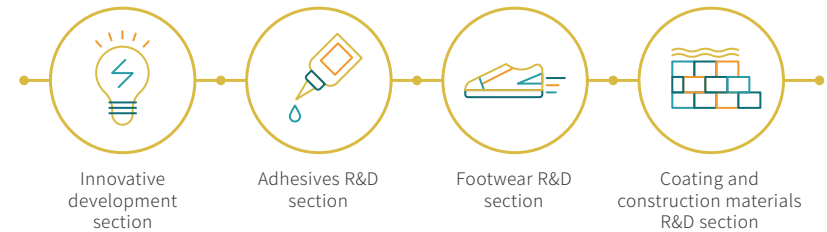
3.1 Innovation Capacity

In 1971, Nan Pao established “Nan Pao R&D Center” , whose objectives are to consistently achieve breakthroughs, innovate and proactively conduct R&D, integrating R&D talents and resources to accelerate the development of new, high value-add products, strengthening competitive advantage, creating new value for the Company, promoting the position of Nan Pao as a high-tech adhesive company and marching toward the mission of becoming a leading global enterprise.

R&D expenditure



R&D Units

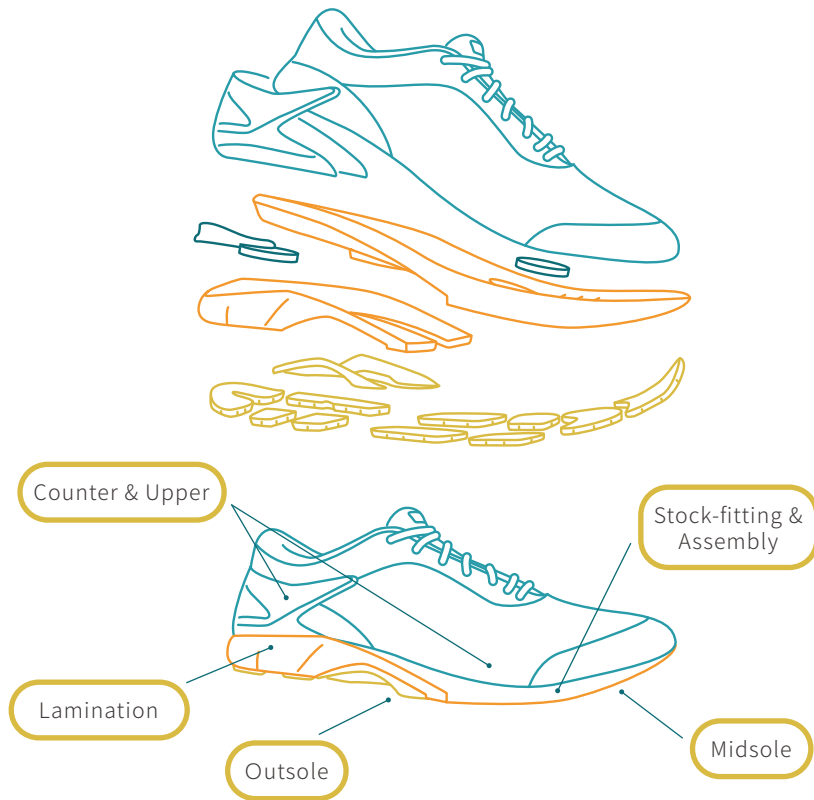


The R&D Center has four R&D departments, hosting 320 outstanding R&D professionals. In 2017, “Polyester Polyol Research Section” was added to focus on the fabrication of polyester polyol from recycled plastic bottles, and its application so as to develop high-end functional material application. The R&D Center also consistently expand to developing green and eco-friendly materials, high functional application chemicals and other new products and technologies. Recently, the R&D Center focuses on developing high functional and low-carbon chemicals as its R&D goals to consistently increase a high value-add industry by utilizing high polymer synthesis and application technologies which Nan Pao has accumulated over the years as its bedrock.

Footwear R&D and Business Unit

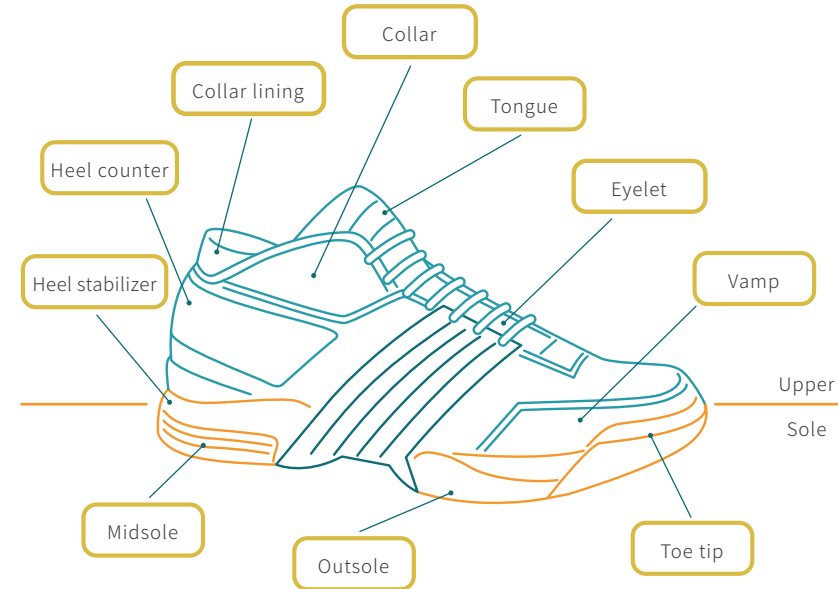
As one of the top three footwear adhesive suppliers, the main customers of the Company are mostly top sportswear brands. The footwear adhesive products of Nan Pao are not only eco-friendly, but also more applicable for various traditional and high-tech materials. Furthermore, the Company is able to perform customization according to customer requirements, e.g. automation technology of applying footwear adhesive onto the outsole. Apart from footwear adhesive with stable composites and constituents, the Company also provides products with low viscosity and without organic solvent. Nan Pao has a powerful R&D team that is able to work together with a highly responsive technical service provision team. As such, Nan Pao is able to stand out from many competitors in the industry.

When our customers want to use new materials, optimize production processes, eliminate bottlenecks, or find adhesive with higher viscosity for their new footwear model, they would approach and discuss with us in the design phase. This is also why we are able to secure more orders and increase our overall market share of athletic shoes.



The key parts of an athletic shoe that require footwear adhesive are as follows:

Most athletic shoes have at least 20 spots that require footwear adhesive. The materials for each pair of shoes have their own unique properties and requirements for malleability, air permeability, water-proof property, exterior, shock resistance and elasticity. Before applying footwear adhesive, the shoes also require the treatment of cleaner and primer, and sometimes, hardener. We are able to provide exclusive and comprehensive footwear adhesive solution for each shoe model.



Adhesive R&D and Business Unit

Sportswear adhesive has always been Nan Pao’s strength. Apart from adhesive applying to athletic shoes, 30% of the basketballs in the world are made using our adhesive. In Japan, 50% of the baseballs are also made with Nan Pao’s adhesive.

Looking forward, one of the products that we shall focus on is adhesive for functional fabric of sportswear. Meanwhile, the global adhesive market for non-woven, flexible packaging materials, tapes and labels is comparable to the footwear adhesive market. To accelerate growth and increase profitability via economy of scale, we adopt the Golden Sample in relation to these products to search for star products that meet the three following requirements and accelerate growth: 1) Market demand for application is strong; 2) R&D team is able to develop product with top grade functionality; 3) The product can be manufactured in a more cost effective way.

Main applications of adhesive products:

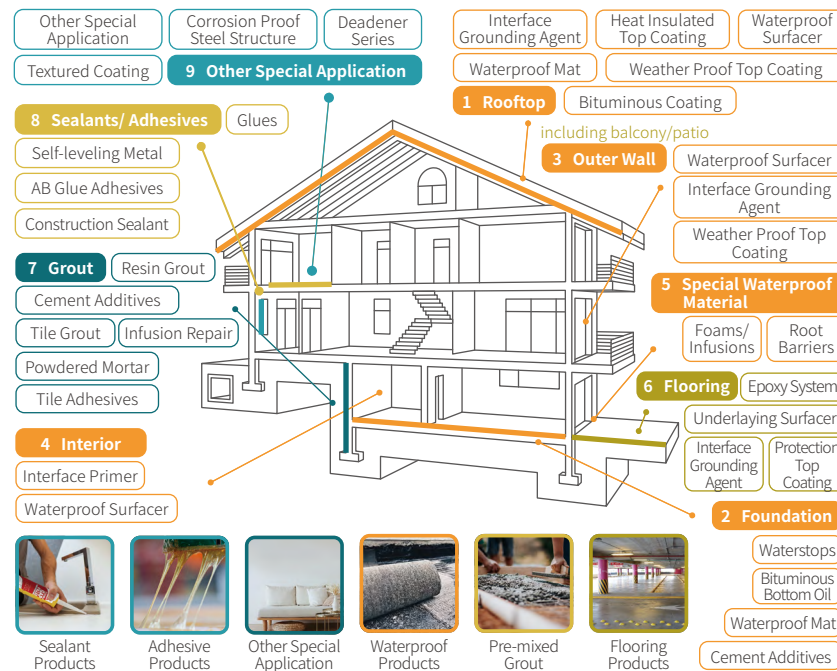


Coatings and construction materials R&D and Business Unit

Our initial and only goal for development is to assist customers and the vast market to gain an understanding of construction chemicals further, to apprehend how to utilize highly efficient and latest innovative products to optimize their own business value and create limitless business opportunity.

The product domain includes liquid and powder coating, sealant, adhesive, and flooring and waterproof materials for professional providers. The business office also provides customers usage recommendation and consultation services on construction chemical materials. Apart from providing chemical professional services and technical support, the business office has also fostered long-term strategic partnership with key strategic team from Europe, Australia, and the US.

Construction Chemical Product Application



Innovative development section

The section provides highly efficient and production process solution technology and successfully assists our customers in realizing their goals, collectively benefitting the environment and society at large.

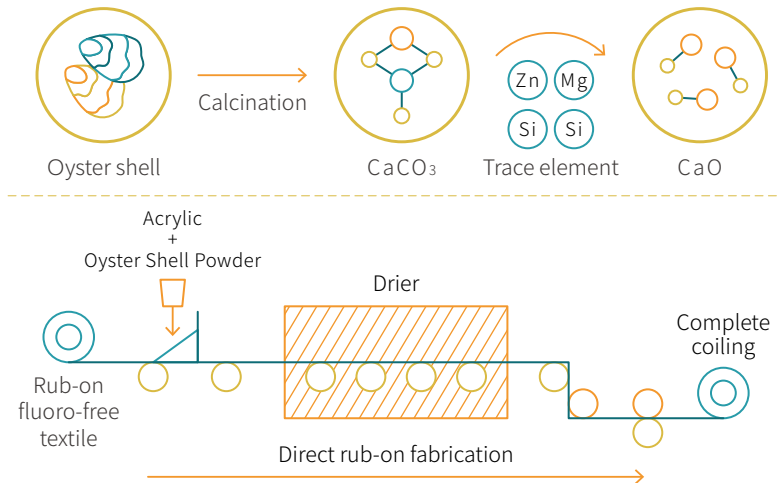
Climate change/circular economy series: Develop products related to alleviating climate change by setting "Replace" (replacing petroleum-based raw materials), "Recycle" (recycling and reusing) and "Reduce" (reducing energy resource consumption) as its underlying principle.

The Company seeks to replace petroleum-based raw materials with biomass material to fabricate water-based polymerized acrylic resin. Apart from maintaining its physical properties, the replacement is eco-friendly and upholds the principle of sustainable development. Furthermore, the Company also customizes the design of its products based on customer needs so as to meet market demand more efficiently.

Eco-friendly and low environmental impact series: The Company has developed various types of eco-friendly (toxin free) products, such as water-based, solvent-free and terphenyl-free products, or reduced the pollutant emission of production processes so as to reduce negative impact of products on the environment.

Nan Pao has developed or is proactively developing highly effective products. Most paper cups have plastic lamination. We have developed a lamination coating for paper material that is plastic-free, facilitating the recycling of paper cups and carton, and truly putting recycling and reusing in practice.

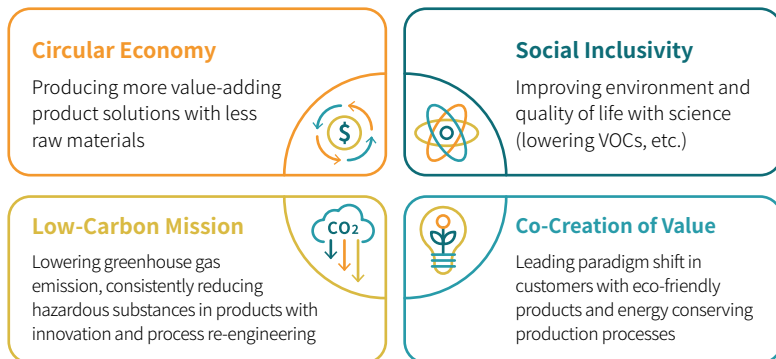
Acrylic used in textile made with oyster shell powder



Production process optimization and product innovation

Nan Pao is the leading adhesive maker in Asia. Apart from consistently optimizing and expanding the existing business, the Company also strives to increase its long-term competitiveness by putting in concerted effort in innovation and R&D, fostering green business opportunities with a circular economic mindset and ensuring that the R&D for all products does not require human or animal testing.

Green Product Policy



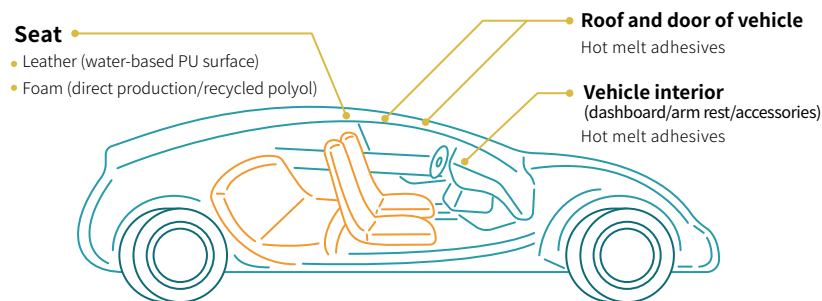
Low-carbon Chemicals

In recent years, Nan Pao seeks to undertake R&D in chemical raw material substitution, using non-edible plant for castor oil extraction to substitute non-regenerative petroleum raw material and developing adhesives and foam materials with eco-friendliness advantage and outstanding performance. Furthermore, the Company has also acquired self-made low-carbon raw material technology, whereby recycled plastic bottles are clean, sliced and made into polyester polyol. As the material for water-based polyurethanes (PUs), it not only reduces the reliance of polyester on petroleum, but also reduces resource consumption and promotes the resource recycling and regenerating.

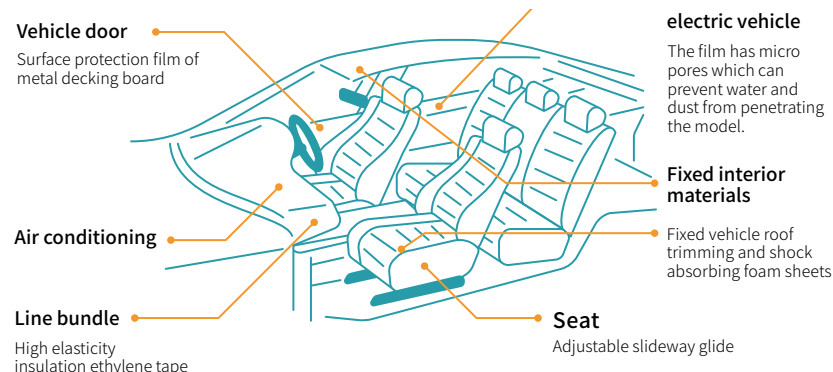
High-performance polyester polyol made with recycled plastic bottles can serve as the raw material for water-based PUs. If applied on textile products, it can give clothing more structure. If used for making foam material, such as cushion, it can provide more comfort and softness.

Existing biomass product items: Polyurethane dispersions (PUD), polyurethane resin (PUR), polyaluminium chloride (PAC), hot melt adhesives, polyurethane foam materials, ethylene vinyl acetate (EVA) foam and polyester polyol

Biomass and eco-friendly adhesive application for vehicles



Low volatile organic compounds (VOCs) double-sided tape and pressure sensitive adhesive (PSA) for vehicle use

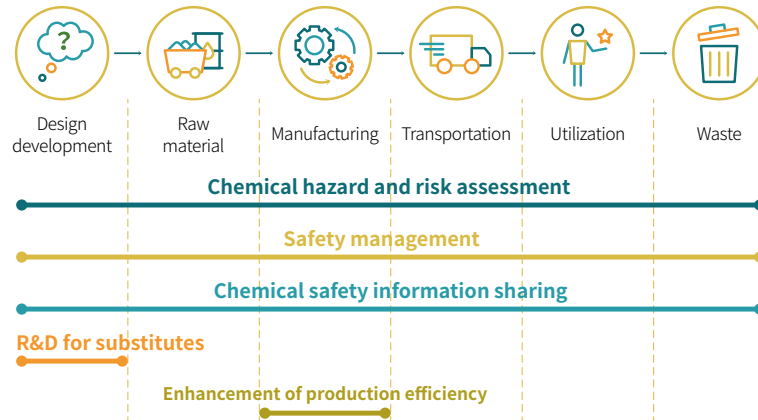


Application	Green product	Sustainability				Sustainability
		Biomass	Recycle	Water-based	Solvent-free	
Leather	Water-based PU resin for surface			○		Carbon reduction: >50% No greenhouse gas emission
Adhesives	Hot melt adhesives				○	VOC-free green products No greenhouse gas emission
PU foam	Biomass polyol	○				Biomass content: 70% Carbon reduction: >50%
	Recycled polyol		○			Content of recycled material: 20-40% Carbon reduction: 20-40%
PU foam	Biomass PU foam (cushion)	○				Biomass content: 25-35%

3.2 Accountable Chemical Management

As part of the effort of the chemical industry in practicing principles that encourage eco-friendliness, and labor safety and health, as well as exhibiting the commitment to consistent performance improvement, chemical management has always been one of the core foundation of our development. We have adopted a product lifecycle mindset since the design and R&D stages, assisting customers in developing substitution products. In the product design stage, we avoid using chemical substances that have potential hazardous risk that may endanger human lives and health. We also strive to reduce the risk of employee exposure to chemicals.

Accountable Chemical Management Strategy



For factory management, the environment and occupational safety offices of the headquarters and various factories are important units for chemical management. “Chemical Management Procedures” has been established, whereby based on various stages of chemical lifecycle management, source control and management at adoption phase are undertaken. Furthermore, the utilization stage is the focal point of management within factories. Regulatory updates pertaining to chemical control promulgated by the competent authority are carefully monitored so as to catalogue the impacts on factories and discuss the response measures. This is to ensure the operation of various factories and relevant units meeting local regulatory requirements and protecting employee safety and health in utilizing chemicals. When products are delivered to customers, we also have the corresponding transportation and customer service departments. Apart from providing customers with the best technical service, we also seek to undertake chemical management and fulfill our sustainable beliefs.

Chemical Management for Lowering Environmental and Health Impacts

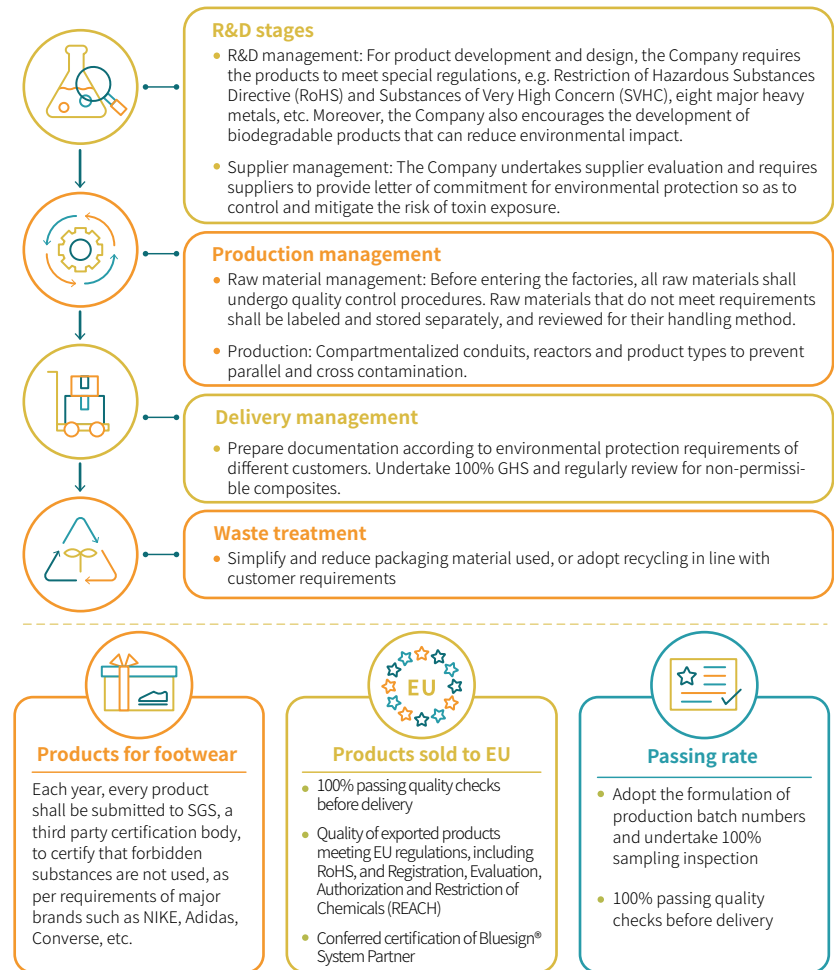
Apart from various solvents, the chemicals that various factories use directly for other production lines, such as adhesives, coatings, construction materials, carbon fiber composite, etc., do not affect health or environment significantly. For chemicals that are compliant with regulations, we perform a comprehensive risk assessment. In different stages of chemical lifecycle, we undertake management in product initial development, manufacturing, transportation, storage, sale, utilization and lastly, disposal stages.

In accordance with GHS system of the United Nations, which refers to “Globally Harmonized System of Classification and Labelling of Chemicals”, 100% of the headquarters products in Taiwan have passed the hazard assessment. Other subsidiaries of the Group shall consistently undertake hazard assessment in accordance with GHS. In 2021, category 1 constituted 18%, category 2 was 40% and non-hazardous products was 42% of revenue of such products from the headquarters in Taiwan. We proactively and carefully the handling and utilization, or even the final disposal of these chemicals. We shall also incorporate the handling of such chemicals into the yearly emergency scenario response of factories. By devising scenario beforehand and adopt the response measures, factory employees are able to familiarize themselves with different scenarios and adopt the correct control response measures in a timely manner, thus containing the consequences of accident within an acceptable risk exposure.

Product Quality Guarantee

Nan Pao aims to provide customers with stable, safe and legally compliant products and services. Product quality is seen as the bedrock of branding growth and sustainable development. For internal management, our resolution in pursuing good quality and meeting standards shall not be compromised. For training wise, the quality policy is imparted in all employees to ensure complete compliance and implementation, and serves as the principle for work assignments and routine processes, as well as performance indicators.

The product life cycle pertaining to the health and safety aspects of products, and evaluation and management procedures of green products are as follows



Reduction of chemical waste

Recycling acetone for re-manufacturing: Nan Pao recycles the acetone and methyl ethyl ketone (MEK) produced from the manufacturing of water-based PUs. The recycled compounds are then forwarded for the use of subsequent production processes.

Solvent Recycle Statistics of Nan Pao Taiwan

Solvent recycling of Taiwan 1st factory	2019	2020	2021
MEK output (ton)	3,853	3,853	3,995
Acetone output (ton)	1,153	1,173	1,100
Ethyl acetate(ton)		35	30
Total recycled solvent(ton)	5,006	5,061	5,125

In 2021, due to solvent recycling and reusing in Taiwan, apart from reducing the purchase cost of chemical raw material, Nan Pao had cut carbon dioxide emission by 11 ton.

3.3 Good Customer Relationship

Technical Service

The customer satisfaction level is not merely built on product quality. In fact, the after-sale services are the key to customer satisfaction. The technical service department has gathered many experienced professionals who have accumulated solutions for technical problems over time. Furthermore, we have established a comprehensive big data database which is sent to various locations of operation to provide professional technical service for customers in the vicinity. Meanwhile, for the properties of each product, the Company also provides customer production teams with complete guidance and support on the product usage.

When customers are in the product development stage, the technical service teams of Nan Pao are able to promptly provide viable solutions to collaborate in resolving product problems. In the event that customers encounter difficulties in product usage and report back to the sales department, the technical service units shall immediately take over to provide support.

After customer products are in the manufacturing stage, the technical service units shall collect all problems encountered by customers in the production lines and perform troubleshooting exercise at the customer ends. Each quarter, the technical service units shall convene a technical seminar to take proactive actions in resolving problems encountered by customers.

Protection of Customer Privacy, Rights and Interests

For the protection of customer privacy, the documentation of business information, trading transactions or any information related to customer privacy is undertaken by designated personnel so as to implement personal data management which is required by the provisions of Personal Data Protection Act. Internally, any access to customer records must be approved and authorized beforehand to ensure that no leaks pertaining to customer confidential information shall occur. In 2021, the Company had not received any complaint regarding sabotage of customer privacy or loss of customer information.

Meanwhile, the development, product registration, marketing and advertisements, sales, etc. shall be completed in an orderly manner. The product marketing and advertisement activities shall

be undertaken in accordance with the law and regulations. In 2021, no incident counterfeit or infringement of rights had occurred

Recycling of Materials: Reducing Wastage, Reusing and Recycling

We are responsible for managing the entire product lifecycle. The typical recycled and reused materials are packaging materials and pallets. Nan Pao also recycles and reuses materials from the customer ends. These measures not only reduce the impact of resource use, but also create a win-win collaboration model with our customers.

Taiwan Factories

1. In 2021, the proportion of recycled pallets amounted to as high as 67%. The factories also purchase wood components to repair broken pallets and thus significantly reduces the use of wood.

2. For the sales of white glue to certain customers, since June 2021, the factories have started to use intermediate bulk containers (IBCs) for packaging. The containers can be recycled and reused repeatedly. The proportion of recycled product and packaging materials for white glue amounted to 11.5%.

3. In 2021 (from June to December), the volume of white glue sold and packaged using IBCs amounted to 989 metric tonnes. In 2021, the total volume of white glue sold amounted to 8,630 metric tonnes. Percentage of recycled product and packaging materials for white glue = (recycled product and packaging materials for the reporting period/product sold for the reporting period) × 100 = 989/8,630 × 100 = 11.5%.

Foshan Factory

1. The factory has replaced disposable boxes with recycled boxes. After replacing disposable boxes which are used for one time only, the recycled boxes can be reused for approximately 14 times and last for one year. Apart from significantly reducing material usage, after the recycled boxes are used for five times, the cost of the boxes is broken even and profitability is increased. In one year, the volume of boxes used can be cut down by 1,000 metric tonnes, lowering the discarded boxes in Foshan factory by 20%.

2. Apart from recycled boxes, Nan Pao has started to adopt recycled materials and reuse services to phase out plastic tanks, plastic bags and paper rolls.

Customer Satisfaction

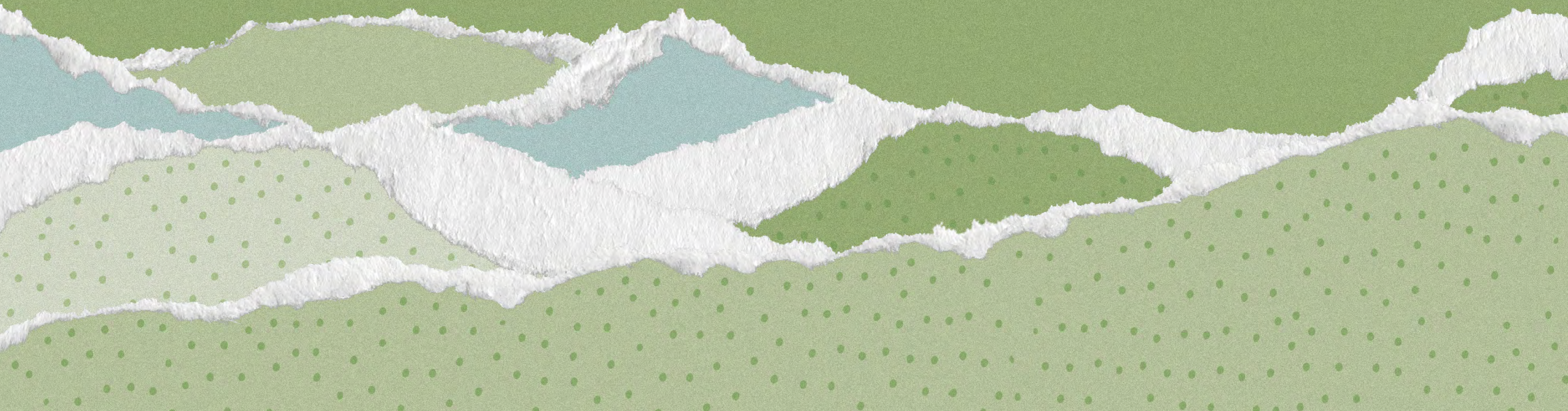
To gain an understanding of customer satisfaction, each year, the Company sends personnel to visit customers in person to find out their perception and assessment of products and services of the Company. By compiling the information, each quarter, in the quality review meeting, the Company reviews and follows up on product and service weaknesses. Improvement measures are proposed and implemented so as to provide services that meet customer expectation.

Satisfaction survey pertaining to major customers of three major business divisions, namely adhesives, footwear and coatings are conducted. Timely response and measures pertaining to problems raised by major customers are undertaken. Customer satisfaction enhancement is the highest priority of the Group. Nan Pao shall consistently strive to increase the satisfaction level of customers.



4. GREEN MANUFACTURING AND LOW CARBON TRANSFORMATION

4.1	Greenhouse Gas Emission and Management	31
4.2	Energy Management	32
4.3	Water Resources	33
4.4	Air Pollution Prevention	34
4.5	Waste Management	35
4.6	Ecological Protection	36



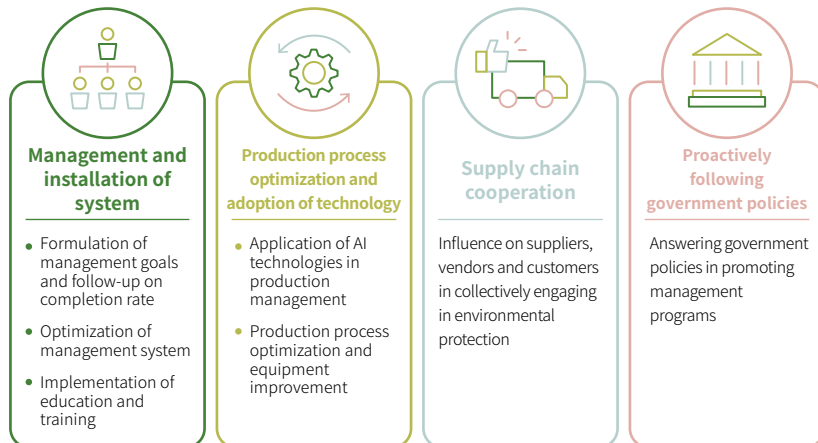
04 Green Manufacturing And Low Carbon Transformation

Major Issue

- Greenhouse gas emission
- Energy management
- Water management
- Waste management
- Air quality

Objectives: To effectively respond to the business impact brought by climate change, and the expectation of various stakeholders, Nan Pao has adopted international management systems, such as ISO 14001 and ISO 50001. In 2022, for the factories in Taiwan, the Company has adopted ISO 46001, i.e. water efficiency management systems, striving to increase recycled water and reuse efficiency. For the transformation to low-carbon model, we perform greenhouse gas emission inspection on our products and organization, gradually installing renewable energy power generation system in various factories within the Group. Furthermore, energy conservation program is adopted in factory production processes and offices to incorporate the principles of energy management and greenhouse gas emission reduction into business operation, thus strengthening the management results. In the future, we shall gradually expand the width and depth of our actions on climate change issues, heightening the actions to the entire company in hopes that they can positively influence the overall value chain and the Company can grow in the industry.

Environmental Sustainability Policy and Management Approach



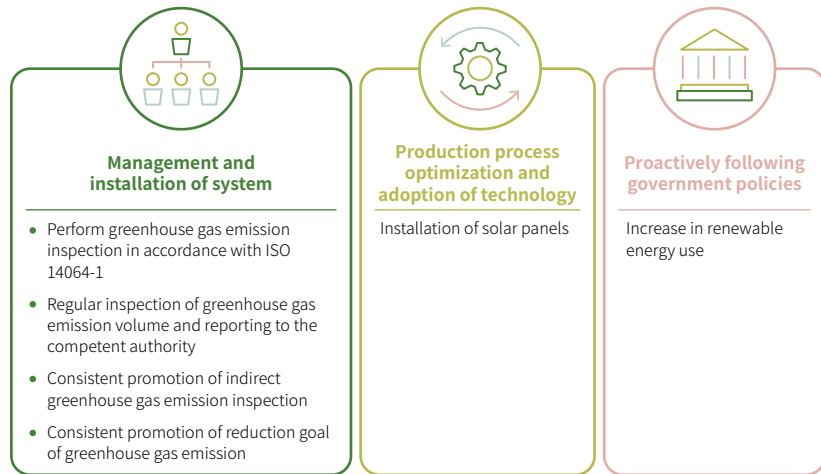
In the era of climate change, with the advent of low-carbon and circular economy, only businesses that pursue environmental sustainability and green production are able to stand out in a competitive market. The capital market has gradually incorporated environmental protection performance into the investment policies. Government policies are also following the trend and shepherding companies to embark on low carbon transformation. In the era of climate change, with the advent of low-carbon and circular economy, only businesses that pursue environmental sustainability and green production are able to stand out in a competitive market. The capital market has gradually incorporated environmental protection performance into the investment policies. Customers are also looking forward to low-carbon products or services. Government policies are also following the trend and shepherding companies to embark on low carbon transformation.

Low carbon progress of Nan Pao

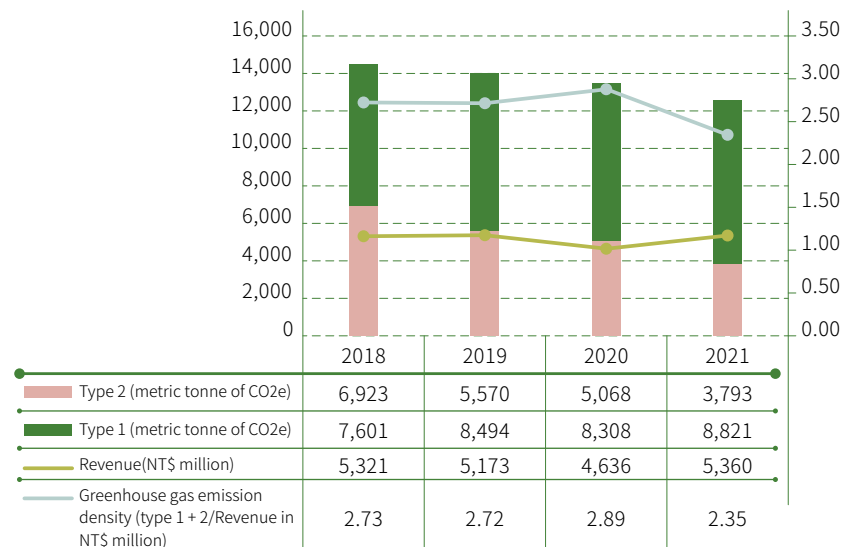


4.1 Greenhouse Gas Emission and Management

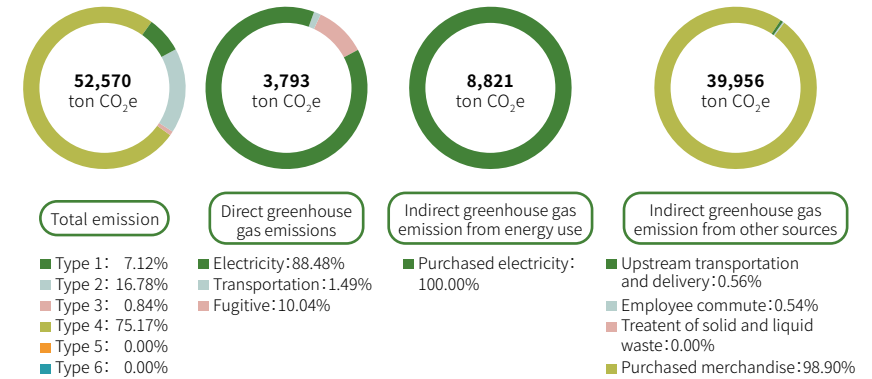
Greenhouse Gas Emission Management Policy and Implementation Program



Greenhouse gas emission volume (type 1 and 2) for Nan Pao Taiwan



2021 Greenhouse Gas Emission Inspection for Nan Pao Taiwan



Nan Pao is committed to achieve carbon neutrality by 2050, where it installs and purchases renewable energy in phases to gradually meet its goal. In 2021, scope 1 and 2 of greenhouse gas emission applies various factories of the Group. Beginning 2022, various factories started to conduct scope 3 inspection, whereby the aim is to complete 100% of the factories by 2026.

With an organized carbon inspection method, in 2021, type 1 to 6 greenhouse gas emission of Nan Pao Taiwan amounted to approximately 13,074 metric tonnes of CO₂e. We consistently promote the reduction program, leading type 1 greenhouse gas emission to drop by 25% in 2021 as compared to the preceding year, and proving the Company's good results in reduction of fossil fuel use. Due to the industry attributes whereby the main emission source is generated by type 2 electricity use, the reduction effort focuses on low-carbon transformation and efficiency management.

For type 3 to 6 inspection, the Company first identifies major emission sources of the organization before proceeding with inspection on the emission sources. In 2021, for major emission sources of type 3 to 6, the main emission of Nan Pao Taiwan came from upstream transportation and delivery, and employee commute. To further control these two major emission sources, Nan Pao collaborates with procurement center and implements "localized procurement". The human resource units also consistently raise awareness amongst employees in the advantages of carpooling and clean energy transportation.

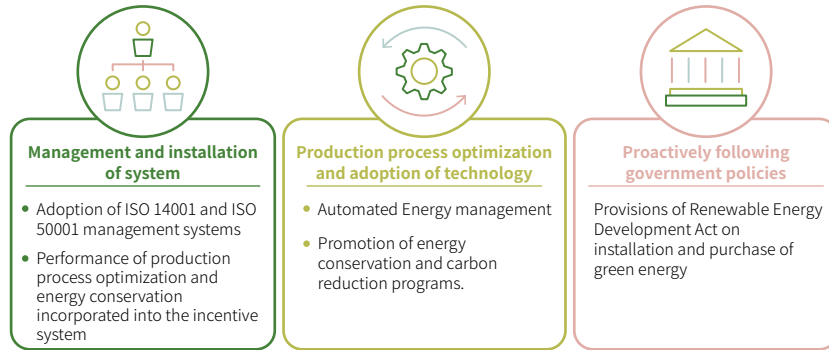
Greenhouse Gas Emission of Seven Factories in Nan Pao Taiwan

	CO ₂	CH ₄	N ₂ O	HFC _s	PFC _s	SF ₆	NF ₃	Total emission volume of seven types of greenhouse gases
Emission equivalent (metric tonne of CO₂e/year)	52,185	53	4	328	0	0	0	52,570
	99.27%	0.10%	0.01%	0.62%	0.00%	0.00%	0.00%	100.00%

Out of seven greenhouse gases emitted by all factories of Nan Pao Taiwan, more than 99% is carbon dioxide (CO₂). Nan Pao proactively invests in the installation and utilization of renewable energy power generation equipment in hopes of substantially reducing the generation and emission of carbon dioxide (CO₂).

4.2 Energy management

Energy Management Policy and Implementation Program



For the headquarters, the General Manager serves as the convener and establishes cross-departmental energy management review task force. The task force convenes meetings on a regular basis to review energy consumption, implement energy conservation measures and follow up on the results of energy conservation program consistently. In line with the relevant procedures and regulations formulated by the energy task force, the task force takes charge of executing assignments and providing the energy task force with all the necessary details pertaining to the programs. Furthermore, the task force coordinates with the smart platform of management system at the factory ends, whereby factory personnel can monitor the energy consumption level of various equipment at any time. Via analyzing data from the platform, the Company consistently reviews the optimization of production processes, enhances energy consolidation and reduces unnecessary consumption, thus increasing the energy efficiency rate. In the future, we shall continue to promote the inspection and consultation on factory area provided by professional team, whereby the professional team proposes improvement hotspots of the factory area and recommendation of solution, and assists in improvement execution. With the large-factory-leading-small-factory model, the benefit enjoyed by the overall ecosystem may be enhanced.

Energy Consumption Statistics of Nan Pao Taiwan

Energy consumption	Diesel (L)	Natural gas (m ³)	Purchased electricity ¹ (kwh)	Renewable energy power generation ² (kwh)
2019	70,960	2,460,321	13,261,000	941,082
2020	65,169	2,539,942	16,157,300	956,660
2021	71,349	2,184,546	19,380,650	1,005,955

Note 1:

For 2019 to 2020, the scope of computation for purchased electricity covered the 1st factory, Pao-Li factory and the 5th factory. From 2021 onward, the scope covered the 1st factory, Pao-Li factory, the 5th factory, headquarters factor, carbon fiber and various liaison offices.

Note 2:

For 2019 to 2020, the scope of computation for natural gas covered the 1st factory, Pao-Li factory and the 5th factory. From 2021 onward, the scope covered the 1st factory, Pao-Li factory, the 5th factory, headquarters factor, carbon fiber and various liaison offices.

Note 3:

The scope of computation for power generated from renewable energy covers the 1st factory, the 5th factory and Pao-Li factory, including self-built and leased areas.

Note 4:

Explanation of the proportion of renewable energy use: As of December 31, 2021, the proportion of renewable energy used in Nan Pao Taiwan was 0%, and the purchased electricity was 100%

Fossil Fuel (Non-Renewable)

The use of fossil fuel mainly comprises natural gas, gasoline and diesel. Since 2018, the headquarters of Nan Pao has gradually replaced the oil fuel for boiler to natural gas. In 2020, the use of heavy oil was reduced to zero. The measure not only lowered energy needs and unit price of heat source, but also significantly reduced the generation of air pollutants.

In 2021, total consumption of type 1 energy amounted 154,505 GJ. Of which, 47.6% was from electrical grid and 0 from renewable energy, which was mainly used for boiler equipment, followed by diesel, which was used for forklifts and emergency power generation. In recent years, the Company has gradually adopted clean energy to reduce the reliance on fossil fuel.

Renewable energy

Nan Pao sees energy and greenhouse gas emission management as important issues in its routine operation. As such, it consistently promotes energy conservation and carbon reduction measures to improve the efficiency of energy use. Meanwhile, the Company also proactively answers the call of local governments' energy policy and installs solar panels in many factories.

Goals for installation of renewable energy power generation: Complete renewable energy power generation equipment in 40% of the factories in 2023; 70% in 2025.



In greenhouse gas emission inspection, it is noted that energy use is the main reason of emission. As such, the Company engages in energy management proactively to facilitate reduction in carbon emission. In 2021, the power generated from renewable energy amounted to 1,005,955 kwh, reducing carbon dioxide emission totaling 504 metric tonnes.

	In 2020	In 2021	%
CO2e emission reduced	549	504	-8.20

Unit of emission: Metric tonne

Innovation Energy Conservation Solution

Two major directions of the carbon reduction policy are adoption of low-carbon energy and energy conservation in production processes. In 2021, various factories of the Group are launching energy conservation programs, whilst utilizing energy management system to consistently enhance the efficiency of energy use.


Risk type	Region	Method
Energy conservation of production processes	Taiwan	Flash steam recycled to the boiler for reuse For the production of PUs and PUDs, the condenser pump utilizes steam for power. By sending cooled and recycled water from flash steam back to the reclaiming tank for the use of boiler, the condensed water from the steam is effectively recycled.
	Taiwan	Consolidation of chiller Air cooled water chiller (ACH) is phased out and changed to screw type water chiller to increase production efficiency and lower electrical force.
Energy conservation of factory operation	Indonesia & Vietnam	The lighting equipment of factories is expected to be changed to LED lightings to conserve electricity and energy consumption.
	Foshan	Diesel fork truck has been replaced by electric fork truck to reduce diesel use.
	Dongguan	Charging stations have been provided to encourage employees to drive electric vehicles.

4.3 Water Resources

Water Resource Risk Assessment


To monitor the water resource risk facing various factories group-wide, the Company has adopted water resource risk assessment tool, Water Aqueduct developed by World Resources Institute (WRI), along with the actual management in the factories, to devise the response measures and programs to mitigate water resource risks of main factories in Taiwan. Two major risks, namely heavy rainfall and water shortage, have been incorporated for control performed. For water resource risk assessment, the WRI tool serves as the basis for reference for subsequent adjustments and risk rating to monitor the water supply and water demand risks of different factories.

Water Management Policy and Implementation Program



Management and installation of system

- In 2022, ISO 46001, i.e. water efficiency management systems has been adopted
- Cascaded recycling and reusing of water
- Rain water storage, recycling and reusing
- Water quality monitoring and spill-over prevention
- Reduction and recycling of water consumption



Value chain cooperation

- Cooperation with brands to inspect the results of water conservation

Water Intake and Reuse

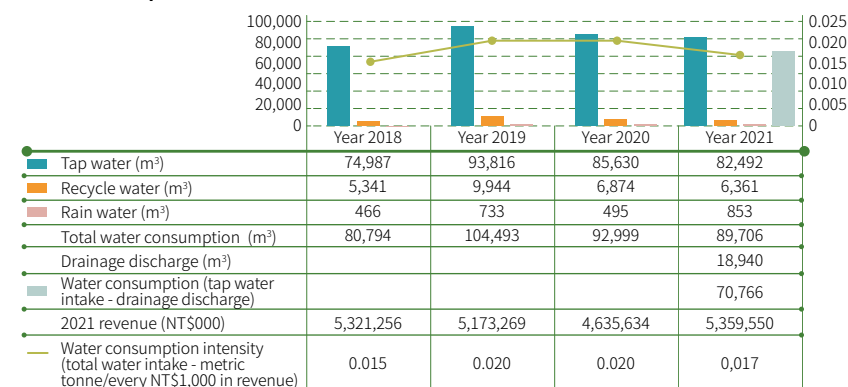
Three major strategies of water resource use of Nan Pao are namely reduction, reuse and recycle. The main water resource of the Company is tap water. In 2021, the water intake of Nan Pao amounted to 81,891 m³, which was lowered by 4% as compared to the preceding year. The water intake intensity of business units was lowered by 18% as compared to the preceding year.

The entire water resource of Nan Pao is tap water supplied by Taiwan Water Corporation. The Company has not extracted water from nature preserves or underground. Nan Pao has not been included in nature reserves and is not situated in water resource preserve area. Furthermore, none of its surrounding area has been included in International Union for Conservation of Nature (IUCN) Red List of Threatened Species.

All factories of Nan Pao in Taiwan are not in areas facing tight water resources. To reduce operational water consumption, Nan Pao proactively adopts water conservation measures and uses recycled water. Condensed water from steam generated from production processes is recycled and filtered using membrane bio reactor (MBR) before flowing into the cooling pond. We consistently improve our water consumption, researching on recycling equipment to enhance water consumption efficiency.

Note: Nan Pao Taiwan disclosed water intake and reuse in headquarter, the 1st plant, the 5th plant and Pou-Li plant.

Water consumption of Nan Pao Taiwan



Note: Nan Pao Taiwan started to collect the data of drainage discharge was , total water intake in 2021 was 89,706(m³), tap water intake minus drainage discharge was 70,766(m³).

Response Measure for Areas with Tight Water Resources

Year 2021	Taiwan	Foshan	Dong-guan	Kun-shan	Fuqing	Vietnam	Thailand	Indonesia	Total
Water intake (m ³)	81,891	44,106	30,852	10,860	3,600	5,517	4,336	10,084	191,246
Drainage discharge (m ³)	18,940	21,655		2,800		2,199			45,594
Water consumption (m ³)	62,951	22,451	30,852	8,060	3,600	3,318	4,336	10,084	145,652
Water resource pressure of factory (drop-down menu)	Low	Low	Low	High	Low	Medium to low	High	Low	

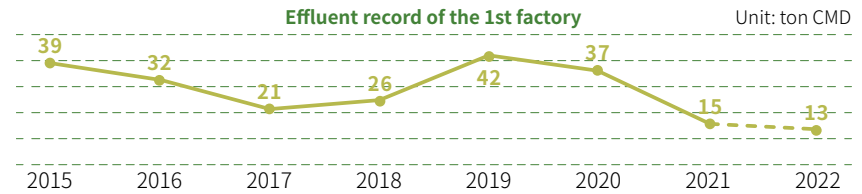
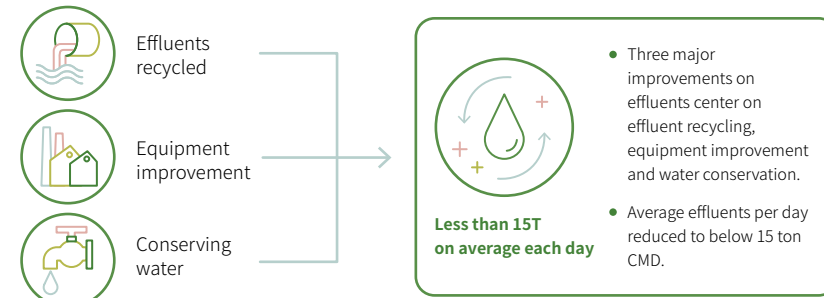
Climate change has changed water resources, causing water flow and quality to be important issues awaiting critical resolution. Nan Pao has catalogued locations of operation that face tight water supply according to open and reliable information on areas with tight water supply—Aqueduct Water Risk Atlas. The factories in Kunshan and Thailand are situated in area with tight water supply. From 2022 onward, Nan Pao strengthens management in areas facing tight water resources and sets water resource management goal to reduce water intake, as the Company proactively seeks to understand and respond to local communities and environmental impact, and protect precious water resources. For areas facing tight water resources, Nan Pao has undertaken the following improvement measures and program to tackle water shortage and flood:

Item	Reason	Improvement measure
Water shortage	Low precipitation causing insufficient water supply	<ul style="list-style-type: none"> • Increase volume of tap water pool • Recycle water within factories • Purchase water (from underground water vendor or other sources) • Install water recycle system (effluents or sea water)
Floods	Climate change causing heavy rainfall	<ul style="list-style-type: none"> • Install flood control gate • Add more water pumps • Elevate positions of equipment to prevent damage from flood or transfer

2021 Water Penalties and Improvements Completed

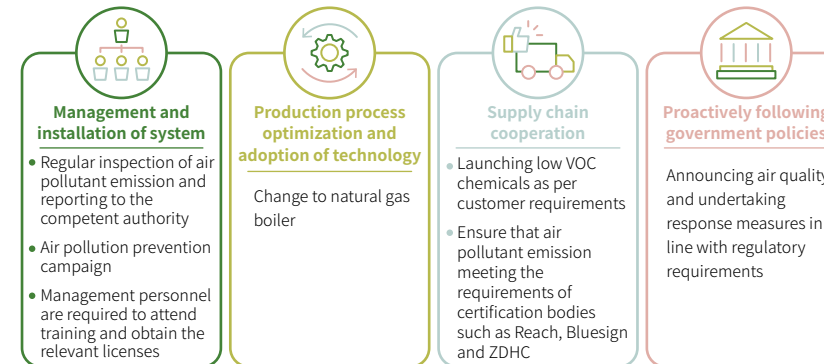
In 2021, Nan Pao Taiwan undertook the construction of a new runoff effluent reduction project (control serial number: D9901604) in factory. The approved construction period was between July 23, 2019 and January 22, 2021. The construction period has since expired but the construction is still ongoing. Effluent runoff is still occurring on-site. Failure to comply with the regulations in applying for information change within 30 days after occurrence is a violation and subject to penalty, the Company has completed extension application

Performance of effluent recycling program

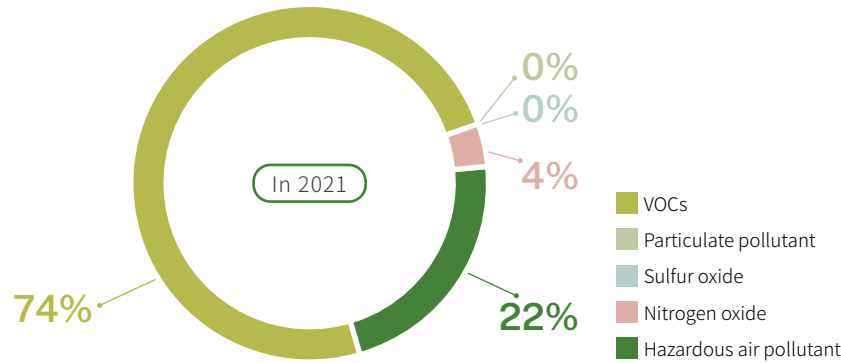


4.4 Air Pollution Prevention

Air Pollution Management Policy and Implementation Program



Scope 1 GHGs Emission Percentage for Nan Pao Taiwan



Greenhouse Gas Emission of Nan Pao Headquarters

Item (metric tonne)	VOCs	Particulate pollutant	Sulfur oxide	Nitrogen oxide	Hazardous air pollutant (Data collected since 2021)
	VOCs	TSP	SOx	NOx	HAPs
2018	110.37	6.09	15.38	13.65	
2019	69.09	0.24	0.44	2.60	
2020	62.49	0.15	0.01	3.24	
2021	72.26	0.11	0.00	3.59	21.11

Note: From 2021 onward, the Environmental Protection Administration (EPA) has promulgated “Standards for Hazardous Air Pollutant Emission from Stationary Pollution Sources” to control the emission of hazardous air pollutants (HAPs). Nan Pao shall adopt the EPA standards and start to collect HAP emission data from 2021 onward.

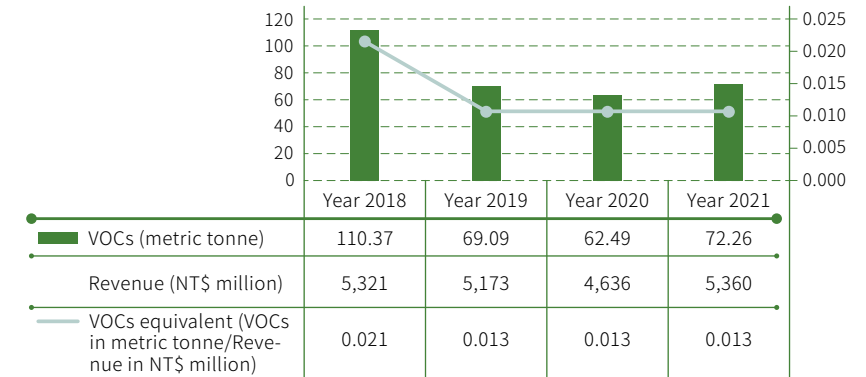
Nan Pao has established “Procedures for Air Pollutant Emission Prevention Management”, where it consistently adopts air pollutant emission prevention technology, regularly reviews existing facilities and production procedures, and regularly inspects boiler equipment and exhaust piping so as to ensure that emissions are meeting regulatory requirements.

To effectively reduce the air pollutant emission, we have strengthened equipment availability and added condensing equipment to recycle vaporized solvent for reuse. We also take the initiative to monitor the concentration of air pollutant from stacks to ensure the emission concentration

complies with regulatory requirements. All factories do not produce, acquire input, generate output or emit any ozone depleting substances (ODS). As there are many different types of chemicals, the factories are often enveloped by chemical odor. The Company has undertaken improvement program to tackle odor generated by production EA, whereby it amends production processes, renews components and performs self-inspection, so as to impose control on the flowing of odor.

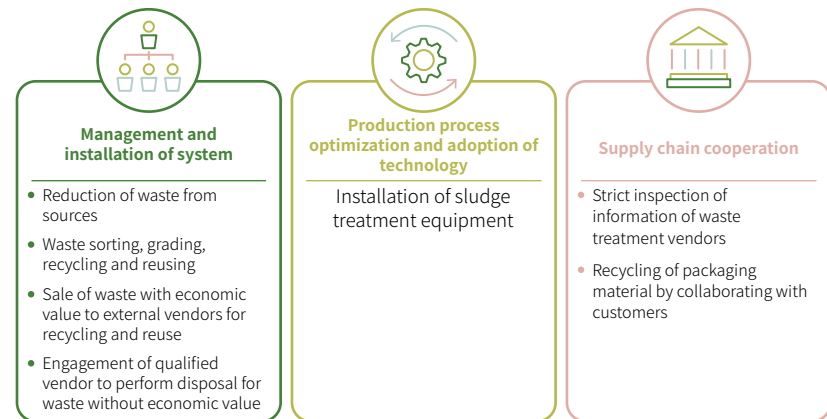
From 2018 onward, boilers that burned heavy oil have been changed to the ones burning natural gas, which significantly reduce the emission of various air pollutants. Revenue per unit VOCs has also been dropping consistently since 2018.

VOCs equivalent for Nan Pao Taiwan

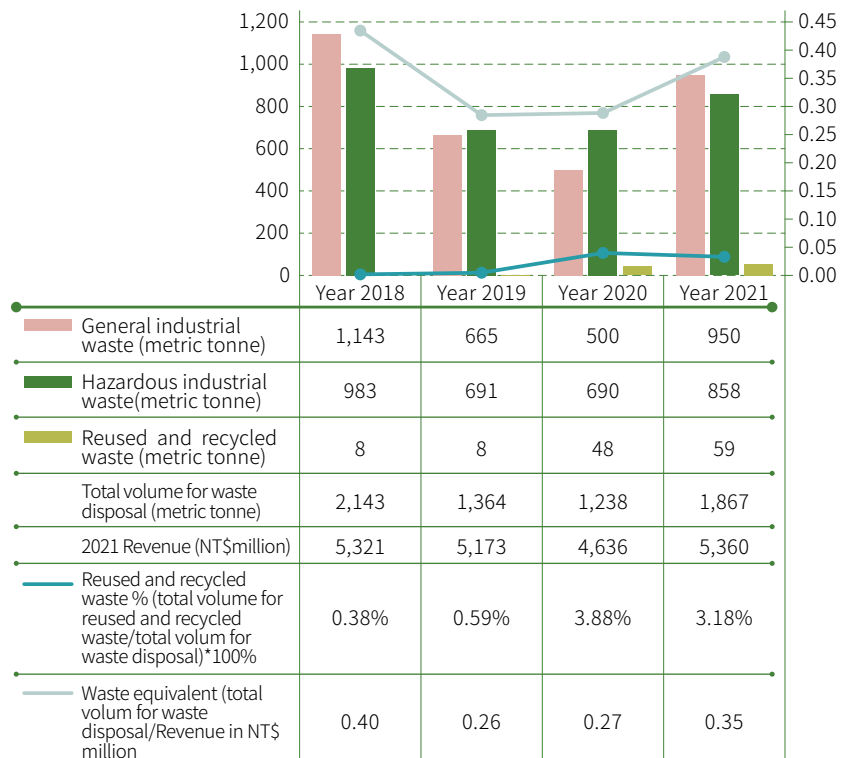


4.5 Waste management

Waste Management Policy and Implementation Program



Nan Pao Taiwan Waste Treatment Equivalent



The main waste generated includes solvent waste, resin waste, containers used for hazardous chemical storage, dust and ash waste, activated carbon waste, organic sludge waste, plastic mixture, wood and pallet waste and general garbage from business activities. The main waste generated from production processes includes solvent waste and resin waste, whilst dust, ash and activated carbon waste is waste generated from air pollutant prevention equipment. Nan Pao has established “Operating Procedures for Waste Management” for waste management. In line with regulations promulgated by the competent authority, waste generated is sorted, label and stored in designated area as required by the law. Furthermore, waste self-inspection system within business units has also been established.

In 2021, the waste disposal equivalent was 35.1% higher than the preceding year, which mainly comprise waste resin and non-hazardous organic waste liquid or solvent. In 2021, residual sericin in liquid alkali pool was cleaned out, and obsolete and excess materials were disposed, thus driving up the waste disposal equivalent in 2021.

Solvent Recycling

The waste of Nan Pao is mainly waste solvent and resin generated from the manufacturing processes. To achieve sustainability and resource recycling, the principle of waste treatment prioritizes reusing in the production processes, thus reducing raw material use. Recycling is encouraged following reusing. The last resort is to send for incineration or landfilling.

Nan Pao strives to recycle waste solvent generated from the production of water-based PUs for reusing in further production processes (acetone). The effort not only significantly reduces the generation of waste solvent, but also cuts down a substantial amount of waste disposal expenses. Waste solvent recycled with distillation is used for producing other chemical (acetone), which is sold to customers. Apart from increasing the efficiency of resource use, it can also enhance our operating performance, implementing circular economy that turn waste into gold.

Apart from reducing the waste volume, recycling solvent is able to significantly reduce the emission of carbon dioxide. In 2021, solvent recycle reduced a total of 10,855 metrics tonnes in carbon dioxide emission.

Carbon emission (tCO ₂ e/year)	In 2019	In 2020	In 2021
Acetone	7,012	7,013	7,271
MEK	3,632	3,696	3,464
Ethyl acetate	0	140	120
	10,644	10,849	10,855

Hazardous Waste

Hazardous waste within the factories mainly comprise waste solvent and containers used for hazardous chemical storage. The Company has engaged waste disposal vendors certified by the competent authority of environmental protection to perform the disposal service.

Apart from engaging certified waste disposal or treatment vendors and requiring proof of completion of disposal or treatment as per regulatory requirements, the Company also uses GPS to track the route and final destination of the waste. Employees in charging of environmental protection also monitor the process in-person or follow the disposal vehicle on an ad-hoc basis. On-site visits to the vendors are made to ensure that different types of waste are handled properly to prevent additional burden on the environment and risk of pollution. When engaging waste treatment service, the Company shall hand over the waste and report the handover as per regulatory requirements. In line with the law, within 48 hours, the Company shall confirm that the vendors have indeed received the waste.

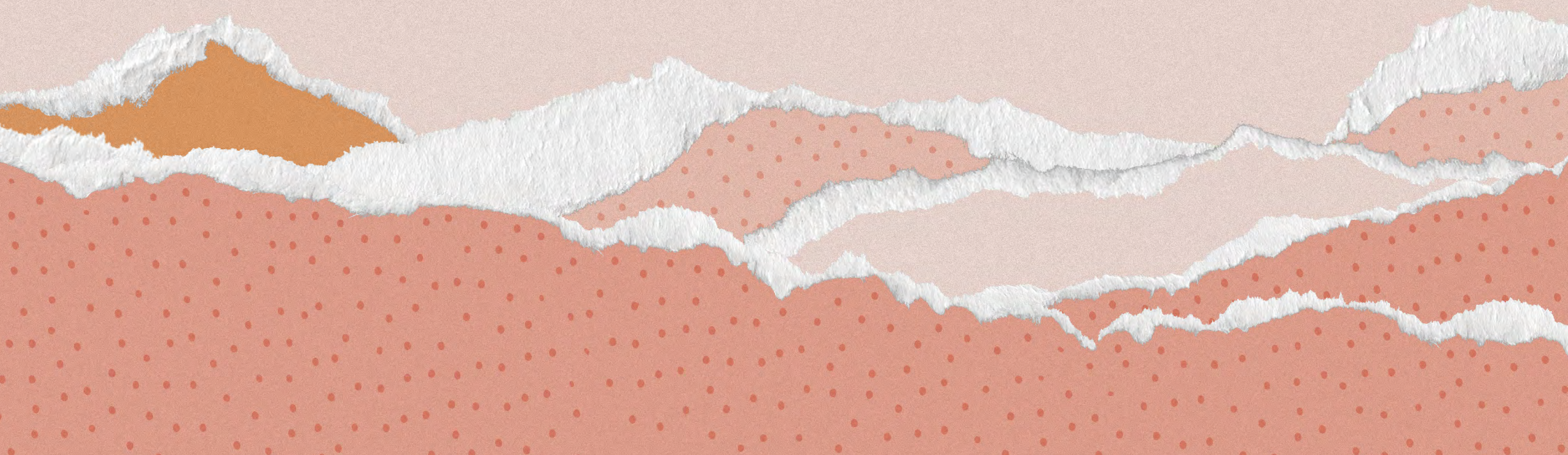
4.6 Ecosystem Preservation

All production bases of Nan Pao have undergone evaluations pertaining to the environmental protection law in the planning phase. Moreover, the Company has selected locations in industrial areas permitted by location government as its production bases. These areas are neither nature reserve or habitat of flora and fauna nor areas on IUCN Red List of Threatened Species. For all production activities, we are committed to pose as little influence and impact as possible on the local biodiverse environment. To reduce the environmental impact posed by our production processes, Nan Pao has implemented the relevant pollution prevention equipment to enhance treatment efficiency and reduce the influence on the environment.

5. VALUE CREATION

(Employees, Customers and Suppliers)

5.1	Employee and Welfare	38
5.2	Employee Communication and Development	41
5.3	Safe Occupational Environment	42
5.4	Good Supplier Management and Relationship	45



05 Value Co-creation

Major Issue

- Labor-management relations
- Occupational safety and health
- Supplier environmental and social evaluation

Objectives: To promote good working environment, protect employee interests and rights, and retain outstanding talents to enhance human resources and competitiveness. based on labor-management harmony, creating win-win for both parties. The Company sees employees as an important asset of the Company, whilst vendors are important work partners. To ensure the safety and health of employees and vendors, the Company seeks to lower work environment risks, and protect human lives and health. The Company has established Occupational Safety and Health Committee to undertake the highest level review and deliberation for safety and health management. The Company provides comprehensive safety and health management, and training on systematic chemical management to employees and vendors so as to prevent accidents caused by misuse, or employee health damage due to improper exposure.

The Company requires vendor to abide the safety and health standard of the Company, which aims for zero occupational accident.

The Company collaborates with supply chain partners to implement sustainable development of supply chain, for which, the Company requires collaborating suppliers to sign on Letter of Commitment for CSR so as to ensure that the suppliers meeting social and moral standards, exercising legal compliance, and proactively responding to environmental protection issues. The procurement unit evaluates the suppliers in terms of impacts on environment, labor, human rights and society. In the event that major impact is noted, depending on circumstances, the Company shall assist in implementing improvement measures, or terminate the contract altogether. All in all, via good communication channels and regular meetings, the Company is able to monitor and supervise the conduct and work performance of suppliers.

5.1 Employee and Welfare

Hiring Policy and Recruitment Avenues

Good quality human resources are one of the keys to the success of Nan Pao. The Company has established reasonable and fair human resource system and healthy internal organization so that employees are able to make full use of their talents. The Company treats applicants and employees

in a fair manner regardless of ethnicity, gender, age, religion, nationality or political inclination. By upholding the principle of “valuing talents, enshrining people”, the Company provides equal employment opportunity to its employees. Furthermore, the Company proactively utilizes diverse avenues, such as social media, campus internship, internal recruitment and industry-academia cooperation to recruit world-class talents. The Company also proactively engages in industry-academia cooperation with various universities and provides short-term internship opportunities to students, so that students are able to experience work life and make use of their knowledge. Student are therefore, able to quickly adapt to the industry.

Care for Disabled Employees

Nan Pao pays extra attention to special needs of employees with disabilities, as well as their cultivation and development. The Company has exceeded regulatory requirements in prioritizing the hiring of the underprivileged group. In 2021, every employment contract entered into by various factories and offices adheres to local regulations. No incident of discrimination, sexual harassment, child labor, violation of rights of indigenous people or forced labor has occurred.

Composition and Retention of Employees

As of 2021, the total number of employees amounted to 666 individuals (excluding expatriates), in which female employees constituted 154 individuals, while male employees constituted 512 individuals. As the Company is a labor-intensive chemical company, over 70% of the employees were male employees. Judging from the age composition, as of 2021, over 65% of the employees concentrated in the age bracket between 30 to 50 years old.

	2019				2020				2021			
	Male	%	Female	%	Male	%	Female	%	Male	%	Female	%
<30 years old	99	18%	28	17%	72	14%	20	13%	62	12%	16	10%
30-50 years old	355	66%	88	53%	354	68%	86	54%	363	71%	93	61%
>50 years old	88	16%	49	30%	95	18%	54	33%	87	17%	45	29%
total	542	100%	165	100%	521	100%	160	100%	512	100%	154	100%

Employees are the most important asset of Nan Pao. As such, the Company has provided a comprehensive promotion management course and employee welfare system to facilitate continuous self-development of employees. As for discharge management, when an employee tenders, in addition to unit supervisor taking the initiative to offer care and find out more about the resignation, depending on circumstances, the human resource unit shall make exit interview arrangements with the employee and find out improvement or adjustment the Company should undertake where applicable, as well as the reason of resignation. The human resource unit shall also attempt to retain and care for the employee, offering improvements or adjustments that can be undertaken in terms of the management aspect. On a regular basis, the human resource department shall also analyze job positions, seniority, etc. of resigned employees to monitor the mobility of talents. On an ad-hoc basis, internal transfer or open recruitment shall be undertaken in hopes of putting talents in the most appropriate positions, and facilitating sustainable development.

Types of discharge	2019		2020		2021	
	Male	Female	Male	Female	Male	Female
Voluntary resignation	66	8	79	15	70	19
Retirement	9	4	6	2	11	11
As a percentage of total number of discharge	85%	13%	80%	16%	70%	26%
Non-voluntary discharge	2	0	3	1	4	1
As a percentage of total number of discharge (%)	2%	0%	3%	1%	3%	1%

In 2021, 116 employees in Taiwan were discharged, including 22 retired employees or 19.0% of the total discharged employees. The employee turnover rates amounted to 17.4%, which was lower than the employee turnover rates of the overall manufacturing sector in 2020 of 17.8%. For human resources overseas, in conjunction of internal and external recruitment system, Nan Pao caters to human resource needs of expansion in Vietnam by improving salary, benefits and working environment.

Smooth Labor-Management Communication

For 58 years since its establishment, the Company has been upholding the principle of “fostering harmonious labor-management relations to create win-win” to promote and facilitate labor-management relations. The Company closely adheres to labor regulations (including Labor Standards Act, Occupational Safety and Health Act, Labor Insurance Act, etc.). Apart from the aforementioned regulations, we also maintain obstacle-free labor-management communication channels. The results of our effort are as follows: 62.01% of employees have joined the union. To maintain a smooth labor-management communication, union cadres and representatives of the Company convene meetings

on a regular basis. At the same time, the Company also invites union chairperson to attend internal business meetings to facilitate the understanding of employees on the business operation and directions of the Company.

Salary Benefits and Welfare

Nan Pao has formulated an enticing variable-pay program that is based on individual and company performance. Employee salary correlates with seniority, performance, etc. and does not differ based on factors such as age, gender, ethnicity, etc. The average salary of the Company is higher than its industry counterparts. We uphold the principle of profit-sharing with employees to attract outstanding talents, and incentivize and retain existing employees. The Company appropriates a certain percentage of earnings as employee bonus so that employees can not only enjoy the profit of the Company, the Company has also set up an “employee stock ownership trust plan” to encourage employees to purchase company shares in the form of stock ownership trust. The company also provides incentives of the same amount to help employees establish personal flexible capital utilization and financial planning.

Nan Pao Group (including the headquarters in Taiwan and overseas subsidiaries) has devised the salaries and benefits that meet the requirements of factories and offices. In 2021, there was no violation of employee salary and benefits in various locations of operation.

Disclosure of Gender and Salary Percentages

In 2021, the percentages of salary of male and female employees for Nan Pao Taiwan is categorized according to executive and non-executive positions. Regardless of executive and non-executive positions, the percentages of yearly salary for both genders do not have significant discrepancy.

Salary of male and female employees of different positions

Position	Gender	2019		2020		2021	
		Number of employees		Number of employees		Number of employees	
Executive	Male	67	1.13	65	1.01	72	1.02
	Female	11	1	9	1	10	1
Non-executive	Male	446	0.95	449	0.93	426	0.95
	Female	158	1	152	1	150	1

Note: 1. Executives of section manager to manager level (inclusive);
2. Non-executives below section manager level;
3. Executives of 8 people beyond manager level.



In 2021, two family science activities were held



In 2021,
Nan Pao was accorded “2021 Happiest Employees Award” by 1111 Job Bank.



Protection of Human Rights

To fulfil social responsibility, and protect the basic rights of employees and stakeholders, the Company strictly adheres to labor laws of various locations of operation around the globe, and supports and complies with the International Bill of Human Rights - objectives disclosed in “Universal Declaration of Human Rights” and by “International Labor Organization”. In accordance with basic human rights acknowledged world-wide, the Company treats all employees with respect. All new recruits and security personnel servicing the Company must receive human rights training. On an ad-hoc basis, human right measures are also promoted in the employee meetings.

In 2021, various entities of Nan Pao had not violated the prohibition of forced or child labor.

Human Rights Protection Measures

- Prohibition of forced labor:**
 The Company adheres to government labor regulations and international standards in the prohibition of forcing any individual to work against one’s will.
- Prohibition of child labor:**
 All entities of Nan Pao are prohibited in hiring child labor.
- Fulfilling basic salary:**
 The Company ensures that employee salary is not lower than minimum wage provided by respective governments and protects employee welfare.
- Rest time for employees:**
 The working hours are reasonably restricted and employees are entitled to paid leave.
- Freedom of association:**
 The Company respects employees’ choices. Employees are entitled to the rights of joining the union.
- Implementation of fair and respectful conduct:**
 The Company treats employees of diverse background fairly and opposes any kind of discrimination.
- Opposition to discrimination and harassment:**
 The Company has established “Regulations for Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment” as part of its effort in ensuring that no sexual harassment of any nature, physical or verbal, occurs in the workplace, thus fostering a safe and equal working environment.
- Maternity protection:**
 The Company seeks to protect maternity rights, fostering a friendly workplace and environment for both genders.

Retirement Planning and Protection

The Company adheres to the relevant regulations in Taiwan and purchase labor insurance, national health insurance, and group insurance for its employees. All employees recruited since July 1, 2005 (inclusive) are subject to the new labor pension system as per “Labor Pension Act”. The Company appropriates pension that is above the regulatory requirements for its employees. For employees recruited prior to June 30, 2005 (inclusive), from July 1, 2005 onward, they can opt to follow the new or old labor pension system, the Company formulates labor retirement measure. Furthermore, the Company has established “Supervisory Committee of Business Entities’ Labor Retirement Reserve” to review and supervise the use of pension. On a monthly basis, the Company appropriates labor retirement reserve in accordance with the law to individual accounts in Bank of Taiwan to ensure the interests and rights of employees. The participation rate of formal employees in retirement plan amounts to 100%.

Maternity Protection and Parental Leave

The Company and its Staff Welfare Committee shall also engage services of good childcare agencies in the vicinity of factories, providing employees childcare service at a favorable price. To answer the call of government in promoting policy on sabbatical parental leave, employees are entitled to apply for unpaid parental leave as per “Act of Gender Equality in Employment” and “Regulations for Implementing Unpaid Parental Leave for Raising Children”. Employees may also prolong their leave according to personal needs, or apply for reinstatement sooner.

Nan Pao seeks to provide maternity protection, thus fostering a friendly work system and environment for employees of both genders. Occupational health nurse in factories would offer care for pregnant employees and review and offer recommendations as to whether the working environment requires appropriate adjustments. In Taiwan, we adhere to the spirit of Act of Gender Equality in Employment by establishing breastfeeding room and providing parental leave.

In 2021, 7 employees applied for unpaid parental leave. Currently, 6 employees have been reinstated. The reinstatement rate amounted to 86%. One employee is still on unpaid parental leave.

Year	Male	Female	Total	Reinstatement rate
2021	2	5	7	86%
2020	2	4	6	100%
2019	0	4	4	100%
2018	0	1	1	100%

Employee Clubs and Societies

We encourage employees to establish clubs and take part in club activities. To date, employees have taken the initiative to establish the golf club and badminton club in Nan Pao. For sports clubs such as basketball and jogging clubs, employees are able to foster rapport and friendship via working out after office hours or during weekends. This is able to deepen interaction and understanding between executives and employees outside the office. Apart from improving health, these activities are helpful in increasing workplace collaboration efficiency.



5-2 Employee Communication and Development

To ensure good labor-management communication, on a regular basis, we convene labor-management meetings, bi-weekly meetings, interactive meetings with departmental executives, seminars, toolbox meetings, feedback and Chairperson mailboxes, and other complaint avenues made available to employees. For any violation or infraction noted within the unit, employees are able to file a complaint or blow the whistle to the Company via the relevant avenues. Regular labor-management meetings allow the management echelon and labor representatives to gain understanding and undertake discussion on matters concerning employees, so that effective and viable response and solutions may be offered.

Name	Participant	Content	Frequency
E-mail of head of human resource department	All employees	Report fraud and sexual harassment	Whenever necessary
Direct line to CEO	Employees and investors	Operating issues of the Company	Whenever necessary
Website and customer service e-mail	All employees and external personnel	Any issues	Whenever necessary
Weekly meeting	All employees	Reporting by senior management, section manager level and above to enable employees to apprehend operating policies and directions, and business performance.	Once every two weeks
Seminar for union workers.	Employees in union	Employee welfare, labor-management issues and employees in union engage in communication and discussion.	Once per year
Toolbox meetings	Production units	Employee may voice any issue encountered in the meeting, e.g. queries pertaining to job assignments or problems at workplace. Executives or competent personnel shall offer a solution to employees.	Once per week
Staff Welfare Committee Convention	Staff Welfare Committee	Reporting of employee welfare activities and use of funding to Staff Welfare Committee members selected by various factories.	Once per quarter
Labor Retirement Reserve Convention	Labor Retirement Reserve Committee	The representatives of both employers and employees confirm the supervision of the provision and release of the amount according to the law	Once per quarter

Union

The union of Nan Pao Resins Chemical Co., Ltd. was established on April 18, 1993. Currently, 62.01% of all employees have joined the union. On a regular basis, the Company and union engage in two-way communication and collective negotiation. In accordance with Labor Standards Act, Article 83 and Regulations for Implementing Labor-Management Meeting, the labor-management meeting is convened once every quarter. If necessary, extraordinary meeting may be convened to ensure the harmony of labor-management relations and sustainable development of the Company.

Number of headquarters employees joining union:				
Number of union members	2018	→ 2019	→ 2020	→ 2021
Male	343	355	327	328
Female	101	110	102	85

Training and Communication of Code of Ethical Conduct

In 2021, no violation of Code of Ethical Conduct was noted and reported. Apart from training to new recruits, in the future, we shall conduct employee training on a regular basis to facilitate employee understanding on ethical conduct required, prevention of conflict of interest, prohibition of illegal self-benefitting activities, duty to preserve confidentiality, fair trading, protection and appropriate use of company assets and compliance with the law and regulations.

Nan Pao has established “Code of Ethical Conduct” for which all Directors, Managers and employees must abide. In the other hand, the stakeholders can understand Nan Pao’s code of ethical conduct. The Company hopes that all employees adhere to company internal rules when undertaking routine assignments and business activities to gain trust of the public, and ensure the sustainable growth and development of the Company. Nan Pao also requires external suppliers, domestic or overseas, to sign the Ethical Conduct Declaration with hopes that the promotion of “Code of Ethical Conduct” (including suppliers and customers of subsidiaries) can drive the practice of CSR, and advance economic, social and eco-system balance and sustainable development.

Nan Pao has established “Employee Feedback Mailbox” and “Employee Complaint Management Mechanism”. For any queries regarding ethical and legalistic conduct, or unfair treatment encountered in workplace, employees can seek advice from human resource department or assistance via mailbox for appropriate recommendation. Further complaint may be filed to discover, prevent and prohibit major unethical conduct and violation of government regulations.

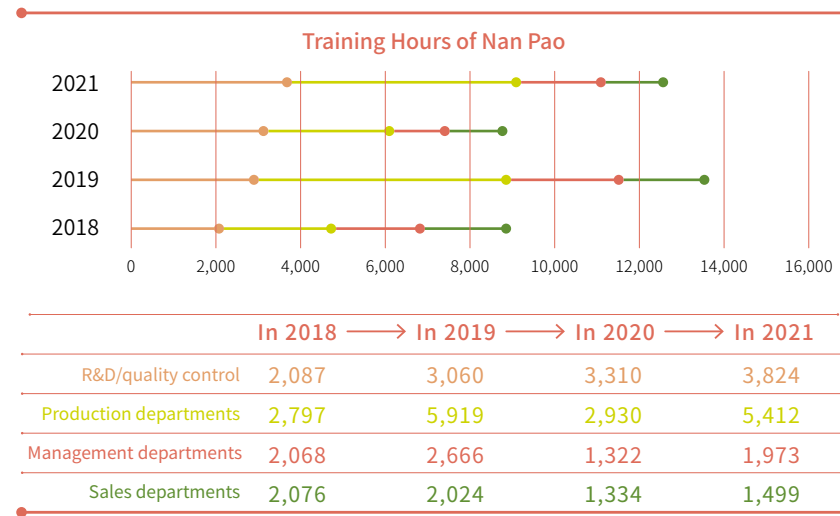
Performance Appraisal

According to Procedures for Employee Performance Appraisal Management, employees conduct performance appraisal once every half a year. There are, therefore, two appraisals each year. Based on employee performance and goal attainment status, the executive offers a fair and objective assessment, gains an understanding of employee circumstances by conducting interview, and provides appropriate assistance. The executive also gains an understanding of the job competence and development preference of employee through routine observation and interaction to assist employee in planning the required on-the-job training or project experience, and provide promotion or job transfer opportunity at the right timing.

Education and Training

The development and cultivation of human resources are the bedrock of sustainability management and consistent improvement of businesses. The training policy of Nan Pao is “to develop the organizational competence in line with vision and strategies of the Company”, so as to allow corporate culture and values taking root in the behavior of employees. By continuous enhancement of core competences, the Company develops unique competitive advantage, cultivating all-rounded/worldly management talents and fostering an organizational culture that thrives on training.”

To assist in quick enhancement in employees so that they can adapt to fast-changing needs of the environment, in recent years, the Company proactively promotes digital learning, launching online learning platform, “Nan Pao E-College”, online English learning platform and other digital systems to foster an innovative and diverse learning environment. The effort is made so that the learning activities of employees are not limited by time or space. The employees are then able to apply what they have learned in their job assignments, and continuously improve the job effectiveness.

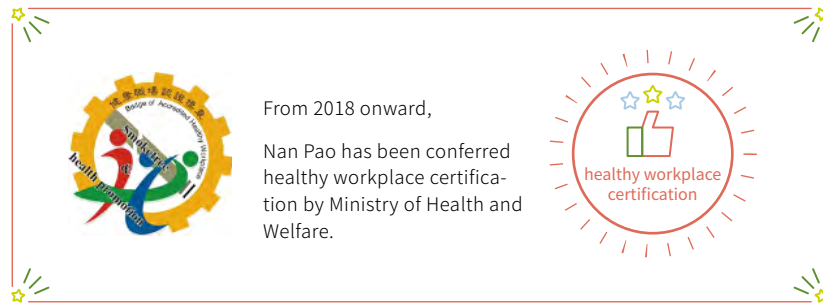


5.3 Safe Occupational Environment

To establish a safe, healthy and comfortable working environment for employees and consistently reduce occupational hazard rate, the Company has established the “Occupational Safety and Health Policy” to serve as the highest guiding principle for safety and health management. Safety in operation has been our top priority. With management standards that focus on continuous improvement, the Company proactively enhances the workplace environment, production equipment and operating procedures to protect the safety and health of workers and stakeholders.

From 2000 onward, Nan Pao embarked on the Occupational Health and Safety Assessment Series 18001 (OHSAS18001). In 2020, the Company passed the revised certification, i.e. ISO45001:2018, ISO standard for management systems of occupational health and safety, to establish procedures for hazard identification, risk assessment and control planning, as well as management, supervision and improvement measures so as to prevent safety and health disasters arising within factories.


To implement occupational safety and health management in a comprehensive manner, in 2001, Nan Pao established “Safety and Health Committee”, which serves as the highest level body in review and deliberation for safety and health management. The chairperson position of the committee is rotated between management representatives of different factories. The Safety and Health Committee convenes a meeting once each quarter to take charge of research, coordination and supervision of environmental, safety, hygienic and health matters of various factories. Every two weeks, factory safety meeting is convened to discuss improvement measures for tackling various audit weaknesses and prevent occupational disasters.




Emergency Response Measures


Various factories have established procedures for emergency response operation. Each year, emergency response team conducts on-site exercise to implement environmental or safety and health system, and prevention of accidents and disasters, as well as getting prepared via first-aid and response exercise. This is to ensure that when accident occurs, timely response measures can be initiated to promptly prevent or alleviate the injuries of casualties, property loss and production disruption caused by emergency accidents, and control influence of disaster and reconstruction after disaster.

To undertake correct and effective response strategies and procedures to reduce casualties, property loss and environmental impact to the minimum when emergency incident occurs, Nan Pao has made plans for conducting exercises to train the relevant personnel with hopes of continuously enhance the response mindset of all employees, thus strengthening the disaster relief and response capacity of factories. The content of exercises includes:

- 

1 Response information: Including planimetric map of factory, distribution map of machinery, response process chart, etc.

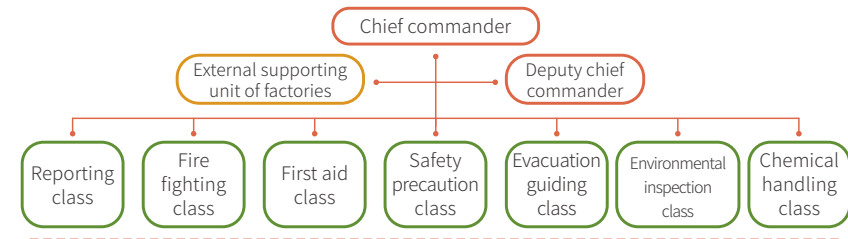
 - Fire extinguishing equipment: Including fire fighting system, public address system, etc.
 - Response equipment: Including various types of protective clothing, individual protective gear, portable air-breathing apparatuses, portable detectors, leak processing equipment, warning indicators, etc.
- 

2 Standardize response procedures and strengthen personnel training.
- 

3 Conduct routine training for personnel to familiarize with reporting, disaster relief, on-site control, first aid for casualties, support for disaster relief and other response skills. The types of training are as follows:

 - Exercise of emergency response team: Including basic, advanced and emergency response courses.
 - Fire drill: Fire drills are conducted each year as per regulatory requirements. processing equipment, warning indicators, etc.

The organization of emergency response team is as follows



Emergency response exercise



Safety management of working partners

Suppliers and vendors:

Nan Pao has established Procedures for Vendor Safety and Health Management to ensure the work safety of vendor personnel within factories. Focal management is undertaken whenever vendors work in factories. Overhead and confined space, induction, hot work, leaks of hazardous gases/chemical and other work that may cause casualties and major property loss are listed as major items for promotion, training and inspection. Meanwhile, the Company has also undertaken regular communication with suppliers and vendors on environmental protection, safety and health issues, encouraging them to enhance performance in environmental protection, safety and health aspects.

Each year, the Company conducts a vendor convention to illustrate the safety and health regulations and measures of Nan Pao to vendors, as well as requiring vendors to collaborate with the Company in undertaking safety management measure to ensure their work safety. In 2021, the Company requested vendors to sign on Safety Partner Declaration.

Vendor safety convention



Supervisory personnel:

From 2017 onward, the Company has started to cultivate seeded construction safety supervisory personnel. The training provided includes: 1. General operation; 2. Hot work; 3. High-elevation operation; 4. Rooftop operation; 5. Confined space; 6. Lifting job. Employees who have passed the test, are conferred the supervisor certificate. In an ongoing construction, supervisory personnel shall conduct the preliminary safety and health inspection to lower and prevent the occurrence of construction hazard.



Occupational injury for 2021

Item	2018	2019	2020	2021
Total hours worked	1,382,488	1,389,352	1,380,040	1,348,016
Number of deaths for the year	Number of deaths for the year - Female	0	0	0
	Number of deaths for the year - Male	0	0	0
	Total number of deaths for the year	0	0	0
Total number of working days for the year	Total number of working days for the year - Female	40,201	41,091	40,161
	Total number of working days for the year - Male	132,610	132,578	132,344
	Total number of working days for the year - All employees	172,811	173,669	172,505
Occupational injury rate	Total number of disabling injury cases - Female	0	0	2
	Total number of disabling injury cases - Male	3	4	4
	Total number of disabling injury cases	3	4	6
Total number of occupational disease cases	Total number of occupational disease cases - Female	0	0	0
	Total number of occupational disease cases - Male	0	0	0
	Total number of occupational disease cases - All employees	0	0	0
Lost workday rate	Total lost workday rate - Female	0	0	0
	Total lost workday rate - Male	72	46	134
	Total lost workday rate - All employees	72	46	134
Absence rate	Total number of absent days - Female	0	0	0
	Total number of absent days - Male	0	0	0
	Total number of absent days	0	0	0

Note: Nan Pao disclosed occupation injury in headquarter, 1st plant, 5th plant and Pou-li plant.

Nan Pao pays close attention to the working environment and employee safety, as well as establishing accident reporting and investigation mechanism. Occupational nurses shall undertake first aid and provide assistance to casualties when accident first occurs. During the rehabilitation period, they shall also offer care and follow up on casualties, requesting occupational doctors to assist in evaluating whether the job content requires adjustment or change. Occupational hazard cases are subject to accident investigation and improvement program, as well as subsequent follow-up on the improvement progress.

In 2021, the yearly occupational injury and false alarm amounted to 30 occurrences. Employees and vendors suffered minor injuries in some of the cases. No major property loss or impact on society and environment had occurred, whilst the total process safety incidents count (PSIC) amounted to zero case. No transport accident occurs in 2021.

2021 Process Safety indicators in Nan Pao Taiwan(%)

Total process safety incidents count (PSIC)	Total Recordable Incident Rate (TRIR)	Total Recordable Fatality Rate	Process Safety Total Incident Rate (PSTIR)	Process Safety Incident Severity Rate (PSISR)	Disabling Injury Severity Rate (DISR)	Disabling Injury Frequency Rate (DIFR)
0	8.9	0	0	0	152.82	4.45

Health management activities

Health management certification

Ministry of Labor
Middle-aged and Elderly Exemplary Company

Tainan Public Health Bureau
Certification for Dementia Friendly Organization

Ministry of Health and Welfare

- National Excellent Performance Workplace Certification
- Health Management Award
- On-site certification on CPR and AED equipment.

Health Center and Health Check-up

Nan Pao has engaged one professional occupational nurse and established health center to undertake first aid and emergency measures, one-to-one health consultation and employee health management, making more medical resources and professional consultation available to employees with hopes that medical professional instilling the correct health mindset among employees. Meanwhile, the Company has also engaged occupational medical specialists to provide consultation services in factories each month, undertake identification and improvement of work hazard, provide consultation and follow up on employee health issues, make referral for medical services, etc. For disease prevention and employee health protection, the Company specially engages occupational medical specialists from hospital to provide service on-site each month, undertake identification and improvement of work hazard, provide consultation and follow up on employee health issues, make referral for medical services, etc., as well as assisting in implementing health management program. In 2021, there were 65 medical consultation cases undertaken by occupational medical specialists.

Each year, Nan Pao provides health checkup and special operation health checkup according to different age group. The health checkup items surpass regulatory requirements. Each employee is given electrocardiogram (ECG) examination, abdominal ultrasound, cancer screening (carcinoembryonic antigen (CEA), alpha fetoprotein (AFP) and prostate-specific antigen (PSA)), and

thyroid and glycated hemoglobin tests, with hopes of early detection and treatment, along with four major cancer screening tests subsidized by the government. For subsequent stages, health level management is performed according to the results of the checkup. On-site doctors shall provide health education and make referral for further medical services. Occupational nurse is responsible for inputting the results of the checkup into the “Health Management System”. In 2021, there was a total of 73 cases requiring follow-up care.

Occupational safety and health personnel arrange for special hazardous health checkup according to environmental inspection results of different special operations. Occupational medical specialists are responsible for assessing and rating the results so as to implement a comprehensive management by levels. For employees subject to management at level two and above, individual health guidance is provided. Consultation service and occupational disease prevention training by occupational medical specialists are also provided on a timely basis.

Maternity Protection Measures

To protect the health of female employees, who are seeking pregnancy, expecting, within one year after giving birth or breastfeeding, and health of babies, for work that may endanger maternity health, occupational safety personnel, nurse and unit supervisor shall assist in arranging environmental inspection, and hazard assessment and control. Occupational medical specialists and nurse perform case-by-case management, initiating interviews and guidance, health risk assessment and risk level management, and providing recommendation on appropriate work arrangements. On an ad-hoc basis, occupational medical specialists provide care for different stages, e.g. after occupational medical specialists confirms that the checkup results are clear, they shall inform the female employee of the relevant information, whilst respecting her will to work so as to realize employment equality and maternity protection.

To strengthen the protection mechanism for the initial stage of pregnancy, after receiving report of pregnancy, pink uniform is distributed to prevent accident (e.g. collision, shoulder-tapping). Special parking space is also provided for expecting female employees.

5.4 Good Supplier Management and Relationship

Supplier Sustainability Management Policy

To achieve targets of supply chain sustainable development, the Company seeks to ensure that when suppliers provide products and services, the processes are compliant with social and ethical standards. Furthermore, the Company also ensures that they understand and adhere to regulatory requirements, and are proactive in responding to environmental protection and social related issues, and taking on CSR such that they consistently undertake improvement and enhancement measures. In 2021, to respond to sustainable development requirements on a timely manner, the Company had incorporated a “Supplier Code of Ethical Conduct” and “Letter of Commitment for Environmental Protection” in the “Nan Pao Supplier Code of Conduct”. The list of suppliers required to sign on relevant documents had expanded to suppliers of the entire Nan Pao Group. The Company further set a reply rate of 70% from suppliers as the target this year. The actual reply rate from suppliers of the Group amounted to 74%.

Nan Pao seeks to maintain a long-term collaborative relationship with suppliers, collectively fostering a stable, developing and sustainable supply chain. Apart from regular assessment on the supplier product and service quality, timeliness of delivery, trading circumstances and service collaboration

with suppliers to ensure product quality and stability, the Company also requires suppliers in implementing environmental protection, and safety and health enhancement measures, and paying attention to human rights and other issues so as to fulfil CSR collectively. In 2022, the Company has increased the target to 90%. As the locations of operation of Nan Pao spread all across Taiwan, as well as situating in Mainland China, Vietnam, etc., to cater to regulatory requirements of different region, the procurement units have set additional assessment standard according to different cases. Furthermore, the relevant clauses are stipulated in contracts to ensure that suppliers also fulfill these requirements. In 2021, all suppliers of major locations of operation had not hired or used child labor.

Selection of new suppliers

For new suppliers, Nan Pao has established “Questionnaire for New Suppliers” for the investigation of supplier factories providing direct or indirect supplies. Apart from basic information of suppliers, the content of the questionnaire also covers detailed inspection and examination on quality management system, quality control, materials purchased, production supply system, production rate, machinery utilization rate, transportation equipment, R&D system, pollution prevention system and handling system of abnormal products, etc.

Only suppliers who satisfy the requirements shall be selected.

Education and training for suppliers

Conduct education and training for suppliers on an ad-hoc basis.

Promote and communicate the supply chain management of Nan Pao.

Supplier evaluation management
Potential suppliers must pass the “Supplier Assessment,” which covers the assessment on quality control system, production supply capabilities, technological development capabilities, environmental protection and pollution prevention management, capabilities in handling abnormal products to be included in the “Supplier List.”

The Company conducts supplier review once per year, covering three units on quality control, storage management and procurement. The review shall rate the quality, timeliness of delivery and services. The qualification as a supplier shall be terminated in the event that the scoring is lower than the passing grade.

Local Procurement

The raw material cost is the largest production cost for Nan Pao, whilst the raw material quality is one of the key factors that influence the product yield. As such, a stable supply of good quality raw material has become the main criterion of our raw material procurement. Nan Pao consistently supports local suppliers. In 2021, for raw material used in production, local procurement constituted 61%. Excluding intra-group transaction, local procurement constituted 76%, which has continuously exceeded the target of 70%.

Note: The scope of local procurement includes subsidiaries of Nan Pao Resins Group (including a total of 13 subsidiaries in Mainland China, Vietnam, Indonesia, etc.).

6. COMMUNITY ENGAGEMENT

6.1	Community Safety and Health	47
6.2	Child Education	48
6.3	Elderly Care	48
6.4	Care for the Underprivileged	49



06 Community Engagement

Major Issue

Local communities

Objectives

The Company pays close attention to the ecosystem protection, environmental impact, and physical and property safety of local communities where it operates. Furthermore, the Company also proactively takes part in the educational development of local communities, as well as care for the underprivileged.

Management Policy

- To ensure that business activities in locations of operation do not damage the ecosystem, the Company seeks to become the protector of the nature.
- The Company has formulated management procedures to proactively handle and manage the emission of exhaust gas, effluents, waste, etc. so as to achieve the goal of minimizing the environmental impact.
- The Company has established the occupational safety management system and organized emergency response team to conduct exercise on a regular basis so as to ensure that response measures are taken the soonest possible in the event of an accident and the communities experience the lowest impact.
- The Company has established the Nan Pao Foundation to proactively take part in organizing after-school tuition programs in locations of operation. Furthermore, the Company also proactively collaborates with charity organization to care of the underprivileged or welfare organizations in local communities of its locations of operation.

6.1 Community Safety and Health

As a chemical manufacturing company, to avoid the local communities from getting affected by gas leak or emission from the production process, or toxic substances, Nan Pao proactively undertakes various protective measures within its factories. As the factories contain many types of chemicals, odor is often noted in the vicinity area. To tackle the odor of production EA, the Company has changed from injecting chemical into the aforementioned reactors via holes to via diaphragm pump. This is able to prevent the chemicals from contacting with the air, thus reducing the odor and the concentration of chemical exposure of personnel. Next, the Company has made improvements on components of old equipment within factories (motor with no shaft seal, blind flange and self-inspection, etc.), so that the odor issue is improved. Meanwhile, Nan Pao is devising a plan to recycle all effluents of the factories in the coming years. Such measure can prevent effluents from emitting into the sewage of Liucuo Dapai community, so that going forward, there will be no water pollution caused by the effluents. We

also strive to reduce the VOCs content and emission since early phases of product development and production processes so as to prevent VOCs from polluting the air of the community.

Nan Pao has undertaken protective measures for the usual and natural disasters, and chemical leaks properly. Furthermore, each year, the Company conducts various safety exercises on a regular basis. In the event of a disaster, the environmental impact of the local communities can be reduced to the minimum.

The Company also invites the residents of the communities to participate in environmental protection interactive activities. As a member of the community, Nan Pao cherishes good neighbors whom it works together with. The Company shares with community partners the principle of reducing pollutants from the source and the results of past environmental protection effort so that community residents are able to appreciate that a chemical factory can be friendly to the environment and communities.

Inviting community residents to visit the factories



Care for Communities

1. Blood Donation Drives

Nan Pao is a caring entity. Each year, it organizes blood donation drives. In 2021, it collaborated with Tainan Blood Donation Center and provided incentives for donating blood, encouraging residents of Sigang District to donate blood. The effort garnered 757 bags of blood, effectively alleviating blood shortage, motivating local residents to give back to the society.

2. Community Infrastructure

Nan Pao has been concerned with community infrastructure consistently. In Sigang District, Tainan, it has been investing in infrastructure related to police and fire departments, and community safety, e.g. police vehicles, ambulances, community signs and other resources, making up to the shortage of community resources in a timely manner.



Nan Pao firmly believes the importance of giving back to the society. Apart from pursuing technological innovation and service quality, the Company also proactively seeks to protect social culture, diligently assisting in cultivating the next generation, and fulfilling the responsibility in caring for the elderly. In 2007, the Company established the "Nan Pao Social Welfare Foundation" to fulfil its CSR via engaging in three main aspects, namely "Talent Cultivation," "Care for Elderly" and "Care for the Underprivileged."

6.2 Child Education

After-school tuition programs, talent classes, and summer and winter camps

After-school tuition programs, talent classes, and summer and winter camps:

Due to the openness of government policies and change in social formation, the economic disparity of the society is deteriorating fast, further causing problems such as single-parent, skipped generation and foreigner families. Sigang District is a remote area in Tainan City, whereby the income level is much lower than the national average. The children with such family background will live in the community, facing the choice of their fate. Only education can provide them with a ticket to pursue and realize their dreams in the future.

Each child is like a seed. Some are seeds of gentle roses, while others are towering camphor trees. We must provide a diverse range of courses and opportunities for a variety of cultural studies. We must respect the uniqueness of each child, and even go one step further to inspire students in realizing their diverse cultural potential and creativity. As such, Nan Pao Foundation collaborates with Sigang Elementary School, Gangdong Elementary School, Houying Elementary School, Songlin Elementary School and Cheng Kung Elementary School in Sigang District, and Wunnei Elementary School from remote area of Jiali District in organizing after-school tuition programs, societies and summer and winter camps. The courses are designed and tailored to the children's needs by teachers of various elementary schools. Apart from studies, the courses devised also develop and cultivate children's interests in art, sports and other club activities.

2021 Child Education Activities (only main activities are listed)

Participant	Content
Sigang Elementary School, Cheng Kung Elementary School, Houying Elementary School, Songlin Elementary School and Wunnei Elementary School	After-school tuition programs, and summer and winter camps.
Gangdong Elementary School	Donations for after-school tuition programs, summer and winter camps, and library books.

Tuition classes for elementary students.



6.3 Elderly Care

Huashan Social Welfare Foundation

As the demographic structure of Taiwan is turning into an aging society, the society at large is very much concerned with elderly issues and needs. More investments are required than before. After coming into contact with Huashan Social Welfare Foundation, who has been consistently offering care for elderly welfare, Nan Pao Social Welfare Foundation has come to realize that the current care available to the elderly is inadequate. As such, it started collaboration with Sigang Angel Station of Huashan Social Welfare Foundation. Each year, Nan Pao calls on its employees to raise fund for gift boxes for Dragon Boat and Mid-Autumn, and Chinese New Year. The gift boxes are delivered in-person to the elderly by Huashan Foundation for the convenience of mobility-impaired or solitary elderly. To better looking after the daily lives of the elderly, Nan Pao donated home service car specially for Sigang District, as well as the service expenses for solitary elderly care. Professional social workers from Huashan Social Welfare Foundation take charge of the home service in Nan Pao's stead. Each day, social workers visit the elderly for accompanying them receiving medical attention, performing bed bathing, sending nutritional supplement and food, etc. Apart from providing services to cater to physical needs, for mental needs, the social workers also provides company to the elderly, helping them regaining confidence and life goals.

Senior Citizen's Welfare Association and Community Activities

The percentage of elderly population of Sigang District of Tainan City on household registration record is not particularly high. However, the young population is migrating outward. Not all elderly lack material resources. But living alone is taking a toll on them emotionally. To encourage the elderly in Sigang District to take part in interactive activities and maintain their physical and mental health, each year, during Double Ninth Festival, Nan Pao Foundation collaborates with Sigang Senior Citizen's Welfare Association to organize recreational activities and buffet. During Dragon Boat Festival, Nan Pao Foundation also makes donation to cover expenses for dumpling preparation in Sigang District, Qing'an community, providing scrumptious dumplings to disabled, solitary and underprivileged elderly, and making Sigang District an empathetic place filled with a savory dumpling aroma. Nan Pao Foundation also collaborates with Qigu District Shulin Community Development Association in organizing Shulin Community geriatric day care center, Spoonbill Academy. The measure arranges for solitary elderly in the community to attend courses. They are able to regain confidence by learning new talents and taking part in competitions, thus leading a fulfilling life.

2021 Elderly Welfare Activities (only main activities are listed)

Participant	Content
Huashan Social Welfare Foundation	Home services, festival gift sets, social worker visits
Sigang District Qing'an Community Development Association	Dragon Boat Festival caring activity
Qigu District Shulin Community Development Association	Shulin Community geriatric day care center, Spoonbill Academy
Sigang District Senior Citizen's Welfare Association	Double Ninth Festival activity



General Manager of Nan Pao taking part in community activity on care for elderly.



6.4 Care for the Underprivileged

In the past ten years, the economic disparity in Taiwan has been deteriorating. Wealth and resources are in the hands of the few. Nan Pao is able to understand the hardship of livelihood of the common folks, especially in remote area. As such, Nan Pao Foundation provides emergency funding for resolving difficulties encountered by underprivileged families. Since its established in 2007, Nan Pao Foundation has provided emergency subsidies for covering medical and funeral expenses, and privation, as well as school fees of students from low income families.

Meanwhile, we have also subsidized many foundations in Tainan area with funding issues, so that we can spread our care further, e.g. Genesis Social Welfare Foundation, Tobias Social Welfare Foundation, Chao Hsin Social Welfare Foundation, Love Child Care Foundation, Genesis Social Welfare Foundation and Tainan Welfare Association for the Deaf.

2020 Care for the Underprivileged (only main activities are listed)

Participant	Content
Tobias Social Welfare Foundation	Subsidies for scholarships
St. Raphael Opportunity Center	Donations for appliances and other consumables
Chao Hsin Social Welfare Foundation	Subsidies for meals of the intellectually disabled
Tzu Kuang Mental Care Welfare Foundation	Donations for equipment and activity funding
Eden Social Welfare Foundation	Jiali Dandelion Workshop
Subsidies for activities of Tainan Welfare Association for the Deaf	Rice donation for the deaf.
Genesis Social Welfare Foundation	Donation of basic amenities to vegetative service of Genesis Social Welfare Foundation.
Chao Hsin Social Welfare Foundation	Donation for operational funding
Workshop of Children Are Us Foundation	Donation to cover expenses incurred for cultivating intellectually disabled children.
Individual emergency and funeral subsidies	Applicants and referred individuals.



Nan Pao and Chao Hsin Social Welfare Foundation co-organizing children art craft course.



Thank you letter from Eden Social Welfare Foundation.



Sponsoring festival buffet for solitary elderly.

From 2018 to 2021, the donation types and amount of Nan Pao Social Welfare Foundation are as follows

	Child Education	Elderly Care	Care for the Underprivileged	Voluntary Services	Others	Total
2019	2,133,233	600,000	1,186,040		1,685,459	5,604,732
	38%	11%	21%		30%	100%
2020	2,257,181	730,000	800,340		1,202,390	4,989,911
	45%	15%	16%		24%	100%
2021	2,268,652	670,000	938,713	144,800	1,803,500	5,825,665
	39%	12%	16%	2%	31%	100%

Note: The following is a brief description of the recipients of donations.

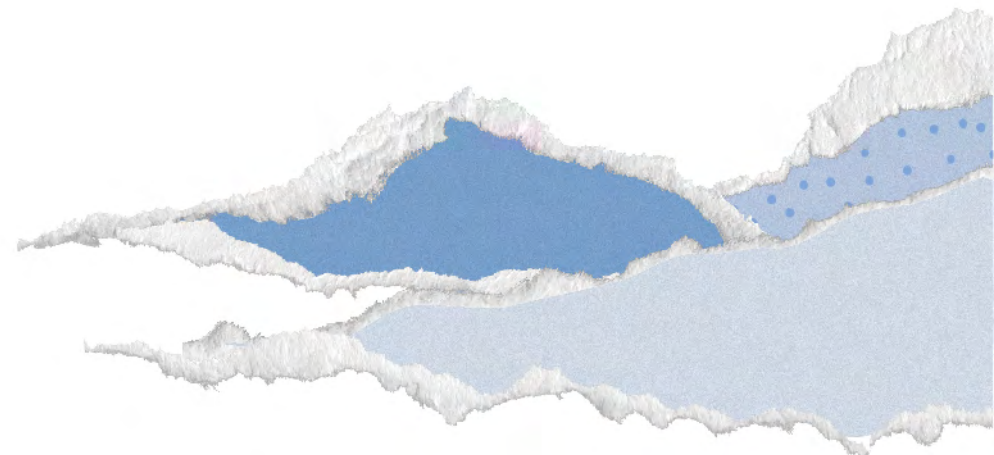
Child Education: After-school programs for elementary and middle schools, subsidies for societies, and summer and winter camps.

Care for Elderly: Donations for the operational funding and emergency aid for social welfare organizations, such as Genesis Social Welfare Foundation and Eden Social Welfare Foundation.

Elderly Welfare: Huashan Social Welfare Foundation, community elderly activities, etc.

Voluntary Services: Educational activities, blood donation drive etc. organized by Nan Pao.

Others: Sporting events, community activities and other services.



7. APPENDIX

7.1	SASB Index	51
7.2	GRI Index	52
7.3	Information on Report Issuance	53
7.4	Assurance report	55



7.1 SASB Index

Topics	Content	Chapter	Page	Category	Code
Greenhouse Gas Emission	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	4 Sustainable environment	31		RT-CH-110a.1
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets		31	Discussion and Analysis	RT-CH-110a.2
Air Quality	Air emissions of the following pollutants: (1) NOx (excluding N2O) (2) volatile organic compounds (VOCs) (3) SOx (4) hazardous air pollutants (HAPs)		35	Quantitative	RT-CH-120a.1
Energy Management	(1) Total energy consumed (GJ) (2) percentage renewable (%) (3) percentage grid electricity (%) (4) total self-generated energy (GJ)		32	Quantitative	RT-CH-130a.1
Water Management	(1) Total water withdrawn (2) percentage of each in regions with (3) total water consumed High or Extremely High Baseline Water Stress		33	Quantitative	RT-CH-140a.1
	Number of incidents of non-compliance associated with water quality permits, standards, and regulations		34	Quantitative	RT-CH-140a.2
	Description of water management risks and discussion of strategies and practices to mitigate those risks		34	Discussion and Analysis	RT-CH-140a.3
Hazardous Waste Management	Amount of hazardous waste generated, percentage recycled		36	Quantitative	RT-CH-150a.1
Community Relations	Discussion of engagement processes to manage risks and opportunities associated with community interests		47	Discussion and Analysis	RT-CH-210a.1
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) (2) fatality rate for direct employees and contract employees		5 People & society	43	Quantitative
	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	44		Discussion and Analysis	RT-CH-320a.2

Topics	Content	Chapter	Page	Category	Code	
Product Design for Use-phase Efficiency	Revenue from products designed for use-phase resource efficiency	3 Innovation momentum	23	Quantitative	RT-CH-410a.1	
	(1) Percentage of products that contain Globally Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances, (2) percentage of such products that have undergone a hazard assessment		27	Quantitative	RT-CH-410b.1	
Safety & Environmental Stewardship of Chemicals	Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human and/or environmental impact		26	Discussion and Analysis	RT-CH-410b.2	
	Genetically Modified Organisms		Percentage of products by revenue that contain genetically modified organisms (GMOs)	NANPAO uses no GMO	Quantitative	RT-CH-410c.1
Management of the Legal & Regulatory Environment	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry		1 Robust governance	19	Discussion and Analysis	RT-CH-530a.1
Operational Safety, Emergency Preparedness & Response	Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR)		5 People & society	44	Quantitative	RT-CH-540a.1
	Number of transport incidents	44		Quantitative	RT-CH-540a.2	

7.2 GRI Standard Index

Number	Disclosure Title	Pages	Undisclosed reason
102-1	Name of the organization	7	
102-2	Activities, brands, products, and services	5	
102-3	Location of headquarters	5	
102-4	Location of operations	5	
102-5	Ownership and legal form	15	
102-6	Markets served	5	
102-7	Scale of the organization	5	
102-8	Information on employees and other workers	38	
102-9	Supply chain	45	
102-10	Significant changes to the organization and its supply chain	45	
102-11	Precautionary Principle or approach	38	
102-12	External initiatives	7	
102-13	Membership of associations	6	
102-14	Statement from senior decision-maker	4	
102-15	Key impacts, risks, and opportunities	18	
102-16	Values, principles, standards, and norms of behavior	17	
102-17	Mechanisms for advice and concerns about ethics	17	
102-18	Governance structure	14	
102-19	Delegating authority	14	
102-20	Executive-level responsibility for economic, environmental, and social topics	11	
102-21	Consulting stakeholders on economic, environmental, and social topics	9	
102-22	Composition of the highest governance body and its committees	11	
102-23	Chair of the highest governance body	14	
102-24	Nominating and selecting the highest governance body	14	
102-25	Conflicts of interest	15	
102-26	Role of highest governance body in setting purpose, values, and strategy	11	

Number	Disclosure Title	Pages	Undisclosed reason
102-27	Collective knowledge of highest governance body	14	
102-28	Evaluating the highest governance body's performance	15	
102-29	Identifying and managing economic, environmental, and social impacts	11	
102-30	Effectiveness of risk management processes	18	
102-31	Review of economic, environmental, and social topics	11	
102-32	Highest governance body's role in sustainability reporting	11	
102-33	Communicating major issues	8	
102-34	Nature and total number of major issues	9	
102-35	Remuneration policies	14	
102-36	Process for determining remuneration	14	
102-37	Stakeholders' involvement	10	
102-38	Annual total compensation ratio	39	
102-39	Percentage increase in annual total compensation ratio	39	
102-40	List of stakeholder groups	9	
102-41	Collective bargaining agreements	N/A	
102-42	Identifying and selecting stakeholders	9	
102-43	Approach to stakeholder engagement	9	
102-44	Key topics and concerns raised	10	
102-45	Entities included in the consolidated financial statements	6	
102-46	Defining report content and topic boundaries	7	
102-47	List of material topics	9	
102-48	Restatements of information	7	
102-49	Changes in reporting	7	
102-50	Reporting period	7	
102-51	Date of most recent report	7	
102-52	Reporting cycle	7	
102-53	Contact point for questions regarding the report	7	

GRI Standard Index

Number	Disclosure Title	Pages	Undisclosed reason
102-54	Claims of reporting in accordance with the GRI Standards	7	
102-55	GRI content index	52	
102-56	External assurance	7	
201-1	Direct economic value generated and distributed	6	
201-2	Financial implications and other risks and opportunities due to climate change	19	
201-3	Defined benefit plan obligations and other retirement plans	38	
201-4	Financial assistance received from government	6	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	39	
202-2	Proportion of senior management hired from the local community	38	
203-1	Infrastructure investments and services supported	N/A	
203-2	Significant indirect economic impacts	N/A	
204-1	Proportion of spending on local suppliers	45	
205-1	Operations assessed for risks related to corruption	17	
205-2	Communication and training about anti-corruption policies and procedures	17	
205-3	Confirmed incidents of corruption and actions taken	N/A	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	N/A	
301-1	Materials used by weight or volume	31	
301-2	Recycled input materials used	28, 36	
301-3	Reclaimed products and their packaging materials	28	
302-1	Energy consumption within the organization	32	
302-2	Energy consumption outside of the organization	32	
302-3	Energy intensity	32	
302-4	Reduction of energy consumption	32	
302-5	Reductions in energy requirements of products and services	25	
303-1	Water withdrawal by source	33	

Number	Disclosure Title	Pages	Undisclosed reason
303-2	Water sources significantly affected by withdrawal of water	34	
303-3	Water recycled and reused	33	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	36	
304-2	Significant impacts of activities, products, and services on biodiversity	36	
304-3	Habitats protected or restored	36	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	36	
305-1	Direct (Scope 1) GHG emissions	31	
305-2	Energy indirect (Scope 2) GHG emissions	31	
305-3	Other indirect (Scope 3) GHG emissions	31	
305-4	GHG emissions intensity	31	
305-5	Reduction of GHG emissions	31	
305-6	Emissions of ozone-depleting substances (ODS)	35	
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	35	
306-1	Water discharge by quality and destination	33	
306-2	Waste by type and disposal method	33	
306-3	Significant spills	N/A	
306-4	Transport of hazardous waste	36	
306-5	Water bodies affected by water discharges and/or runoff	N/A	
307-1	Non-compliance with environmental laws and regulations	36	
308-1	New suppliers that were screened using environmental criteria	45	
308-2	Negative environmental impacts in the supply chain and actions taken	45	
401-1	New employee hires and employee turnover	38	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	39	
401-3	Parental leave	40	

GRI Standard Index

Number	Disclosure Title	Pages	Undisclosed reason
402-1	Minimum notice periods regarding operational changes	39	
403-1	Workers representation in formal joint management-worker health and safety committees	43	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	44	
403-3	Workers representation in formal joint management-worker health and safety committees	43	
403-4	Health and safety topics covered in formal agreements with trade unions	43	
404-1	Average hours of training per year per employee	42	
404-2	Programs for upgrading employee skills and transition assistance programs	42	
404-3	Percentage of employees receiving regular performance and career development reviews	42	
405-1	Diversity of governance bodies and employees	38	
405-2	Ratio of basic salary and remuneration of women to men	39	
406-1	Incidents of discrimination and corrective actions taken	N/A	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	40	
408-1	Operations and suppliers at significant risk for incidents of child labor	38	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	N/A	
410-1	Security personnel trained in human rights policies or procedures	44	
411-1	Incidents of violations involving rights of indigenous peoples	N/A	
412-1	Operations that have been subject to human rights reviews or impact assessments	40	
412-2	Employee training on human rights policies or procedures	40	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	N/A	
413-1	Operations with local community engagement, impact assessments, and development programs 3	47	
413-2	Operations with significant actual and potential negative impacts on local communities	47	

Number	Disclosure Title	Pages	Undisclosed reason
414-1	New suppliers that were screened using social criteria	45	
414-2	Negative social impacts in the supply chain and actions taken	45	
415-1	Political contributions	N/A	
416-1	Assessment of the health and safety impacts of product and service categories	27	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	N/A	
417-1	Requirements for product and service information and labeling	27	
417-2	Incidents of non-compliance concerning product and service information and labeling	N/A	
417-3	Incidents of non-compliance concerning marketing communications	N/A	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	N/A	
419-1	Non-compliance with laws and regulations in the social and economic area	N/A	

7.3 Report issued information

NANPAO Sustainable Report in 2021 issued in September 2022.

Feedback

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

Contact Point

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7.4 Assurance Report



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Assurance Report of Independent Auditors

To: Nao Pao Resins Co., Ltd.

1. Scope

We have been engaged by Nao Pao Resins Co., Ltd (the “Company”) to perform a limited assurance engagement in relation to and report on selected sustainability performance indicators included in Nao Pao Resins Co., Ltd.’s 2021 Sustainability Report (“the Sustainability Report”).

Regarding the sustainability performance indicators selected by the Company and their applicable criteria, please refer to Appendix A.

Management Responsibility

The Company is responsible for the preparation of the Sustainability Report in accordance with adequate criteria, including referencing to Global Reporting Initiatives Standards (“GRI Standards”) issued by Global Reporting Initiative (GRI), and for the design, execution and maintenance of internal controls in regard to report preparation to support the collection and presentation of the Sustainability Report.

Independent Auditor’s Responsibility

Our responsibility is to plan and perform limited assurance engagement in accordance with *Assurance Engagements No.1 – “Assurance Engagements Other than Audits or Reviews of Historical Financial Information”* issued by the Taiwan Accounting Research and Development Foundation.

2. Assurance

The procedures performed in limited assurance engagement vary in nature and timing are less in extent than for a reasonable assurance engagement so that the level of assurance is substantially lower than reasonable assurance engagement. While we considered the effectiveness of the Company’s internal controls when determining the nature and extent of procedures, our procedures were not designed to provide assurance on internal controls.

To conclude for limited assurance, our procedures performed included:

- Interviewing with the Company’s management and personnel to understand the Company’s implementation of overall social responsibility and reporting process.

Assurance Report



- Performing analytical procedures on the selected sustainability performance indicators; gathering and checking other supporting documentation and management information obtained; testing on sample basis if necessary.
- Reading the Sustainability Report to ensure the implementation of overall social responsibility and reporting process is consistent with our understanding.

3. Limitations

Non-financial information contained within the Sustainability Report are subject to measurement uncertainties. The selection of different measurement techniques can result in materially different measurement. Also, assurance engagements are based on selective testing of information being examined, and it is not possible to detect all of the existing material misstatements whether resulting from fraud or error.

4. Quality and Independence

We are in conformity with *Statements of Auditing Standard No. 46 "Quality Control for Public Accounting Firms"* to establish and maintain a sound system of quality control, including code of professional ethics, professional standards and those written policies and procedures in applicable regulations. We are also in conformity with related independence and other ethics requirements in *The Norm of Professional Ethics*, whose basic principles are integrity, objectivity, professional competence and due care and professional behavior.

5. Conclusion

Based on our procedures and evidence obtained, nothing has come to our attention that caused us to believe that any material modifications or adjustments should be made to the selected sustainability indicators in accordance with applicable criteria.

Hung, Kuo-Sen

Ernst & Young

August 12, 2022

Notice to Readers

The reader is advised that the assurance report has been prepared originally in Chinese. In the event of a conflict between the assurance report and the original Chinese version or difference in interpretation between the two versions, the Chinese language assurance report shall prevail.

Assurance Report



Appendix A:

No.	Page	Corresponding Chapter	Corresponding Report Contents	Applicable Criteria
1	32	4-2 Energy Management	The consumption of purchased electricity, the total energy consumed and the percentage grid electricity in 2021.	According to Item A, Subparagraph 2, Paragraph 1, Article 4 of the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" - total energy consumption. Refers to the accounting metric of SASB RT-CH-130a.1.
2	33	4-3 Water Resources	Total consumption of tap water intake in Taiwan in 2021.	According to Item B, Subparagraph 2, Paragraph 1, Article 4 of the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" - total water withdrawal, and volume of effluent required to be disclosed under the law or to be disclosed voluntarily. Refers to the accounting metric of SASB RT-CH-140a.1.
3	36	4-5 Waste Management	Total amount of hazardous waste of Taiwan Nan Pao in 2021.	According to Item C, Subparagraph 2, Paragraph 1, Article 4 of the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" - total quantity of hazardous wastes generated during the production process of products required to be disclosed under the law or to be disclosed voluntarily. Refers to the accounting metric of SASB RT-CH-150a.1.

Assurance Report



No.	Page	Corresponding Chapter	Corresponding Report Contents	Applicable Criteria
4	44	5-3 Safe Occupational Environment	Total recordable incidents (cases) and fatality rate in 2021.	According to Item D, Subparagraph 2, Paragraph 1, Article 4 of the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" -types of workplace injury and workplace injury rate, occupational disease rate, lost workday rate, and absence rate, and number of work-related fatalities. Refers to the accounting metric of SASB RT-CH-320a.1.
5	44	5-3 Safe Occupational Environment	Process Safety Incident Count (PSIC), Process Safety Total Incident Rate (PSTIR) and Process Safety Incident Severity Rate (PSISR) in 2021.	According to Item D, Subparagraph 2, Paragraph 1, Article 4 of the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" - types of workplace injury and workplace injury rate, occupational disease rate, lost workday rate, and absence rate, and number of work-related fatalities. Refers to the accounting metric of SASB RT-CH-540a.1.



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