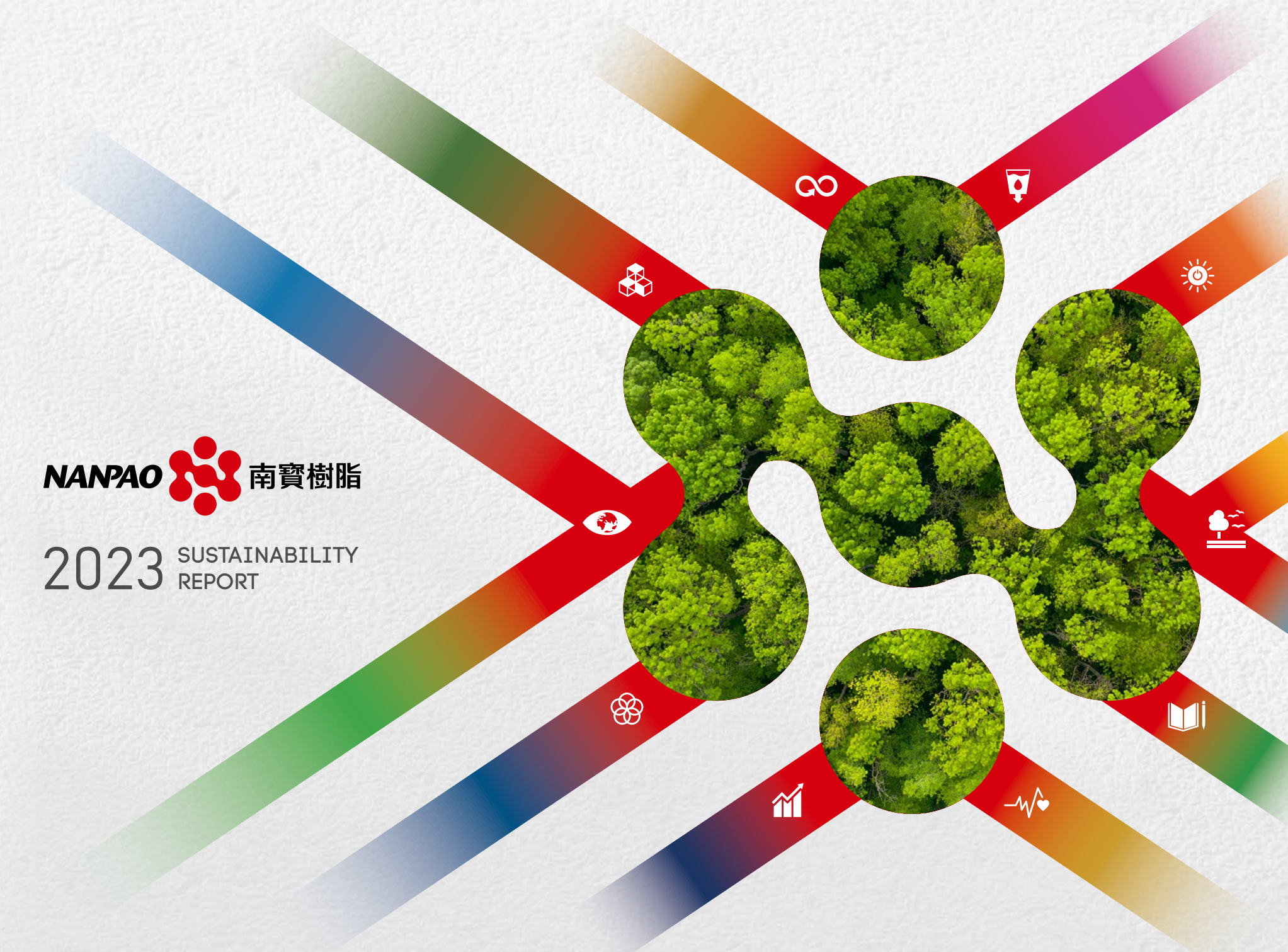




2023 SUSTAINABILITY
REPORT







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0.1 Scope and Coverage

Report Editing Principles

Nan Pao compiles its sustainability report in accordance with the Core option of the Global Reporting Initiative (GRI) Standards and the Taiwan Stock Exchange's "Procedures for Listed Companies to Prepare and Submit Sustainability Reports". The report also references and aligns with the OECD Guidelines for Multinational Enterprises, the United Nations Global Compact (UNGC), the United Nations Sustainable Development Goals (SDGs), ISO 26000 Guidance on Social Responsibility, and the Sustainability Accounting Standards Board (SASB) Chemicals Industry Standard. The report serves as an important channel for communicating non-financial information and for reviewing and enhancing overall sustainability performance.

The data for this report is collected and compiled by the Sustainability Working Group of the Planning Department, and an electronic version of the report is published in both Chinese and English each year. The complete file can be downloaded from the [Nan Pao Group website](#).

Period and Scope Covered by the Report

The Report covered the period between January 1, 2023 and December 31, 2023. The previous report was released in August 2023. The current Report shall be released in September 2024. The next report is forecast to be released in September 2025.

This report discloses the economic, environmental, and social performance of Nan Pao Resin and its subsidiaries.

Economic Performance:

Our corporate sustainability report discloses the economic indicators of Nan Pao Resin Chemical Co., Ltd. and all its subsidiaries, accounting for 100% of total consolidated revenue.

Environment Performance

The Report discloses financial information pertaining to Nan Pao Resins Chemical Co., Ltd. and all its subsidiaries (hereinafter, Nan Pao). The entities covered includes Taiwan, Dongguan, Foshan, Fuqing, Kunshan, Indonesia, Vietnam and Thailand), Foshan Nan Pao Great-will Advanced Materials Ltd., Nan Pao Advanced Materials Vietnam Co., Ltd. and Nan Pao Materials Viet Nam Co., Ltd. These locations account for 93% of our combined revenue, providing comprehensive insights into our environmental impact.

Social Performance

The social indicators in our corporate sustainability report cover Nan Pao Resin Chemical Co., Ltd. and all its subsidiaries, accounting for 100% of total consolidated revenue.

Nan Pao Resin's Operations and R&D Headquarters were officially completed and put into use in the fourth quarter of 2022. The operations of this scope are disclosed in this report. Unless otherwise noted, all financial disclosures in this report are in New Taiwan Dollars (NT\$).

External Assurance

The disclosures in this report follow the eight sustainability indicators in Appendix 1.2 of Article 4 of the "Procedures for Listed Companies to Prepare and Submit Sustainability Reports" and the SASB Disclosure Standards. The report has undergone independent limited assurance (Limited Assurance) by Ernst & Young Taiwan in accordance with ISAE 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information," and an assurance statement is attached to the end of the report.

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. 519, Chungshan Rd., Xigang Dist., Tainan City, Taiwan (R.O.C.)
Telephone number: +886-6-795-5888
E-mail: info@nanpao.com



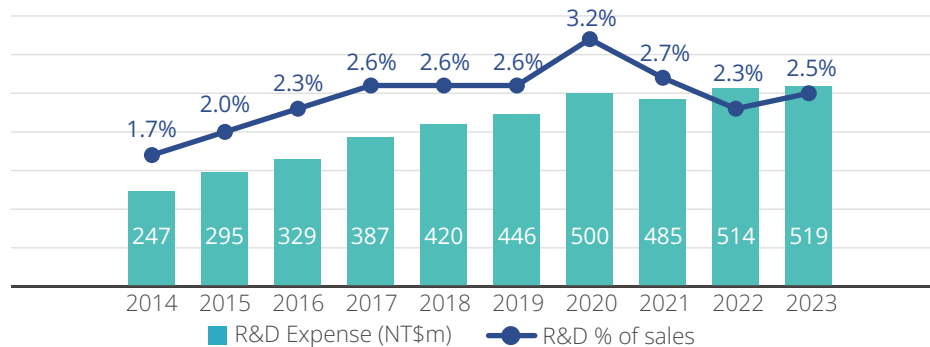
The appearance of the NANPAO Operations and R&D Headquarters

0.2 About Nan Pao

Primary Industry

To achieve synergy, Nan Pao has diversified its operations, covering a wide range of businesses, including adhesives, coatings, construction materials, carbon fiber resins and composites, and biotechnology. The core of the value chain is Nan Pao Resin Group, which includes employees and collaborators. The upstream includes suppliers of raw materials such as chemicals, and the downstream includes customers and local communities.

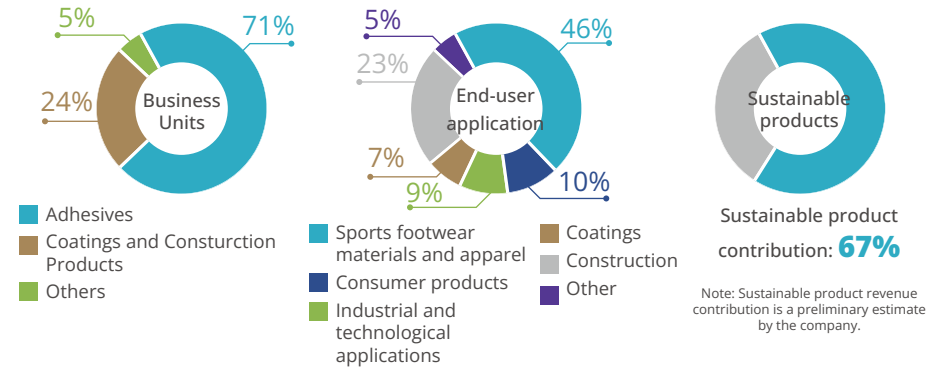
- In 2023, the global sales amounted to **NT\$20.6** billion
- In December 2023, the market value of the Company amounted to **NT\$34** billion.
- The Group has over **3,000** employees
- The Company has **27** factories in **seven** countries
- In 2023, the Company invested an expenditure equally to **2.5%** of the total sales for research and development (R&D).



Sales Percentage of Locations of Operation in 2023

Area	Asia (exclude Taiwan)	Taiwan	Australia	Other area
Revenue in 2023 (NT\$ million)	14,049	2,950	3,097	485
Percentage (%)	68%	14%	15%	3%

Sales Percentage of Business Units in 2023



History



0.3 Creating Sustainable Value

Financial Performance

In 2023, Nan Pao's consolidated revenue reached NT\$20.6 billion, operating profit reached NT\$3 billion, and net profit after tax reached NT\$2.6 billion. Its revenue and profitability grew compared to 2022, and its net profit after tax reached a new high in ten years. In response to the fierce competition in the industry, we have continuously improved operational efficiency, strengthened cost management, and increased manufacturing productivity in terms of operational management. We are also actively investing in product innovation and industrial transformation.

2023 Consolidated Financial Statements included more than 60 subsidiaries, namely Nan Pao Resins Chemical Co., Ltd., I TLS 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., Changshu Yu Bo Polymer Materials 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.

Note: For the full list of companies included in the Consolidated Financial Statements, please see attachment on Consolidated Financial Statements information.

Financial Performance Indicators for the Past Five Years

Unit: NT\$ Thousand

	2019	2020	2021	2022	2023
Revenue	17,113,546	15,551,344	17,980,007	22,004,313	20,581,188
Profit	1,682,029	1,051,700	1,052,194	1,824,375	2,964,382
Consolidated net profit after tax	1,315,224	1,267,122	929,353	1,862,728	2,566,432

Note: For complete financial performance details, please refer to the annual report, page 16.

Tax Management

Tax Information for the Past Five Years

Unit: NT\$ Thousand

	2019	2020	2021	2022	2023
Profit Before Tax	1,792,682	1,606,092	1,202,541	2,385,414	3,393,761
Income Tax Expense	(477,458)	(338,970)	(273,188)	(522,686)	(827,329)

Effective Tax Rates

Nan Pao effective tax rates for 2022 and 2023 were 13.9% and 10.5%, respectively. These rates are lower than the average effective tax rate of 20.65% for the chemical industry as reported by the CSA. The lower effective tax rates are attributed to Nan Pao's utilization of various Taiwanese tax incentives, including the repatriation of foreign funds and reinvestment of undistributed profits. Additionally, due to the impact of the COVID-19 pandemic, Taiwan implemented measures in accordance with the Tax Collection Act, allowing taxpayers to defer or waive income tax payments.

Tax Policy and Transparency

In 2023, Nan Pao finalized its "Nan Pao Group Tax Policy," demonstrating its commitment to financial transparency. The company pledges to adhere to relevant regulations and standards for disclosing tax information, aiming to effectively manage tax risks and pursue sustainable development.

Country-by-Country Reporting (CbCR)

Nan Pao has not yet reached the threshold for filing a Country-by-Country Report (CbCR). The CbCR filing requirement applies to companies with consolidated revenue exceeding NT\$27 billion in the previous year and that do not meet the safe harbor provisions. Consequently, Nan Pao has not yet formally issued a CbCR.

Political Contributions

Nan Pao did not make any political contributions in 2023.

Nan Pao Resins Group Tax Policy

In order to support policies that contribute to business innovation, research and development, and to control tax risks and pursue sustainable development, Nan Pao Resins Group upholds the following principles and commitments:

1. Conduct all operating activities in accordance with local tax laws and regulations in each operating area and fulfill tax obligations.
2. Consider tax risks and impacts in making important business decisions.
3. Do not engage in transactions for the purpose of tax evasion.
4. Do not use tax havens for transactions with the purpose of tax evasion.

5. Do not transfer profits created by the company to low-tax countries.
6. Establish a relationship of mutual respect with tax authorities based on mutual trust and good faith.
7. Ensure financial information transparency and disclose tax information in accordance with relevant regulations and standards.
8. Transactions between related companies are conducted in accordance with customary transaction principles and in compliance with the internationally recognized transfer pricing standards published by the Organization for Economic Cooperation and Development (OECD).

Policy influence

Industry Collaboration

Nan Pao is committed to contributing to and promoting mutual growth in the industry. We continue to actively engage in industry collaboration efforts and participate in public association platforms to exchange and share practical experience in the vertical industry chain.

Name of Organization (in chronological order)	Position Assumed		
	Board of Directors	Special Interest Committee	Member
bluesign®SYSTEM PARTNER			V
ZDHC Signatory			V
E.SUN COMMERCIAL BANK Sustainable Advocacy Initiatives			V
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
Cheng-Kung University 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

Name of Organization (in chronological order)	Position Assumed		
	Board of Directors	Special Interest Committee	Member
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

Nan Pao's Donations and Expenses to Political Activities, Industry Associations, and Tax-Exempt Organizations

(Unit: NT\$)

	2019	2020	2021	2022	2023
Lobbying and Interest groups	0	0	0	0	0
Political activities and candidates	0	0	0	0	0
Chamber of commerce, associations and tax-exempt organization	129,227	176,189	191,357	1,108,781	7,426,000
Other	0	0	0	0	0
Total	129,227	176,189	191,357	1,108,781	7,426,000

Note: The statistical data presented in this report covers Nan Pao Taiwan for the years 2019 to 2021. Starting from 2022, the scope of the statistical data expands to encompass the entire Nan Pao Resin Group.

Top Three Donations or Expenses to Chambers of Commerce, Associations, or Tax-Exempt Organizations in 2023

(Unit: NT\$1,000)

Country	Category	Object	Amount	Description
Taiwan	Business Activity	Membership fees of various associations	2,979	Providing exchange on product development, bio-materials, industry unions, market information, etc.
China		Taiwanese Business Association in China	2,281	Related to industry operations
Australia		Elite Publishing, FCIA	968	Subscription to flooring materials, construction materials information

Benefit from Government Grants

Country	Project	Subsidizing Unit	Amount (NTD thousand)
China	Industrial Guidance Funds	iangsu Huai'an Economic Development Zone Management Committee	40,444
China	VAT Deduction	Foshan Sanshui District Leping Tax Bureau	7,452
China	Special Funds for Promoting High-Quality Economic Development, Support Funds for Promoting Foreign Trade Development, Subsidies for High-Quality Development of Private Economy and Small and Micro Enterprises	Foshan Sanshui District Economic and Technology Promotion Bureau	1,551
China	Various Human Resources Related Subsidies	Foshan Sanshui District Human Resources and Social Security Bureau	1,003
Taiwan	First Phase Subsidy for Large-to-Small Manufacturing Research Projects	Small and Medium Enterprise Counseling Foundation	842
China and Taiwan	Others (Social Security Subsidies, Unemployment Benefits, etc.)		2,051
Total			53,343

Changes in Location or Operations

A. Consolidation of Subsidiaries

Based on the group's future business strategy planning, Nan Pao has acquired 100% of the equity in "Nan Pao Resins International Ltd." and "Nan Pao Resins (HK) Limited," both subsidiaries of the group, from its subsidiary Nan Pao Group Holdings Ltd. This consolidation aligns with subsequent transaction processes and transfer pricing strategies, aiming to reduce tax risks and simplify the investment structure.

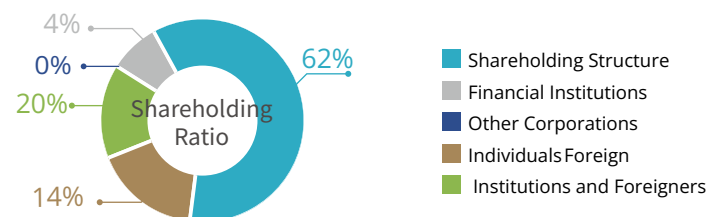
B. Establishment of a Production Base in Mainland China

- (1) In line with Nan Pao's mainland development strategy, the Board of Directors approved the purchase of land use rights in Anhui Province, China, in 2022, and established a subsidiary "Nan Pao Fine Chemical Materials (Anhui) Co., Ltd." The purpose is to establish a new benchmark production base in mainland China that meets the requirements of automation, environmental protection, green energy, and safety.
- (2) In 2023, the Board of Directors further approved a capital increase for "Nan Pao Fine Chemical Materials (Anhui) Co., Ltd." to meet the needs of plant construction and operation.

C. Establishment of a Subsidiary in India

To continuously expand the market share in overseas markets and align with the localization strategies of its customers' supply chains, the Board of Directors approved an investment in India in 2019. In 2023, the subsidiary "Nan Pao Materials Resins India Private Ltd." was established. By establishing a local manufacturing plant, the company aims to reduce supply chain nodes, lower production risks and export risks, shorten lead times, reduce costs, reduce carbon emissions, and enhance product competitiveness.

The Shareholding Structure Remained Largely Unchanged in 2023. The Shareholding Distribution is as Follows:





01

SUSTAINABLE BUSINESS



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1.1 Letter to Shareholders

A Pioneer in Sustainable Chemical Solutions

Founded over six decades ago, Nan Pao has been unwavering in its commitment to producing reliable chemicals, refining technology, and delivering exceptional service. As an industry leader, Nan Pao has invested heavily in developing environmentally friendly and sustainable products, such as water-based and low-VOC solutions that minimize pollution, carbon emissions, and energy consumption.

In line with the growing global emphasis on corporate sustainability and environmental protection, Nan Pao has further deepened its commitment to sustainability by implementing numerous internal and external initiatives to reduce its environmental impact. These initiatives include adopting automated production, implementing digital management systems, introducing information security management systems, implementing energy conservation and carbon reduction measures, and establishing continuous improvement promotion teams. Through these efforts, Nan Pao is continuously strengthening its capabilities, enhancing its competitiveness, and improving its profitability.

Recognizing its responsibility as a global citizen, Nan Pao has pledged to achieve carbon neutrality by 2050. To this end, the company has developed a carbon neutrality roadmap that clearly outlines its future mission and responsibilities.

Nan Pao's dedication to sustainability and innovation has yielded remarkable results in 2023:

- Group revenue reached NT\$20.6 billion, reaching an all-time high.
- Profitability set a new record, and the year-end share price reached NT\$281.
- Nan Pao was included in the Taiwan Corporate Governance 100 Index for the first time.

Expanding Gender Equality

Nan Pao is committed to promoting gender equality in the workplace. The company's board of directors has appointed one female independent director and plans to continue increasing the number of female directors with the long-term goal of achieving a 1/3 female representation on the board.

Investing in R&D, Enhancing Product Value, and Promoting Sustainable Products

Nan Pao's dedication to research and development (R&D) has resulted in a range of high-value and environmentally friendly products that have solidified the company's position as an industry leader. Nan Pao has been designated as the sole adhesive strategic supplier for a major customer and has been recognized as the best supplier of glue water by a global sports brand.

Diversifying Product Applications and Expanding Global Presence

Since its foray into the chemical building materials market, Nan Pao has been committed to diversifying its product applications. As of 2023, the company's Australian plant has generated revenue exceeding NT\$31 billion. In 2022, Nan Pao acquired Changshu Yubo Co., Ltd. to enter the China carbon fiber composite resin market, capturing import substitution, lightweight, and new energy opportunities, and promoting the group's upstream and downstream integration in

the carbon fiber business. In addition, the construction and design of the India materials plant officially started in 2023, further expanding the global layout of the supply chain.

Embracing Sustainability for a Thriving Future

Nan Pao is steadfast in its commitment to sustainability, driving progress across six key areas:

1. Supply Chain Harmony: We foster a collaborative and mutually beneficial relationship with our supply chain, emphasizing chemical safety management. All shoe material export products meet EU RoHS and REACH standards.
2. Partnering for Progress: As a bluesign® SYSTEM PARTNER and ZDHC Signatory, we share our expertise in chemical management to benefit the industry.
3. Sustainable Innovation: We invest heavily in R&D of bio-based and recycled raw materials, introducing sustainable products to the market and enhancing our competitive edge. We optimize product design, production, and logistics to reduce chemical use and emissions, protecting the environment and ecosystems.
4. Employee Safety and Health: Employee well-being is our top priority. We adhere to ISO45001 international occupational safety standards, aiming for zero workplace accidents. We prioritize contractor safety at our facilities. Our safety culture is "Zero Tolerance for Unsafe Acts." We believe in prevention over cure, conducting risk assessments and providing employee safety training to foster a safe, hazard-free work environment.
5. Community Engagement: Recognizing the higher environmental and operational risks of the chemical industry, we strive to prevent harmful emissions into neighboring communities. We prioritize employment opportunities for local residents and support community activities for children and seniors.
6. Continuous Improvement: We continuously refine our policies and measures, addressing environmental protection, safe production, and employee health and welfare. We listen to feedback from employees and stakeholders, establishing a feedback mechanism to enhance our environmental, safety, and health management strategies.

Nan Pao is committed to creating greater industry value and contributing to all stakeholders. Sustainability is our driving force, propelling our continued growth.



Nan Pao Chairman

Wu Cheng-Hsien

1.2 Sustainability Performance

Vision and Mission

Vision

To develop high value-added products oriented towards human health, and to provide services and solutions.

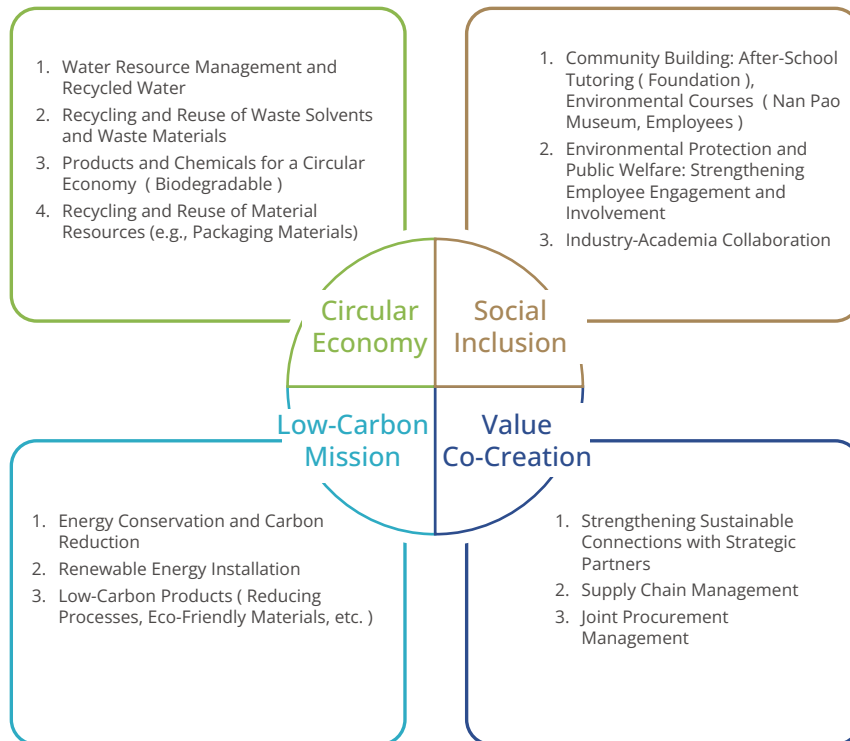
Mission

To be committed to innovative and eco-friendly products, becoming an indispensable strategic partner in various industries.

Core Values

Leading, Integrity, Teamwork, Efficiency

Sustainable Development Strategies and Focus Areas



Key Performance Indicators for ESG



Governance

1. Sustainalytics ESG Risk Rating (100-0; 0 being the lowest risk)

July 2020 - 36.0

July 2021 - 31.1

August 2021 - 23.4

March 2023- 26.7 (The company ranks 146th in terms of risk among 549 chemical companies globally)

2. S&P CSA Global ESG Ranking

February 2022-32

February 2023-49 (Among 497 chemical companies globally, ranked in the top 10%.)

February 2024-67 (Among 549 chemical companies globally, ranked in the top 3%.)

3. FTSE Russell ESG Ranking

June 2022 - 2.6 (0-5, with 5 being the best)

June 2023 - 3.4 (Percentile rank: 42, above the global specialty chemicals industry average of 2.7)

June 2023 - 3.7 (Percentile rank: 38, above the global specialty chemicals industry average of 2.7)

4. Taiwan Stock Exchange's 10th Corporate Governance Evaluation scored 99.74, ranking in the 6-20% range among listed companies for three consecutive years.

5. Selected for the first time as a constituent stock of the "Corporate Governance 100 Index".

6. The sustainability report was disclosed in accordance with SASB standards and obtained an external assurance report.

7. All directors and senior managers completed the signing of the compliance with the integrity policy statement.

Rated



McGraw Hill SUSTAINALYTICS

S&P Global

FTSE Russell



Environment

1. Formally committed to achieving carbon neutrality by 2050.
2. Established a carbon neutrality roadmap.
3. Conducted an inventory of Scope 3 greenhouse gas emissions for the group's chemical operations at various factories.
4. Installed renewable power equipment for self-use (solar power facilities have been set up at plants in Taiwan, Foshan, and Thailand).
5. Vietnam Nan Pao, Vietnam Materials, and Foshan Nan Pao received the Higg Facility Environmental Module (Higg FEM) certification for best factory environmental management.
6. Obtained bluesign® SYSTEM PARTNER certification.
7. Achieved ZDHC Signatories status, with 7 subsidiary factories obtaining MRSL V3.1 certification, and products shipped to well-known sports brands achieving 100% Level 3 certification.
8. Aiming to reduce the use of high-priority chemicals by 50% by 2030 compared to 2021 levels, and already met the target in 2023 ahead of schedule compared to the previous year.

Higg Index



ChemCheck
by ZDHC



Social

1. Accumulated social welfare donations amounting to NT\$79.75 million.
2. Utilized Nan Pao's expertise to organize chemical and science courses in the community, generating mutual benefits.
3. Employees engage in online self-learning through "Nan Pao E-Academy" to enhance corporate competitiveness.
4. Awarded the "2023 Happiness Enterprise Silver Award" by 1111 Job Bank.
5. Continued hosting "Community Factory Visits" to invite local residents for factory tours and promote community safety and interaction.
6. Partnered with social welfare organizations to hold the "Secret Santa" Christmas gift event, celebrating a warm Christmas with employees.



Xikang Junior High School Workplace Experience Event



"Secret Santa" Christmas gift event



1111 JOB BANK
HAPPIEST
EMPLOYEES
幸福企業

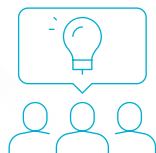
• Core of Sustainable Management

Nan Pao adheres to the vision and mission of the "Corporate Sustainability Development Committee" as outlined in the "Regulations on the Organization of the Corporate Sustainability Development Committee." The "Corporate Sustainability Development Working Team," composed of senior executives from various fields and professional backgrounds, reviews the company's core operational capabilities and sets short, medium, and long-term ESG development directions, working together to build Nan Pao's core strengths.

Nan Pao began addressing corporate social responsibility (CSR) issues independently in 2012 and established the Corporate Sustainability Development Committee (renamed the Corporate Sustainability Promotion Committee in 2022) in 2020. This committee reports to the board of directors on Nan Pao's sustainability performance and plans, providing updates on economic, environmental, and social development issues and international trends. It also arranges for board members to participate in sustainability-related courses to enhance the governance unit's knowledge of sustainability management.

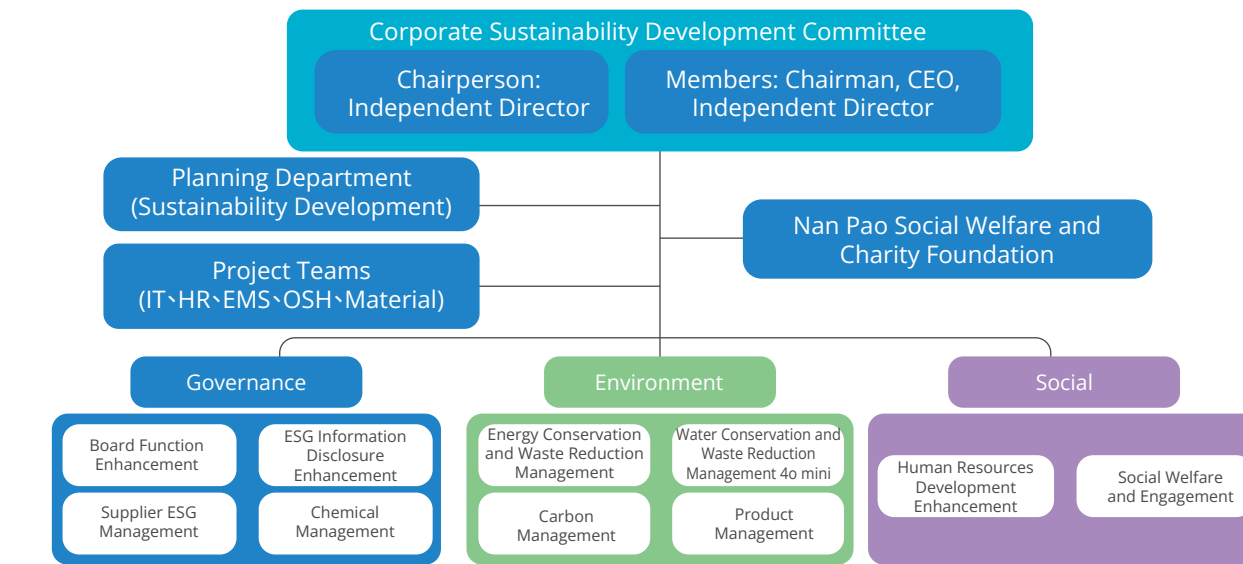
The governance structure and operational systems from the board of directors and management to various operational departments ensure smooth implementation of various issues through vertical management and horizontal communication. These issues include addressing stakeholders' concerns in economic, environmental, and social aspects of corporate sustainability.

1. Executive Advocacy and Support: The establishment of the Corporate Sustainability Development Committee is led by the board of directors and the CEO, who personally participate in promoting ESG work. Senior executives lead functional teams in sustainability initiatives based on the company's core capabilities and commit fully to achieving the goals.



2. Sustainability Management Platform: ESG management platforms, greenhouse gas platforms, and environmental data management platforms are established to manage sustainability progress and performance in real-time. The Corporate Sustainability Development Working Team holds meetings as needed to formulate strategies and facilitate cross-departmental communication and coordination, creating internal momentum for sustainability.

3. Participation of Middle Management: Middle managers are the key drivers of Nan Pao's sustainability initiatives. Given the diversity and complexity of sustainability issues, the ESG strategy unit proposes projects, which are then handled by various units. These units lead internal and external cross-organizational and departmental communication and collaboration, deepening Nan Pao's sustainability DNA and generating continuous improvement energy.



ISAE 3000 Assurance, TCFD

• Achieving SDGs

For the stiff challenges facing all humanity, Nan Pao is keen to achieve Sustainable Development Goals (SDGs). Under the leadership of the Corporate Sustainability 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 18 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.

1. Circular economy:

- Water resource management and reuse water
- Powder coating for water pipes provides higher quality and sustainable tap water
- Using recycled carbon dioxide derivatives as raw materials, it has excellent flexibility and breathability.
- Recycling and reusing of solvents and waste.
- (Degradable) Products and chemicals of circular economy.
- Recycle and reuse of material resources, sustainable packaging, etc. (packaging materials, etc.)



2. Low-Carbon Missions

- ISO50001 energy management system and measures to reduce energy consumption
- Installation of renewable energy equipment
- Low carbon products (reduce production processes, eco-friendly raw material, etc.)
- Collaborating with upstream and downstream partners to promote sustainable projects



3. Social Inclusion

- Community building: After-class tuition, chemical courses, environmental courses
- Environmental protection and public welfare: Enhance the passion and number of facets of employee participation
- Prioritize providing job opportunities for community residents
- Industry-academia collaboration
- Provide building materials and funds for infrastructure repairs
- Organic rice cultivation



4. Value Co-Creation

- Strengthen sustainability connection with strategic partners
- Supplier chain management on environment and social aspects
- Co-procurement management
- Implement Task Force on Climate-Related Financial Disclosures (TCFD)



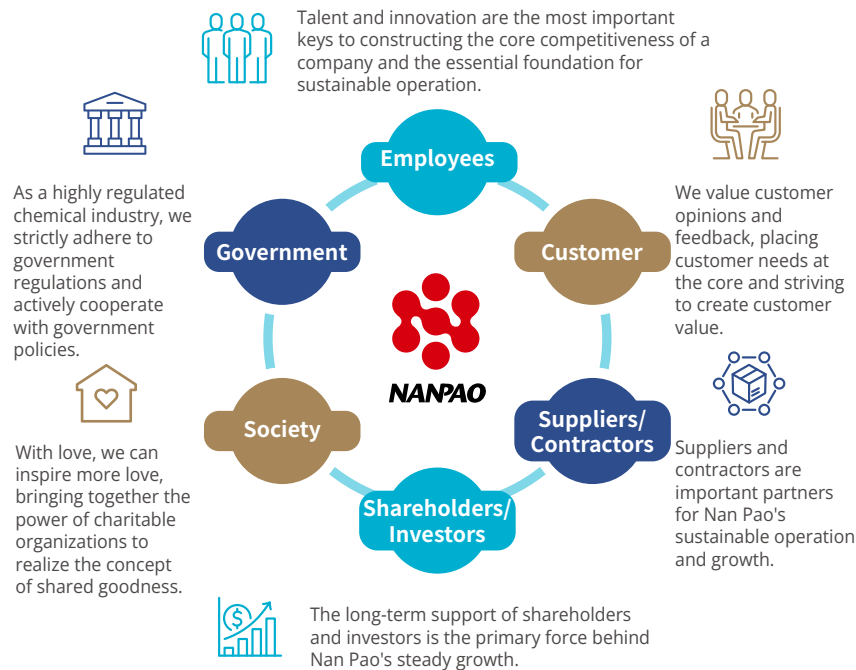
Sustainable Goals of NANPAO

SDGs	Sustainable Goals of NANPAO
	<ul style="list-style-type: none"> • Consistently donate over NT\$700,000 each year for servicing elderly living alone.
	<ul style="list-style-type: none"> • Consistently support the after-class tuition, and summer and winter camps for six elementary schools. • Provide more than two chemistry courses for elementary students by utilizing the Company's core chemistry competence
	<ul style="list-style-type: none"> • Taiwan Nan Pao has adopted ISO 46001 water efficiency management systems and introduced a filtration system to increase water recycling. • 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.
	<ul style="list-style-type: none"> • Complete the construction of renewable energy facilities with a capacity of 4,800 kW by 2025 in the chemical manufacturing plant area.
	<ul style="list-style-type: none"> • Sustainable supply chain: <ol style="list-style-type: none"> 1. Require suppliers to sign on "Supplier ESG Commitment Declaration". The completion rate exceeds 100%. 2. The completion rate for local raw material suppliers exceed 80%. • Facilitate safety of working environment: <ol style="list-style-type: none"> 1. Lower disabling injury to zero occurrence. 2. Regularly conduct disaster exercises each year
	<ul style="list-style-type: none"> • Consistently make investment to stay ahead technologically. The R&D expenditure amounted to 2.5%~3% of the revenue • Providing construction materials and funds for infrastructure repair.
	<ul style="list-style-type: none"> • Chemical Management In 2023, Taiwan Nan Pao reduced the use of high-priority chemicals by 50% compared to 2021, and is actively seeking alternative raw material solutions, such as formaldehyde-free, non-nonylphenol, and boric acid-free formulations. • Promoting Health Management Maintain zero occupational diseases caused by chemical exposure.
	<ul style="list-style-type: none"> • Lifecycle-Based Reduction Goals: Continue to reduce carbon emissions, with a target to decrease product carbon intensity by 5% in 2025 compared to the previous year, achieve carbon neutrality by 2050, and complete the Scope 1, 2, and 3 greenhouse gas inventory for the entire plant and obtain ISO 14064-1 certification by 2027. • TCFD and Scenario Analysis Implementation: Enhance the resilience of the supply chain to climate change risks through the adoption of the TCFD framework and scenario analysis.
	<ul style="list-style-type: none"> • Joined ZDHC Signatory: All chemical products supplied to well-known sports brands have achieved 100% Level 3 certification. • Became bluesign® SYSTEM PARTNER: Continuously increasing the number of textile chemicals certified by bluesign®.

1.3 Stakeholder Engagement

Identifying Communication Stakeholders

Nan Pao uses diverse communication channels to understand the issues that concern stakeholders. This information is used as a key reference for management policies and implementation plans and is addressed in this report. Following the AA1000SES Stakeholder Engagement Standard, which includes five aspects: Influence, Concern, Responsibility, Dependence, and Diversity of Perspectives, stakeholders are categorized into six groups based on their importance: Employees, Customers, Suppliers/Contractors, Shareholders/Investors, Society, and Government.



Communication and Issues of Concern of Stakeholders



Employee

Issue of Concern

- Employee Compensation and Benefits
- Employee Performance Evaluation System
- Talent Development and Growth
- Physical and Mental Health and Workplace Safety
- Labor Relations
- Operational Performance
- Employee Feedback and Communication

Communication Channel (s) and Frequency

- Employee performance appraisals conducted semi-annually.
- Ongoing employee education and training.
- Safety and health committee meetings and internal safety meetings held regularly.
- Labor-management meetings held quarterly.
- Weekly and monthly internal communication meetings.
- Bi-weekly employee meetings.
- Internal electronic bulletin board for announcements.
- Employee feedback mailbox for immediate concerns.
- Whistleblower reporting procedure for immediate issues.
- Electronic bulletin board used to post updates on employee benefits, welfare committee information, important operational news, training course details, and annual performance management activities.

Response methods and communication achievements

- Regular Performance Reviews: Employee performance is reviewed every six months, with annual promotion recommendations for outstanding employees.
- Training and Development in 2023: The company's learning and development platform saw 16,735 course participations, totaling 22,369 training hours, averaging 1.34 hours per person.
- Safety and Health Committee Meetings in 2023: Held four times, along with eight internal safety meetings to discuss and address audit deficiencies.
- Labor-Management Meetings in 2023: Held four times.
- Management Coordination in 2023: Held 43 management coordination meetings, 11 business management meetings, and 11 weekly meetings, where supervisors shared information about company operations and technical developments with employees.
- Internal Electronic Bulletin Board: Used for irregular announcements regarding employee benefits, welfare committee information, important company operational news, training course details, and annual performance management activities.



Customers

Issue of Concern

- Customer Satisfaction Surveys
- Innovation and Green Products
- Service/Product Quality
- Marketing Communication
- Customer Protection and Communication

Communication Channel (s) and Frequency

- Customer Satisfaction Surveys (annually)
- Innovation Technology Seminars (annually)
- Customer Service Hotline and Email (immediate)
- Official Website and Social Media (irregular)
- Technical Innovation Exhibitions (annually)
- Sales Contact Points (immediate)

Response methods and communication achievements

- Annual Customer Satisfaction Surveys: Conducted, analyzed, and addressed annually, with 82 surveys distributed in 2023.
- Sustainable Low-Carbon Building Materials and Coatings Innovation Seminar and Achievement Presentation: Held on 2023/12/14.
- Regular Quality Control System Audits: External audit (2023/11), internal audits, process audits, and product audits.
- Nike Global Chemical Conference 2023: Awarded Best Adhesive Supplier.
- Designated as the Sole Strategic Adhesive Supplier in Asia by a client.
- Participation in Taipei Textile Show 2023.
- Irregular Updates and Announcements: Posted on the official website and Facebook.
- Technical Service Team: Provides professional support and solutions for customer product and technical issues on an irregular basis.
- No Complaints in 2023: No recorded complaints regarding information security or privacy breaches.



Suppliers/Contractors

Issue of Concern

- Green Supply Chain Management
- Product Quality
- Business Ethics
- Regulatory Compliance

Communication Channel (s) and Frequency

- Supplier Evaluation (annually)
- Supplier On-Site Audits (annually)
- Supplier Questionnaires and Declarations (irregular)
- Contractor Safety Meetings (annually)

Response methods and communication achievements

- Supplier Evaluations: Conducted in January, July, and November 2023 for a total of 435 raw material suppliers.
- Risk Assessments and On-Site Audits: Performed for 7 key suppliers.
- Local Procurement: 81.8% of raw material procurement expenditure in 2023 was locally sourced.
- Supplier Code of Conduct: In 2023, 100% of raw material suppliers signed the Supplier Code of Conduct Declaration.
- Contracts with Suppliers: Contracts include specific clauses to ensure supplier compliance with requirements.



Shareholders and Investors

Issue of Concern

- Corporate Governance
- Financial Performance Transparency
- Business Operations Development
- Sustainable Development Strategy
- Risk Management

Communication Channel (s) and Frequency

- Public Information Observatory (regular/irregular)
- Investor Conferences (quarterly)
- Official Website Disclosure (regular/irregular)
- Annual Shareholder Meetings and Annual Reports (annually)
- Domestic and International Investment Forums (irregular)
- Visits from Investment Institutions or Brokerages (irregular)
- Investor Relations Contact (immediate)

Response methods and communication achievements

- Included in the "Corporate Governance 100 Index".
- 2023 Stock Exchange Corporate Governance Rating: Scored 97.74, consistently ranked in the 6-20% range among listed companies for three consecutive years.
- 2023 S&P CSA Rating: Scored 67, placing in the top 3% out of 573 global chemical companies.
- 2023 FTSE Russell ESG Rating: Scored 3.7, exceeding the global specialty chemicals industry average of 2.7.
- Monthly Revenue Announcements: Posted on the Public Information Observatory; 34 major news releases in both Chinese and English on the observatory.
- Participated in 6 Investor Conferences in 2023: Provided video links and information.
- Regular Financial News Releases on Company Website: 12 monthly revenue press releases and 4 quarterly financial report press releases.



Society

Issue of Concern

- Community Engagement and Care
- Environmental Protection
- Volunteer Services
- Occupational Safety and Health

Communication Channel (s) and Frequency

- Nan Pao Social Welfare and Charitable Foundation (immediate)
- ESG Contact Email (immediate)
- Volunteer Service Activities (irregular)
- Project Donations and Sports Sponsorships (irregular)

Response methods and communication achievements

- Since its establishment at the end of 2007 until 2023, the Nan Pao Resin Foundation has accumulated a total donation amount of NT\$79.75 million.
- In 2023, the expenditures of the Nan Pao Resin Social Welfare Foundation were categorized as follows:
Unit: New Taiwan Dollars (NT\$)

	Primary Education	Elderly Welfare	Vulnerable Care	Volunteer Services	Other	Total
\$	3,116,866	740,000	1,687,573	244,047	1,205,530	6,994,016
%	45%	11%	24%	3%	17%	100%

- Continuously organizing "Community Factory Visits": Inviting local residents to visit the factory to enhance community safety and communication.
- Collaborating with Xigang Junior High School to host "Chemical Industry Career Experience" events: Enhancing students' professional knowledge and skills while promoting school-business cooperation.
- Partnering with Xigang Chenggong Elementary School for the "Duanwu Music Concert": Using public welfare activities to strengthen community connections and social harmony.
- Organizing the Christmas with Compassion event: Employees fulfill wish lists from students at the Compassion School, spreading love and positive energy.
- Co-hosting the "Clean Beach Family Day" event with Xigang Chenggong Elementary School and related companies: Combining with Earth Day to promote environmental awareness.
- Awarded the "2023 Happy Enterprise Silver Award" by 1111 Job Bank.



Government

Issue of Concern

- Regulatory Compliance
- Communication with Regulatory Authorities
- Occupational Safety and Health
- Greenhouse Gas Reduction
- Environmental Protection
- Energy Management

Communication Channel (s) and Frequency

- Comply with regulatory requirements and submit reports regularly
- Cooperate with regulatory authorities' supervision and inspections
- Participate in specialized meetings organized by regulatory authorities on an irregular basis
- Non-financial information disclosure: Publish an annual corporate sustainability report

Response methods and communication achievements

- Respond promptly to the stock exchange's survey questionnaires; completed 20 questionnaires in 2023.
- Participate in regulatory advocacy meetings or seminars organized by authorities on an irregular basis.
- Establish an Occupational Health and Safety Management System based on ISO 45001: Systematically promote occupational health and safety management to ensure regulatory compliance and effective implementation.
- Publish an annual corporate sustainability report: Disclose specific actions and results related to Environmental (E) , Social (S) , and Governance (G) aspects.

1.4 Material Topic Identification

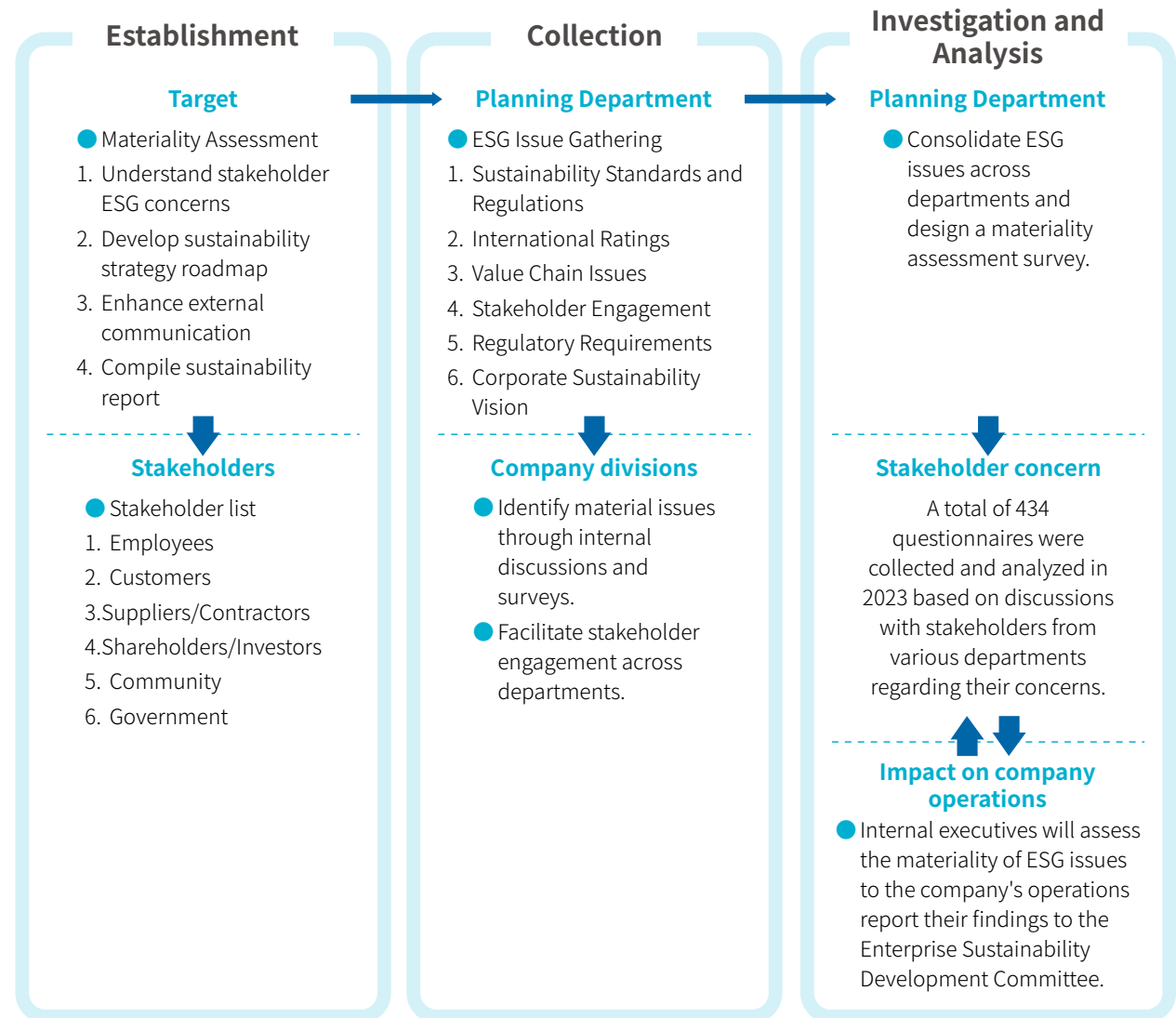
Roles in Materiality Analysis

Nan Pao refers to the Global Sustainability Standards Board (GSSB) and executes Materiality Analysis based on the GRI 3 Material Topics (GRI 3: Material Topics 2011) of the GRI Universal Standards 2021, announced in October, 2021.

The GRI 3 Material Topics provide guidance for companies to progressively identify material topics and define "material topics" as follows: "Topics that represent significant impacts on the organization's economy, environment, and society, including human rights impacts." These impacts represent the positive or negative influence of the organization on sustainable development.

Materiality Analysis Process

Nan Pao follows the four core principles of materiality identification outlined in the AA1000 Accountability Principles (2018) and GRI Standards (2021): Inclusivity, Materiality, Responsiveness, and Impact. Each year, Nan Pao Resin conducts a structured materiality assessment using the following steps: "Establish, Collect, Investigate, and Analyze". This process ensures that we review sustainability-related issues and identify and prioritize the most relevant and impactful aspects of our business.



Sources of Sustainability Issues

We have identified 17 sustainability issues based on international standards and guidelines (GRI Standards, SDGs, SASB, TCFD), sustainable investment institutions (DJSI, MSCI, Sustainalytics), industry trends from our value chain (peers, key customers), domestic and international policies and regulations, and stakeholder feedback. Through a workshop with internal sustainability experts and external consultants, we conducted a materiality assessment, considering our enterprise risk analysis report and stakeholder feedback on the significance of each ESG issue to our business operations. Ten material sustainability issues were selected and ranked based on their relative importance.

A double materiality assessment was conducted to evaluate the impacts of internal and external sustainability issues on our organization and operations, as well as economic, environmental, and social dimensions. Issues identified as "highly material" were prioritized for management. The definitions and management strategies for each materiality level are outlined below.

Quantified impact

We have quantified the impacts of material issues on the economy, environment, and people (including human rights) by assigning scores of 1 to 5 for both the severity and likelihood of occurrence. These scores were determined through an annual risk assessment process involving relevant departments and stakeholder impact assessments. Human rights issues were given a 20% weighting. The positive and negative scores for each issue were averaged to calculate the overall impact, and the results were compiled by the Planning Department.

Sustainability Materiality compilation

E nvironment

Circular Economy
Climate Change
Water Resource
Air Pollution
Wastes
Biodiversity

S ocial

Employee Care
Occupational Safety
Employee Training
Human Right
Customer Relations
Community

G overnance

Economic Performance
Integrity and Accountability
IT Management
Chemical Safety
Supply Chain

Materiality

1. Chemical Safety

2. Occupational
Safety

3. Wastes

4. Circular Economy

5. Employee Care

6. Air Pollution

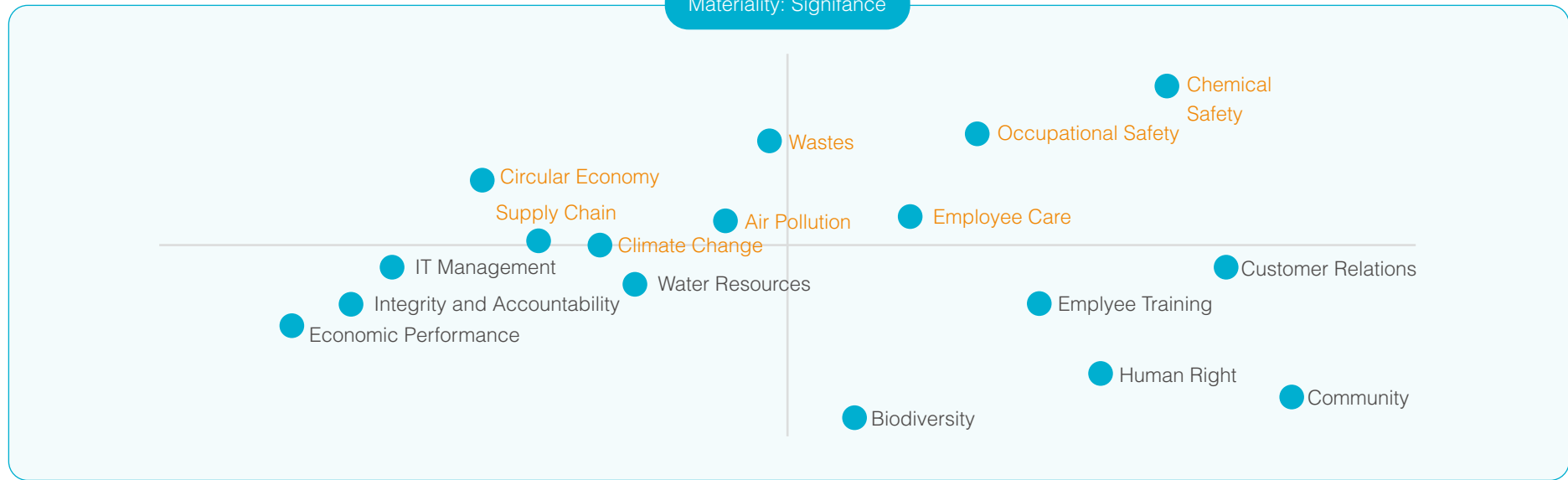
7. Supply Chain

8. Climate Change

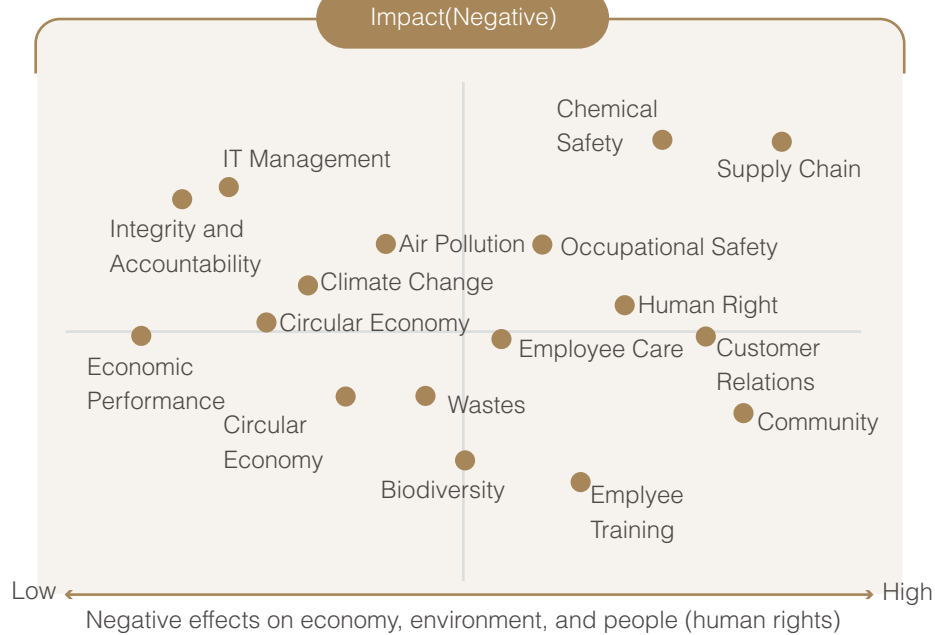
9. IT Management

10. IT Management

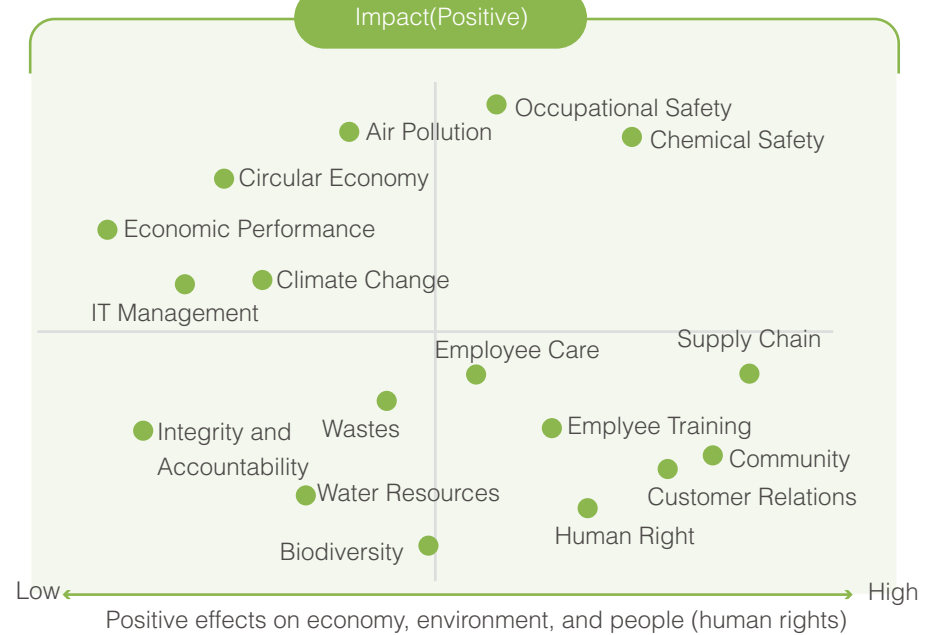
Materiality: Significance



Impact(Negative)



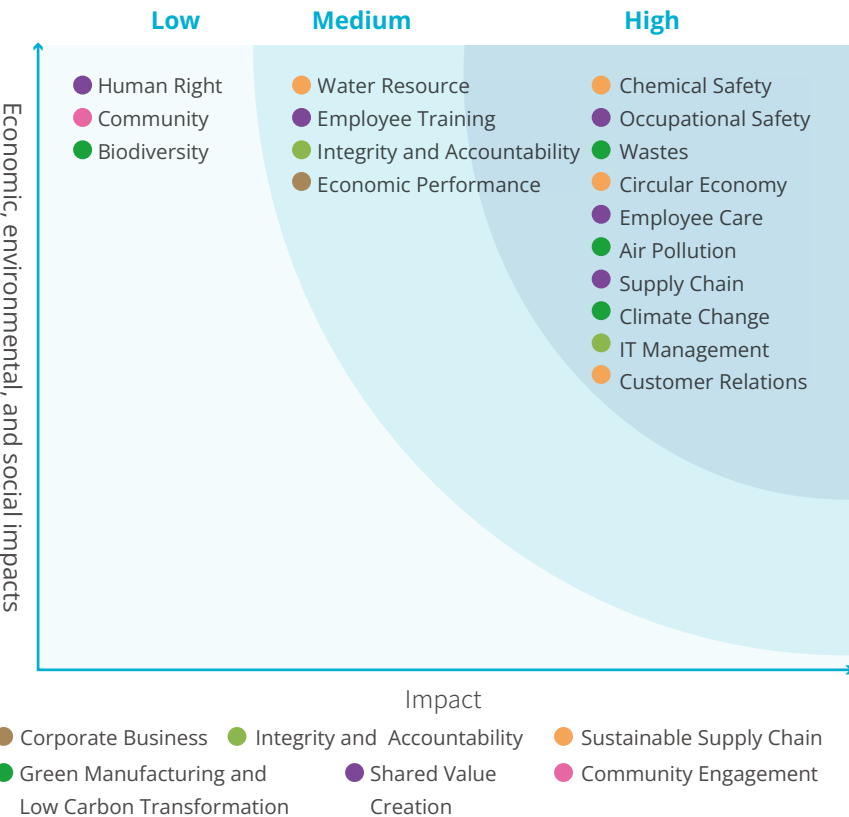
Impact(Positive)



Materiality Assessment Results

Nan Pao has conducted a materiality assessment by comparing the results of an internal impact assessment with a survey of 434 stakeholders. The overlapping topics were identified as material issues and approved by our Sustainability Steering Committee. We have categorized these issues into three levels of materiality based on their significance to Nan Pao and their economic, environmental, and social impacts. The following outlines our definitions and management strategies for each level of materiality:

- Highly Material: Set targets and monitor regularly.
- Moderately Material: Establish management policies and assign a responsible unit.
- Low Materiality: Low short-term impact; continue to monitor.







Assessing Materiality and Impacts: A Nan Pao Commitment





Nan Pao is committed to identifying and addressing material issues that have a significant impact on our business, stakeholders, and the environment. We have adopted the GRI Standards 2021 to assess the economic, environmental, social, and human rights impacts of these issues throughout our value chain, from sourcing to end-use.



● Direct Impact ○ Indirect Impact

Materiality	Actual and Potential Impacts				Scope of Impacts		
	Economy	Environment	Social (People)	Human Right	Nan Pao	Upstream	Downstream
Chemical Safety		Hazardous chemicals	Human health	Health	●	○	●
Occupational Safety			Human health	Health	●	○	
Wastes	Resource circularity	Renewable resources	Hazardous industrial waste		●	○	●
Circular Economy	Resource circularity	Renewable resources	Hazardous industrial waste	Climate change and environment	●	●	○
Employee Care			Create job opportunities	Business and Human Rights	●		○
Air Pollution	Fines for violations	Particulate matter	Working conditions	Health	●		○
Supply Chain	Industrial value	Renewable resources	Working conditions	Business and human rights	○	●	
Climate Change	Climate Risk Management	Greenhouse Gas Emissions	Quality of Life	Climate Change and Environment	●	●	●
IT Management	Intangible Asset Management		Information Security	Information Security	●		●
Customer Relations	Industry Output Value	Hazardous Chemicals	Information Security	Business and Human Rights	●		○

Nan Pao's Materiality Management and Risk Mitigation

Material Issues	Risk Factors	Management Approach	
		Importance to Nan Pao	Goals or Strategies
 Chemical Safety Management	<ul style="list-style-type: none"> Exceeding the limits of high-priority chemicals in products Safe storage and transportation of chemicals 	<ul style="list-style-type: none"> Chemical management is a cornerstone of Nan Pao's development. We adopt a product lifecycle approach from the design stage to help customers develop alternatives. We avoid using chemicals that pose potential risks to human health during product design and strive to minimize employee exposure to chemicals. To effectively manage quality, all footwear products must pass international RSL testing standards before shipment. 	<ul style="list-style-type: none"> Reduce the number and usage of high-priority chemicals by 50% by 2030 Chemical hazard and risk assessment Communication of chemical safety information Development of alternatives Establish a real-time monitoring system for on-site chemical inventory
 Occupational Safety, Health, and Emergency Response	<ul style="list-style-type: none"> Fires Employee occupational injuries 	<ul style="list-style-type: none"> People are a vital asset to our company. Nan Pao is committed to creating a safe and healthy working environment for our employees and contractors, fostering a safety culture from the top down. 	<ul style="list-style-type: none"> Zero accidents, zero environmental fines, and zero occupational safety incidents Promote a safety culture Install environmental monitoring systems (temperature, noise, VOC) Replace outdated fire equipment Regular fire drills Plan to purchase employer's liability insurance
 Waste Management	<ul style="list-style-type: none"> Waste disposal costs continue to rise 	<ul style="list-style-type: none"> Waste management helps reduce negative environmental impacts, including pollution and ecological damage Effective waste management can help businesses save costs by reducing waste and increasing resource efficiency 	<ul style="list-style-type: none"> Waste disposal volume decreased by 5% compared to the previous year Recycling and reusing waste solvents Outsourcing defective products to be processed into SRF fuel Recycling and reusing pallets and packaging drums
 Circular Economy	<ul style="list-style-type: none"> Lagging in new product development (e.g., textile PUD, water-based PSA) 	<ul style="list-style-type: none"> By minimizing resource use, prioritizing on-site recycling and reuse, and delaying the disposal of materials as waste, we actively reduce environmental impact Collaborate with suppliers to develop waste recycling and reuse technologies, implement a circular economy, and maximize energy and resource efficiency Actively develop applications for recycled and bio-based materials to reduce the mining and synthesis of virgin chemical raw materials and minimize resource consumption 	<ul style="list-style-type: none"> Product carbon emissions decreased by 5% compared to the previous year Increase the amount of waste recycled and reused Strengthen cooperation with external academic institutions and R&D organizations

Material Issues	Risk Factors	Management Approach	
		Importance to Nan Pao	Goals or Strategies
 Employee Care and Benefits	<ul style="list-style-type: none"> Insufficient employee training Difficulty in recruitment, low interest in production shift work among job seekers, leading to employee overtime 	<ul style="list-style-type: none"> Cultivating talent, actively recruiting and retaining talent are the cornerstones of strengthening the company's R&D, manufacturing, and service capabilities. Provide employees with quality job opportunities, including competitive total compensation, stable employment benefits, and a safe and healthy work environment, to enhance employee engagement and sense of belonging, and ensure a rich talent pool. 	<ul style="list-style-type: none"> Develop future talent capabilities Unleash employees' learning potential Implement employee retention incentive programs
 Air Quality	<ul style="list-style-type: none"> Excessive VOC waste disposal Odor emissions 	<ul style="list-style-type: none"> Nan Pao is committed to creating a better living environment for all citizens. Our greatest motivation is to provide the public with clean air and blue skies 	<ul style="list-style-type: none"> Air pollutant emissions decreased by 5% compared to the previous year Collecting VOCs through condensation Planning to install RCO or RTO treatment facilities Measuring emissions pipe concentrations Hydrogen sulfide testing in ponds Manual dosing treatment
 Supply Chain Sustainability Management	<ul style="list-style-type: none"> Increased geopolitical risks affecting production and logistics Fragmentation of the global supply chain may cause customers to shift shipping locations and production bases 	<ul style="list-style-type: none"> A sustainable supply chain helps mitigate operational disruption risks. Nan Pao has established a supplier code of conduct to promote labor rights, safety, health, environmental protection, business ethics, and management system performance among our suppliers 	<ul style="list-style-type: none"> Internal factory planning (Daden Phase II, Central Java, India) Business continuity risk management
 Climate Change Response	<ul style="list-style-type: none"> Carbon tax imposition 	<ul style="list-style-type: none"> Extreme weather poses significant risks to production operations. Nan Pao is committed to improving processes to mitigate and adapt to these risks, and to expanding the use of renewable energy to gradually transition to net-zero carbon emissions 	<ul style="list-style-type: none"> Promoting low-carbon manufacturing Using renewable energy Improving energy efficiency

Material Issues	Risk Factors	Management Approach	
		Importance to Nan Pao	Goals or Strategies
 Information Security Management	<ul style="list-style-type: none"> Company operational data was held hostage by ransomware BEC (Business Email Compromise) scams Leakage of important R&D information 	<ul style="list-style-type: none"> Effective information security management not only protects corporate data and customer privacy but also strengthens the company's reliability and transparency, thereby enhancing its ESG image and reputation 	<ul style="list-style-type: none"> Continuously increasing the number of operational sites implementing ISO27001 Proactively increasing information security protection and employee cybersecurity awareness
 Customer Relationship Management	<ul style="list-style-type: none"> Product quality anomalies Accelerating the development of innovative products Supply disruptions The Israel-Palestine conflict has increased the risk of non-payment from nearby customers 	<ul style="list-style-type: none"> Through proactive customer relationship management, companies can better understand customer needs and expectations, and provide targeted products and services to increase customer satisfaction and loyalty Appropriate customer communication and feedback mechanisms can help companies better respond to social and environmental issues and actively participate in ESG-related initiatives and activities 	<ul style="list-style-type: none"> Over 90% of customers gave an average satisfaction rating of 4 or above in customer satisfaction surveys Business continuity risk management Diversified production bases (soft packaging and PSA production in Vietnam; textile PUR outsourced to China)

Stakeholder engagement is at the heart of Nan Pao's sustainability journey. By actively listening to our stakeholders and responding to their feedback, we are able to align our business strategies with their expectations. Through our sustainability reporting, website, and other communication channels, we provide transparency into our sustainability performance and demonstrate our commitment to creating shared value.



02

STEADY CORPORATE GOVERNANCE

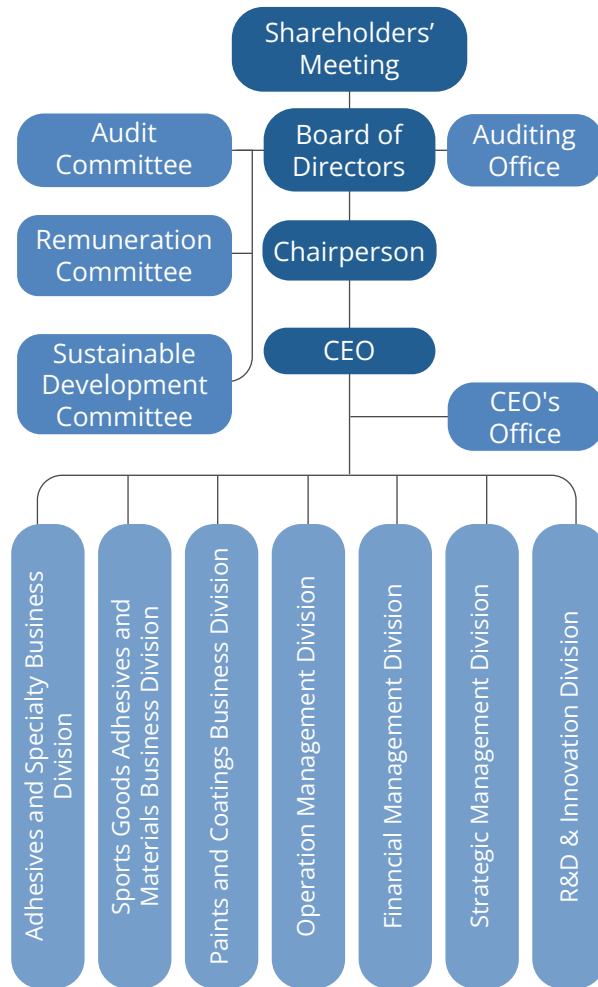


- 2.1 Operating and Management Structure
- 2.2 Board Composition and Governance

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32

2.1 Operating and Management Structure



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.

The Nan Pao Board of Directors, led by Chairman Wu Cheng-Xian, receives quarterly reports from the management team on business performance, environmental safety, investment results, and offers appropriate suggestions for proposed strategies. There is smooth communication between the management team and the Board, focusing on achieving company goals and maximizing shareholder value. According to the company's articles of association, the Board meets at least quarterly to oversee and understand the execution of operational plans, financial statements, audit reports, and their follow-ups. In 2023, the Board held seven meetings with a 97.96% attendance rate, ensuring effective oversight of operations. Important resolutions of the Board are regularly published in the investor section of the company website.

To strengthen its supervisory and management functions, the Nan Pao Board has established three functional committees:

Audit Committee (established in 2017)

Assists the Board in overseeing the company's processes related to the appointment and removal of certified accountants, financial reporting, internal control systems, and risk management mechanisms.

Compensation Committee (established in 2017)

Assists the Board in implementing and evaluating the overall compensation policies, goals, and performance achievements of the company's directors and managers.

Corporate Sustainability Development Committee (formerly Corporate Social Responsibility Management Committee, established in 2020)

Coordinates the formulation of the company's sustainability policies, planning of sustainability goals, and implementation of sustainable operations.

Directors' Professional Qualifications and Independent Directors' Independence Status

Name	Criteria	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Cheng-Hsien, Wu  Committee member (Note 1)		Mr. Cheng-Hsien, Wu obtained a M.S. degree in Applied Chemistry from National Tsing Hua University and has over 40 years work experience. Since joined the Nan Pao Research Department in 1977, he has served as the director of Bao Li Plant, the general manager of the R&D Department, the executive general manager of the Adhesives and Specialty Business Division and the general manager. He served as the chairman of Nan Pao Resins Chemical Co., Ltd. from 2013. He is professionally proficient in industry knowledge, business management, and leadership decision-making.	Chairman Wu also serves as director, supervisor and chairman of the Company's affiliates and is not an independent director. For others, conformance to independence specified in article 3-1 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission.	0
Pou Chien Enterprise Co., Ltd. Representative: Wang-Chyan, Lin		Mr. Wang-Chyan, Lin obtained a M.S. degree in Philosophy from Tunghai University and has over 20 years of experience in human resources. He joined Pou Chen Group in 2016 and has served as the Deputy General Manager and Chief Human Resources Officer of Pou Sheng International (Holdings) Limited. Since 2024, he has served as the Executive Senior Manager of Global Supply Chain Management Head Office of Pou Chen Corporation. Mr. Lin currently serves as Director of Top Units Developments Ltd. and Ka Yuen Rubber Factory Ltd. He is professionally proficient in industry knowledge, human resources and business management.	Director Lin is representative of the Company's institutional director (Pou Chien Enterprise) and is not an independent director. For others, conformance to independence specified in article 3-1 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission.	0
Guang Rong Investment Ltd. Representative: Ming-Hsien, Hsu  Committee member (Note 1)		Mr. Ming-Hsien, Hsu obtained a M.S. degree in Industrial Management from National Cheng Kung University and has over 30 years work experience. Since joined the Enterprise Management Office in 1986, he has served as the manager of the General Management Office and the deputy general manager of the Planning Office. He served as the CEO of Nan Pao Resins Chemical Co., Ltd. from 2017. He is professionally proficient in industry knowledge, business management, and leadership decision-making.	Director Hsu also serves as the Company's CEO, director and supervisor of the Company's affiliates. He is representative of the Company's institutional director (Guang Rong Investment) and is not an independent director. For others, conformance to independence specified in article 3-1 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission.	0
Guang Rong Investment Ltd. Representative: Ying-Lin, Huang		Mr. Ying-Lin, Huang obtained a M.S. degree in Applied Chemistry from Waseda University in Japan. He has served as the Senior Specialist of the New Business Development Center and the Special Assistant of the Chief Executive's Office. Mr. Huang currently serves as the Executive General Manager in Sports Goods Adhesives and Materials Business Division of Nan Pao Chemical Co., Ltd. and Director of Advant Analytics Tactics Ltd., Apogee Optocom Co., Ltd., Ferrule Precision Co., Ltd., and Opulence Optronics Co., Ltd. He is professionally proficient in industry knowledge and leadership decision-making.	Director Huang also serves as the Executive General Manager in Sports Goods Adhesives and Materials Business Division, director of the Company's affiliates. He is representative of the Company's institutional director (Guang Rong Investment), moreover, the individual (or under nominees), spouse and minors hold more than 1% of the Company's issued shares. He is not an independent director. For others, conformance to independence specified in article 3-1 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission.	0

Name	Criteria	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Yun, Chen (A) Convener (C) Convener (S) Convener (Note 1)		Mr. Yun, Chen graduated from Industrial Chemistry of Tung Hai University and subsequently obtained a M.S. degree in Macromolecule from National Tsing Hua University and a Ph.D. degree in Synthetic Chemistry, Faculty of Engineering from University of Tokyo, Japan. Mr. Chen has over 40 years work experience. He has served as the Distinguished Professor of National Cheng Kung University and currently serves as the Honorary Professor of National Cheng Kung University. He is professionally proficient in industry knowledge.	Before and during his tenure, and in the two years prior to his appointment, Independent Director Chen met the qualifications stipulated by the Financial Supervisory Commission's "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act. Additionally, as provided by Article 14-3 of the Securities and Exchange Act, Independent Directors have been granted the authority to fully participate in decision-making and express their opinions, enabling them to independently carry out their relevant duties.	0
Yung-Cheng, Chiang (A) Committee member (C) Committee member (S) Committee member (Note 1)		Mr. Yung-Cheng, Chiang graduated from Faculty of Law of Soochow University and has over 30 years work experience. He has served as the judge of Taiwan Kaohsiung District Court and Taiwan High Court Kaohsiung Branch Court. Currently he serves as the lawyer of Attorney of Cheng Bang & Cheng Yang Joint Law Firm. Mr. Chiang had more than 25 years of experience practicing in a law firm. Furthermore, he served as the Independent Director of Long Da Construction & Development Corporation, Taiwan Secom Co., Ltd. and Top High Image Corp. He is professionally proficient in law.	Before and during his tenure, and in the two years prior to his appointment, Independent Director Chiang met the qualifications stipulated by the Financial Supervisory Commission's "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act. Additionally, as provided by Article 14-3 of the Securities and Exchange Act, Independent Directors have been granted the authority to fully participate in decision-making and express their opinions, enabling them to independently carry out their relevant duties.	3
Chin-Jung, Kuo (A) Committee member (C) Committee member (S) Committee member (Note 1)		Ms. Chin-Jung, Kuo graduated from Institute of Industrial Management of National Cheng Kung University and subsequently obtained a M.S. degree in Accounting from University of Southern Illinois, USA. Ms. Kuo has over 30 years work experience. She has served as the deputy chairperson of Accounting and Audit Committee, Taipei City Certified Public Accountants Association, the director and supervisor of National Federation of CPA Associations of the Republic of China and the adjunct assistant professor of Department of Accounting, Tamkang University. Currently she serves as the chairperson of Accounting and Audit Committee, CPA Association of Taiwan Province, the managing partner of Guangxin Yiqun Certified Public Accountants Firm and the chairman of Taipei Tax Agents Association.	Before and during her tenure, and in the two years prior to his appointment, Independent Director Kuo met the qualifications stipulated by the Financial Supervisory Commission's "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act. Additionally, as provided by Article 14-3 of the Securities and Exchange Act, Independent Directors have been granted the authority to fully participate in decision-making and express their opinions, enabling them to independently carry out their relevant duties.	1

Note 1: Functional Committees: (A) Audit Committee (C) Compensation Committee (S) Corporate Sustainability Development Promotion Committee

Note 2: None of the directors of the Company has circumstances pertaining to any of the provisions of Article 30 of the Company Act.

2.2 Board Composition and Governance

Directors' Professional Qualifications and Experience

The nomination and selection of Nan Pao's directors follow fair, just, and open procedures as stipulated by the Company Act and relevant regulations. The composition of the Board of Directors considers organizational culture, operational style, and long-term development while implementing a policy of diversity among its members. Board members must possess the necessary knowledge, skills, and qualities required for their duties. The overall capabilities of the Board should include operational judgment, accounting and financial analysis, management skills, crisis management, industry knowledge, international perspective, leadership, and decision-making ability.

Board Diversity and Independence

Diversification of the Board:

In line with the policy of membership diversification for the board of directors, as stipulated in the "Corporate Governance Best Practice Principles" which includes but not restrict the following two standards:

- (1) Basic condition: gender, age, nationality, race and culture, etc.
- (2) Professional knowledge and skill: professional background (such as law, accounting, industry, finance, marketing or technology), professional skill and industrial experience.

The Company select 7 directors (including 3 independent directors) at 2023 Shareholders' Meeting on June 21, 2023. The members of the board are all outstanding figures in industry and academia, boasting mutually complemented industrial experience, as well as expertise in finance, accounting and law, meeting the diversified board management targets.

Management targets :	Target achievements :	
(1) At least 1 female director of the board members	(1) The board members include one female director, with women making up 14.29% of the board	Achieved
(2) More than one-third of the board seats are independent directors	(2) The proportion of independent directors is 42.86%	Achieved
(3) Directors concurrently act as managerial officers shall not be more than one-third of the board seats	(3) The proportion of directors concurrently act as managerial officers is 28.57%	Achieved
(4) No more than two directors have a marital relationship, or a relative within the second degree of kinship to any other director of the Company	(4) No directors have a marital relationship, or a relative within the second degree of kinship to any other director of the Company	Achieved



Implement the Policy of Diversification in the Borad

Name	Basic Condition and Value			Date First Appointment	Tenure of Independent Directors	Employed by NanPao	Concurrently Serve as Manager	Professional Knowledge and Expertise								Industrial Experience	
	Gender	Age	Nationality					Industry Experience	Business Management	Leadership Decision-making	Finance and Accounting	Legal	Human Resources	ESG	Risk Management	Chemical Engineering	Sports and Leisure
Cheng-Hsien, Wu	Male	71-80	ROC	20140627				✓	✓	✓				✓		✓	
Ming-Hsien, Hsu	Male	61-70	ROC	20140627		✓	✓	✓	✓	✓	✓			✓	✓	✓	
Ying-Ling, Huang	Male	31-40	ROC	20200616		✓	✓	✓	✓	✓						✓	
Wang-Chyan, Lin	Male	51-60	ROC	20240318				✓	✓				✓				✓
Yun, Chen (Independent Director)	Male	71-80	ROC	20171212	7-9 year			✓						✓	✓		
Yung-Cheng, Chiang (Independent Director)	Male	61-70	ROC	20171212	7-9 year							✓		✓	✓		
Chin-Jung, Kuo (Independent Director)	Female	61-70	ROC	20230621	1-3 year				✓	✓	✓			✓	✓		

Independence of the Board of Directors

Nan Pao's Board of Directors maintains a high level of independence:

- (1) The Board consists of 7 members, including 3 independent directors, representing 42.86% of the Board. All 3 independent directors meet the independence criteria outlined in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."
- (2) Independent directors do not serve more than three consecutive terms, and none serve as independent directors for more than three other public companies. Two independent directors have served for 7 to 9 years, and one has served for 1 to 3 years.
- (3) There are no spousal or second-degree kinship relationships among the directors (in compliance with Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act).
- (4) Directors uphold high self-discipline and, when issues on the agenda involve a conflict of interest with themselves or the entities they represent, they disclose the significant details of the interest during the board meeting. If the issue poses a potential detriment to the company's interests, they are not allowed to participate in discussions or voting, must recuse themselves, and cannot act as proxies for other directors.

Succession Planning and Operation of the Board of Directors

Nan Pao's "Articles of Association" stipulate that the election of directors is based entirely on a candidate nomination system. In accordance with the "Corporate Governance Best Practice Principles" and the "Regulations Governing the Election of Directors," the company implements a board diversity policy. The Board currently consists of 7 directors (including 3 independent directors) who possess diverse and complementary industry experience and professional expertise in law, accounting, and finance. Three members also hold senior management positions within the company. The current Chairman, Cheng-Hsien, Wu, joined Nan Pao's research department in 1977 and has served as Plant Manager, General Manager of R&D, Executive General Manager of the Adhesive Business Unit, and General Manager before joining the Board and becoming Chairman in 2014. The Board's composition and member backgrounds will continue to follow the current structure.

The company has an ongoing director succession plan, initially considering general managers of subsidiaries as potential successors. The following criteria are used to build a director candidate database:

- Alignment with the company's board diversity policy and management objectives.
- Integrity, responsibility, innovation, decision-making ability, alignment with the company's core values, and possession of professional knowledge and skills beneficial to company management.
- Relevant industry experience related to the company's business.

The company also has established the "Board Performance Evaluation Measures," which include assessment items such as understanding of the company and responsibilities, participation in company operations, directors' professional development, and internal control, to ensure effective board operation and evaluate directors' performance as a reference for future director selection.

Considering the above criteria and selection standards, the company has identified a successor for the Chairman role, with plans for the transition in 2-3 years.

Implementation of Corporate Governance

1. The Board of Directors fulfills its duty of care as a good steward to ensure the company practices sustainable development. It regularly reviews and continuously improves implementation effectiveness to ensure the realization of sustainable development policies.
2. When promoting sustainable development goals, the Board fully considers the interests of stakeholders and includes the following actions: a. Propose a sustainability mission or vision and establish sustainable development policies, systems, or related management guidelines. b. Integrate sustainable development into the company's operations and development direction, approving specific plans for promoting sustainability. c. Ensure the timeliness and accuracy of information disclosure related to sustainable development.
3. The Board authorizes senior management to handle economic, environmental, and social issues arising from operational activities. The Corporate Sustainability Development Committee reports the handling status to the Board.

4. To ensure effective management of sustainable development, the part-time unit responsible for promoting and supervising sustainability is the "Corporate Sustainability Development Committee." The "Corporate Sustainability Development Task Force" executes the work and reports regularly to the Board.

Collective Knowledge of the Board

Nan Pao enhances the Board of Directors' familiarity with the company, its industry, and their unique responsibilities through the following methods:

1. In addition to regular board and functional committee meetings, the company provides annual reports from the management team and updates on corporate sustainability initiatives to enhance board members' overall knowledge of economic, environmental, and social issues.
2. The company arranges training sessions for board members on operational topics related to annual strategic development priorities. Board members can also independently attend external courses as needed.
3. Nan Pao is a member of the Tainan-listed and OTC companies association, Yizai Club, which offers publications and courses to help board members acquire new knowledge and enhance their skills.
4. Through regular quarterly management team reports and annual corporate sustainability development updates, the company ensures board members stay informed on economic, environmental, and social issues.

Note: For details on directors' training, please refer to the "Market Observation Post System."

Shareholder Rights

Nan Pao values the rights of every shareholder and treats all shareholders equally. The company implements an electronic voting system for shareholders' meetings to encourage shareholder participation in corporate governance. Shareholders can exercise their voting rights to participate in company decisions. Each proposal, discussion, and election item is voted on separately, and the results are disclosed immediately during the meeting. This provides shareholders with diverse channels for exercising their voting rights, thereby enhancing corporate governance effectiveness.

To protect shareholder rights and ensure equal treatment, it is explicitly prohibited for insiders to trade securities using unpublished material information. Additionally, directors are prohibited from trading stocks during the blackout period before financial reports are announced.

Board of Directors' Performance Evaluation Implementation Status

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Content of Evaluation
Annual	2023.01.01 ~ 2023.12.31	Board of Directors	Internal self-evaluation of the board of directors "Self-evaluation Questionnaire for Board Performance"	A total of 50 evaluation indicators are included in the five aspects of participation in the Company's operations, enhancement of the quality of board decision-making, composition and structure of the board of directors, election and continuing knowledge development of directors, and internal control.
Annual	2023.01.01 ~ 2023.12.31	Individual director	Internal self-evaluation of director member "Self-evaluation Questionnaire for Director Member Performance"	A total of 27 evaluation indicators are included in the four aspects of understanding of the Company's goals and mission, participation in the Company's operations, director's professionalism and continuing knowledge development, and internal control.
Annual	2023.01.01 ~ 2023.12.31	Functional Committee <ul style="list-style-type: none"> Audit Committee Compensation Committee Corporate Sustainability Development Promotion Committee 	Internal self-evaluation of the functional committee "Self-evaluation Questionnaire for Functional Committee Performance"	Five aspects of participation in the Company's operation, awareness of the functional committees' duties, enhancement of the quality of the functional committees' decision-making, composition and election of the functional committees, and internal control.
Every three years by an external professional independent institution	2021.08.01 ~ 2022.07.31	<ul style="list-style-type: none"> Composition of the Board Guidance of the Board Authorization of the Board Supervision of the Board Communication of the Board Internal control and risk management Self-discipline of the Board Others (such as board meetings, support systems, etc.) 	The Taiwan Corporate Governance Association is entrusted to carry out the external evaluation by "data review", "online self-evaluation questionnaire", "on-site interview", etc.	<ol style="list-style-type: none"> 1. The board of directors should plan the inheritance and development of the board of directors, and regularly review the composition and division of labor of the existing board of directors, and whether the selection, nomination and appointment of members are rigorous and thorough. 2. The board of directors should set and adjust the Company's goals and response strategies, and effectively manage and ensure that the management department implements strategies to achieve goals. 3. Through the division of responsibilities and the authorization of the management department, the board of directors ensures that the enterprise implements the established policies, systems, goals and strategies. An effective and immediate reporting mechanism should be established to serve as a reference for decision-making or management adjustments. 4. The supervision of the board of directors should be implemented by setting up independent internal audit staff, relying on external professional accountants, and other effective mechanisms to reasonably ensure corporate compliance and effective operation. 5. The communication objects of the board of directors include members of the board of directors, management departments, shareholders, and other stakeholders. Attention should be paid to the topics of communication, the communication and feedback mechanism, and the culture of the board of directors. 6. The board of directors should identify important risk issues, define risk tolerance, and establish a sound internal control system to ensure corporate operating results. 7. The board of directors must regularly evaluate its own participation, investment and performance, and make sure to review and improve it so as to be able to respond to changes in the operating environment. 8. Others, such as board meetings, support systems, etc., include the establishment of corporate governance personnel, the planning of agendas, the preparation of meetings, the provision of information, the recording of meetings and post-meeting tracking management, etc.

- The evaluation items of the board of directors and the functional committees in 2023 are all in effective operation, and the evaluation results has been report to the board meeting on March 14, 2024.

Board Remuneration

Board remuneration at Nan Pao is determined according to the "Compensation Payment Measures for Directors, Functional Committees, and Managers," reviewed by the Compensation Committee and approved by the Board of Directors. The remuneration is linked to the company's performance, considering the amount, payment method, and future risks. It is stipulated that when there is a significant decline in after-tax profits, the growth rate of directors' remuneration should not exceed that of the previous year. A mechanism is established to link performance evaluation and remuneration with personal performance and future risks. If any ethical risks or events negatively affecting the company's image or reputation occur, the Board may decide to reduce directors' compensation.

Additionally, on May 9, 2024, it was added that directors serving as managers at Nan Pao will not receive director remuneration, applicable from the distribution of the 2020 directors' compensation. This policy was reported at the 2024 shareholders' meeting.

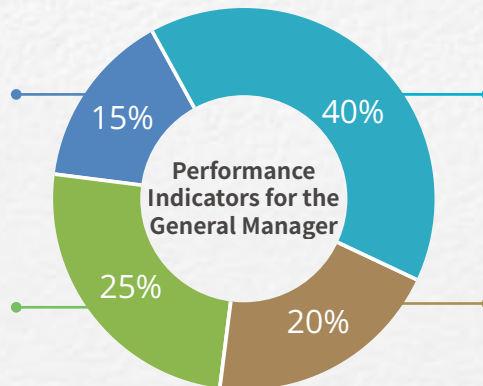
Performance Indicators for the General Manager

Risk Management

- Financial impact of climate-related risks and opportunities
- Risk assessment of environmental, social, and corporate governance (ESG) issues related to company operations

Strategy Development

- Development of long-term leadership strategies
- Sustainability strategies (international ESG ratings, achievement of ESG goals)



Financial and Business Performance

Profitability and operational performance, key customer management, overall business growth rate

Corporate Transformation

- Talent development, system establishment, digital optimization
- Innovation and process improvement

Managerial Compensation and Performance

Nan Pao has established the "Compensation Payment Measures for Directors, Functional Committees, and Managers" to set reasonable remuneration aligned with corporate governance and sustainable development. The "Manager Performance Evaluation Measures" are also in place to effectively assess managerial performance, enhance operational performance, and strengthen accountability, serving as a reference for compensation, promotion, and development.

Policy Objective

The aim is to motivate managers to achieve and surpass company goals, generate profits, and enhance operational performance, while reasonably linking compensation to future risks and conducting regular evaluations.

Review Process

The policies, systems, standards, and structure of managerial compensation are reviewed by the Compensation Committee and submitted to the Board for resolution. The Compensation Committee is entirely composed of independent directors, and no external compensation consultants are hired.

Compensation Structure

- Fixed Compensation:** Includes base salary and various allowances, determined by professional experience and market salary levels.
- Variable Compensation:** Includes bonuses and rewards, based on overall company performance, individual performance contributions, and alignment with corporate core values, leadership, and management capabilities, while considering future risks.
- Retirement Plan:** Applicable as for regular employees.

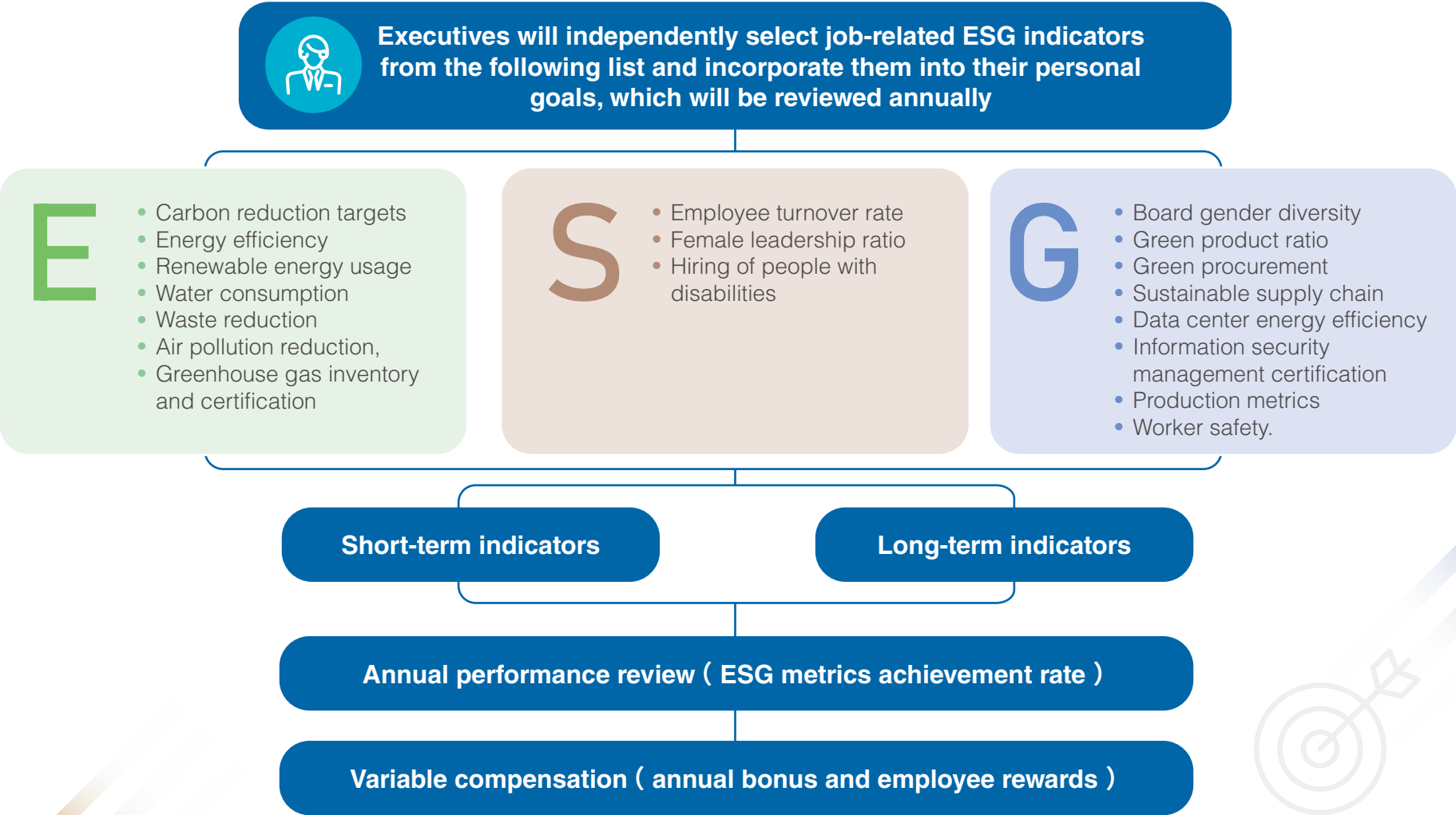
Risk Linkage

- In case of significant risk events affecting the company's reputation or internal management failures, managerial bonuses may be reduced or withheld to ensure risk control.
- Managers violating the group's employee code of conduct may be required to return bonuses, surrender improper benefits, and pay punitive damages, subject to Board approval.
- If a manager's fraud or other intentional misconduct requires the restatement of financial results, their variable compensation may be reclaimed by Board resolution.

For employees at the manager level and above, special bonuses are determined based on individual performance and linked to the previous year's KPI evaluation results. KPIs are set according to unit and individual indicators. For those involved in sustainability projects, their KPIs are linked to relevant sustainability indicators. In the future, the proportion of employees with sustainability indicators incorporated into their performance evaluations will continue to increase.

Executive Performance Evaluation Linked to ESG

The performance and compensation of the General Manager, Deputy General Managers, and heads of specific functional units will be tied to ESG (Environmental, Social, and Governance) metrics. Both role-specific and common ESG indicators, such as carbon reduction targets, renewable energy usage, environmental indicator reductions, female executive ratio, board gender diversity, green procurement, and sustainable supply chain, will be incorporated into annual goal setting. Annual performance reviews will consider not only individual work goals and ESG indicator achievement rates but also risk management indicators, such as audit findings. To further strengthen the link between ESG performance and executive compensation, if executives fail to meet all of their annual ESG targets, their year-end bonuses and employee compensation may be adjusted accordingly, depending on the circumstances. Changes in executive compensation will be proposed by the Compensation Committee and approved by the Board of Directors.



03

INTEGRITY AND ACCOUNTABILITY



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Nan Pao's business philosophy is "Leading, Integrity, Teamwork, Efficiency." The company maintains an honest and upright business attitude while embedding corporate sustainability into its core. As operations expand into global markets, Nan Pao adheres to both domestic and international business conduct and ethical standards. The company focuses on developing research and patents, prioritizes information security and data privacy protection, and steadily establishes a solid foundation for sustainable business operations.



3.1 Internal Control and Internal Audit



Internal Control

Nan Pao's internal control policy is formulated in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" by Taiwan's Financial Supervisory Commission. It is designed with consideration of actual operational activities and approved by the Board of Directors. The policy is executed by the Board, managers, and other employees. It includes enterprise-level and operational-level controls to define the scope and standards for internal control systems in various business units, ensuring the effectiveness of their design and implementation and promoting sound business operations.



Internal Audit

Nan Pao has established a Group Audit Office under the Board of Directors, which assists the Board and managers in inspecting and evaluating the effectiveness of the internal control system. It assesses operational effectiveness and efficiency, the reliability, timeliness, and transparency of reporting, compliance with relevant laws and regulations, and provides timely improvement suggestions to ensure the continuous and effective implementation of the internal control system. These evaluations serve as a basis for reviewing and revising the internal control system.

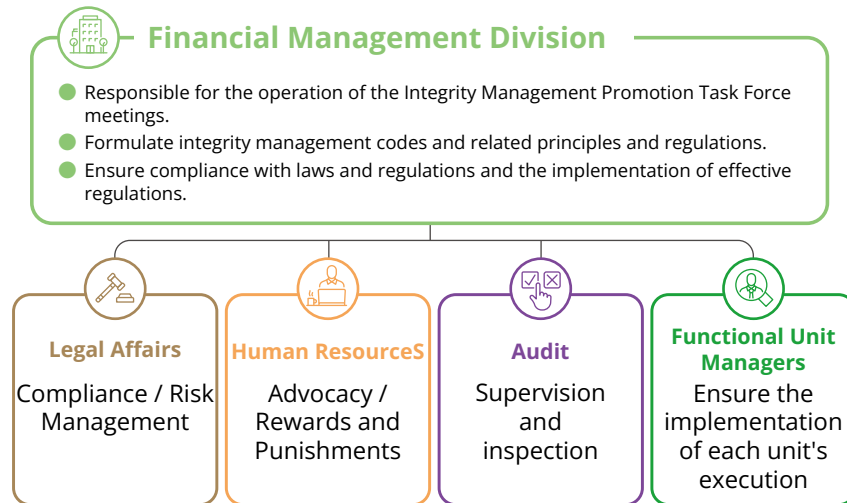
The Group Audit Office appoints an internal audit supervisor and a suitable number of dedicated internal auditors based on investment scale, business conditions, management needs, and relevant laws and regulations. The auditors maintain an independent, objective, and impartial stance in their work. They continuously undergo training to enhance audit quality and capabilities, improve audit processes and techniques, and actively develop audit tools to increase audit efficiency.

The Audit Office has established a risk-oriented internal audit system, executing various audit tasks according to an annual audit plan. This covers the internal control systems of the company and its subsidiaries. It also reviews self-assessment reports on internal control from the company and its subsidiaries, along with the improvement of any deficiencies or anomalies identified in audits. These serve as a basis for the Board and the General Manager to assess the overall effectiveness of the internal control system and issue a statement on its effectiveness.

The internal audit supervisor regularly reports and communicates audit results to independent directors and presents internal audit business reports to the Board. In special situations, the audit supervisor also reports immediately to independent directors; however, there were no such situations in 2023. Additionally, any requests or suggestions from independent directors, the audit committee, and the Board regarding internal audits are continuously tracked, processed, and reported within specified timeframes.

3.2 Anti-Corruption and Ethical Business Conduct

Integrity Management Organization

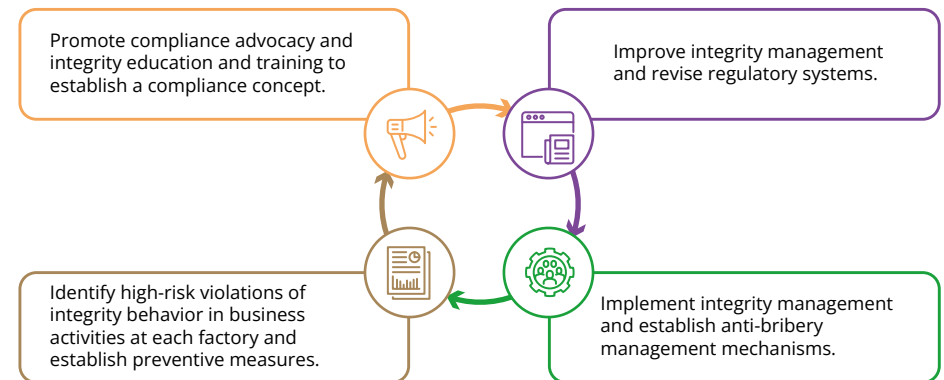


Integrity is fundamental to Nan Pao's operations. To create an ethical work environment and atmosphere, the company requires all employees to clearly understand and adhere to ethical conduct standards.

Commitment by Directors and Senior Managers: Nan Pao's "Integrity Management Procedures and Conduct Guidelines" require directors and senior managers to sign a statement of adherence to integrity policies. This statement includes a commitment to follow the group's integrity policies and prohibits bribery, fraud, extortion, abuse, misuse of company assets, or sacrificing company interests for personal gain. In 2023, all directors and senior managers signed the statement, demonstrating the company's commitment and determination to uphold integrity.

Employee Code of Conduct Statement: The company requires all employees to sign the "Employee Code of Conduct Statement" annually and to comply with all its terms. Employees must also fill out the "Ethical Conduct Declaration for Relatives" form annually and are prohibited from deliberately concealing or providing false information. In 2023, the company collected 2,621

Integrity Management Promotion Strategy

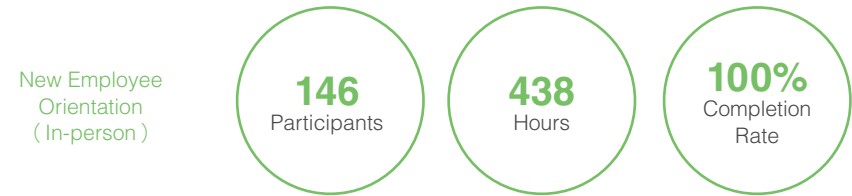


Employee Code of Conduct Statements and Ethical Conduct Declarations, with a group signing rate of 85%. Nan Pao will continue to promote this initiative and increase compliance rates annually.

Nan Pao also emphasizes anti-corruption management by promoting and communicating anti-corruption policies through email, website announcements, and training. Internally, the company establishes internal control systems, including accounting procedures, based on relevant laws and regulations. These systems are evaluated and self-checked annually for design and execution effectiveness, with audits conducted for review. Externally, before establishing business relationships with agents, suppliers, customers, or other business partners, Nan Pao evaluates the legality of their business practices, integrity policies, and any records or potential for unethical behavior.

Education and Training

1. Commitment and Training: Nan Pao deepens the concept of integrity management through public commitments, information dissemination, and educational training, shaping a top-down corporate culture of integrity. The employment contract for new employees explicitly requires adherence to the company's integrity policies, and all new hires must sign the "Employee Code of Conduct Statement" upon joining. Regular internal training courses for new employees are held annually to promote the "Integrity Management Procedures and Conduct Guidelines" and "Code of Ethical Conduct." The 2023 training for new employees included:



Note: The orientation is 3 hours long, covering the following:

- (1) Human rights courses (employee rights work regulations, gender equality law, sexual harassment prevention, complaint and disciplinary measures, and employee feedback channels).
- (2) Employee integrity code, ethical conduct guidelines, trade secret protection, intellectual property rights, insider trading prevention, anti-corruption, and anti-bribery.
- (3) Information security, personal data protection, external hacking prevention, internal leakage prevention, computer use introduction, and occupational safety and health law training.

2. Online Courses: Nan Pao conducts annual online courses through the Nan Pao e-Academy to enhance awareness of integrity and self-discipline. Courses cover the integrity management code, ethical conduct guidelines, trade secret advocacy, and anti-corruption and anti-bribery. Regular online course tests require participants to complete the courses and achieve a certain score to pass. The 2023 training statistics are as follows:

Evaluation Period	Participants	Hours	Test Pass Rate
Ethical Conduct and Integrity Management	1,042	442	-
Trade Secrets	812	208	99.05%

Classification of Cases Involving Violations of the Code of Ethics and Integrity in Business Operations in 2023

Category	Corruption or Bribery	Discrimination or Harassment	Customer Privacy and Personal Data	Conflict of Interest	Money Laundering or Insider Trading
Number of Violations in 2023	0	0	0	0	0

Diverse Complaint Channels

Nan Pao has established the "Internal and External Reporting Procedures" and a stakeholder communication section on its website. Stakeholders can use the provided communication channels to make suggestions and complaints to the company. Upon receiving feedback, the responsible unit conducts investigations and follow-up actions.

Employees can also use the company's "Suggestion Box" to offer advice. Employees and stakeholders are encouraged to report any suspicious illegal or unethical behavior within the organization or with trading partners, including:

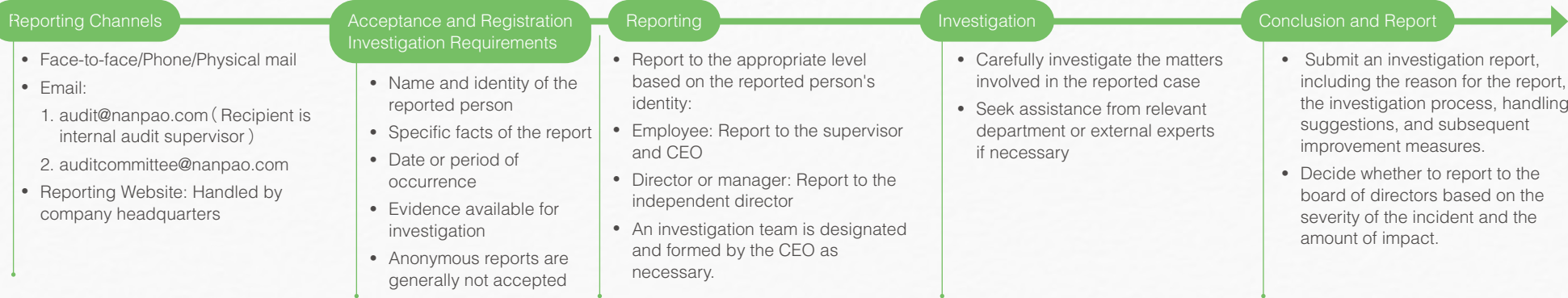


To strengthen the whistleblower mechanism and its connection with the Board of Directors (independent directors), Nan Pao revised the "Internal and External Reporting Procedures" on December 22, 2021. A system was established to automatically forward whistleblower letters to independent directors.

Reporting Channels:

1. Mail: No. 519, Zhongshan Road, Xigang District, Tainan City (Addressed to the Head of Audit) .
2.Email:
• audit@nanpao.com (Recipient: Head of Audit, also forwarded to independent directors)
• auditcommittee@nanpao.com (Recipient: Independent Directors)

Complaint and Whistleblowing Mechanism



3.3 Conflict of Interest

Conflict of Interest Prevention Mechanisms

Nan Pao has established robust mechanisms to prevent conflicts of interest. The company's articles of association and audit committee regulations include provisions requiring directors to recuse themselves from discussions and voting on matters where they have a personal interest. Additionally, the company has independent directors who provide objective advice and ensure that all board decisions consider the company's best interests. No instances of conflicts of interest have been reported since the board's inception.

Note: For more information on directors holding multiple positions, please consult the 2023 Annual Report

Insider Trading Prevention

Nan Pao prioritizes shareholder rights and adheres strictly to information disclosure regulations. The company has implemented a comprehensive insider trading prevention policy, including a strict blackout period before financial reporting. All directors and employees are required to comply with these regulations.

To ensure fair and equitable market practices, Nan Pao has implemented strict internal controls, including a "Management Procedures for Preventing Insider Trading and Handling Material Non-public Information." These procedures prohibit directors, officers, and employees from engaging in insider trading or benefiting from any asymmetric market information. Furthermore, directors are required to adhere to strict trading restrictions during closed periods. In 2023, all directors and insiders strictly complied with these restrictions.

Financial Reporting Period	Scheduled Board Meeting and Announcement Date	Blackout Period	Preventive Measures Implemented	Remarks
2022 Annual Report	2023/03/27	2023/02/25~2023/03/27	Corporate governance personnel sent out an email in advance to notify all relevant insiders (including but not limited to directors) of the prohibition on trading the company's issued securities during the blackout period.	Insiders must still comply with the provisions of Article 157-1 of the Securities and Exchange Act regarding the cooling-off period for material non-public information.
2023 Q1 Report	2023/05/10	2023/04/25~2023/05/10		
2023 Q2 Report	2023/08/09	2023/07/25~2023/08/09		
2023 Q3 Report	2023/11/09	2023/10/25~2023/11/09		

2023 Insider Training on Insider Trading Prevention

Position	Name	Training Date	Organizing Unit	Course Name	Training Hours
Independent Director	Chen Yun	2023/06/02	Securities and Futures Market Development Foundation	2023 Insider Trading Prevention Seminar	3 hours
Corporate Governance Officer	Lin Kun-chin				3 hours
Chairman	Wu Zheng-xian	2023/11/23	China Trust Commercial Bank, Shareholder Services Department	Notice on Insider Equity Reporting and Insider Trading Prevention Seminar for 2023	1 hour
Representative of Corporate Director	Huang Ying-lin				1 hour
Representative of Corporate Director	Liao Yuan-huang				1 hour
Independent Director	Chen Yun				1 hour
Insiders and Employees	11 people				11 hours

Risk Management and Compliance

Nan Pao has implemented a robust risk management framework to identify and mitigate compliance risks. Our compliance program focuses on:

- Global Compliance: Ensuring compliance with laws and regulations in all jurisdictions where we operate.
- Risk Assessment: Conducting regular assessments to identify potential compliance risks.
- Internal Controls: Establishing and maintaining effective internal controls to mitigate risks.
- Training and Awareness: Providing ongoing training to employees to enhance their understanding of compliance requirements.
- Continuous Improvement: Regularly reviewing and improving our compliance program.

By adhering to these principles, Nan Pao is committed to maintaining a strong compliance culture and mitigating legal and reputational risks.

3.4 Enhancing Risk Culture Awareness

In response to the rapidly changing global landscape, businesses must adapt and evolve. Through both internal and external analysis, companies can identify emerging trends, opportunities, and risks. Nan Pao closely monitors various external factors, including political, economic, legal, social, cultural, technological, natural disasters, and industry-specific changes, assessing their potential impact on overall operations. By understanding the risks and opportunities associated with current and future business ventures, we can identify organizational strengths and weaknesses, and formulate effective strategies to mitigate risks and seize opportunities.

Risk management is essential for ensuring business continuity, enhancing customer service, and increasing shareholder value. Nan Pao is committed to a risk-based approach, ensuring that all risks are identified, assessed, monitored, and controlled within acceptable limits. Our guiding principle is that no business activity should compromise our risk management framework.

Risk Management and Opportunity

Nan Pao proactively identifies and manages risks to ensure the long-term sustainability of our business. By conducting regular risk assessments, we can capitalize on new opportunities while mitigating potential threats.

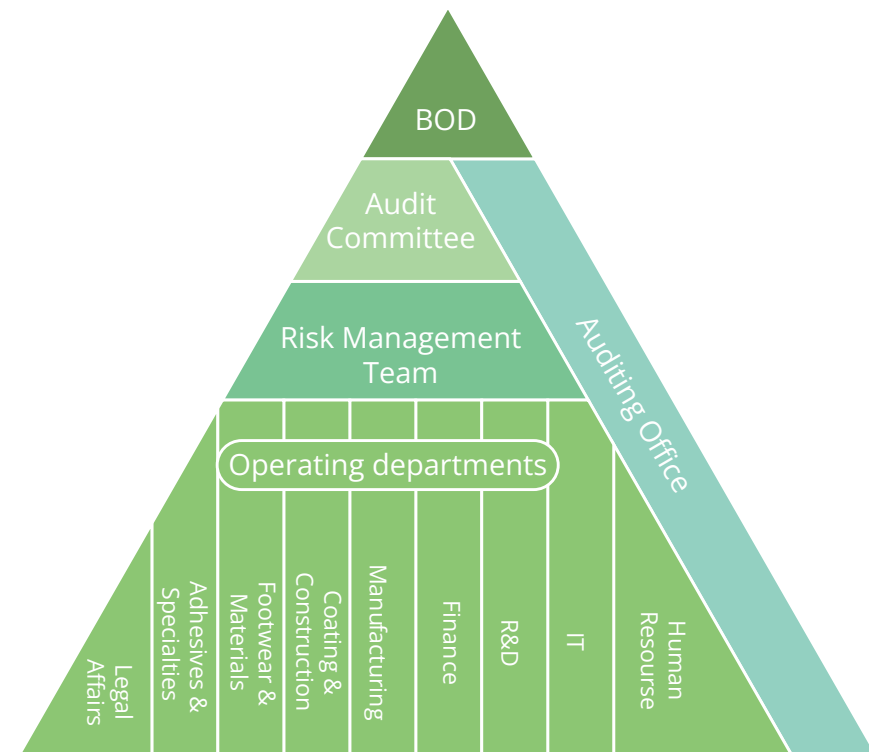
Our risk management framework focuses on:

- Identifying and assessing key risks
- Developing effective risk mitigation strategies
- Monitoring and reporting on risk exposures
- Ensuring that our risk appetite is aligned with our strategic objectives.

Scope and Organizational Structure of Risk Management

- Our company's risk management encompasses four primary dimensions: environmental safety, information security, compliance, and corporate governance.
- The specific risks we manage include strategic risks, operational risks, financial risks, information risks, compliance risks, integrity risks, and emerging risks such as those related to climate change, biodiversity, forests, water, and infectious diseases.

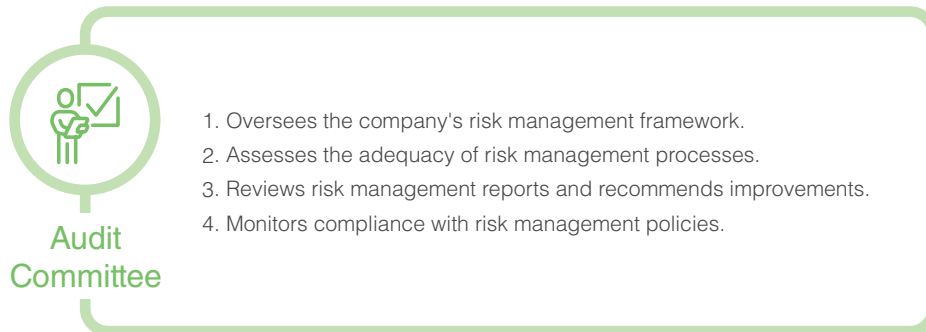
Nan Pao has established a multi-tiered risk management organizational structure, approved by the Board of Directors. A "Risk Management Committee" composed of heads of various functional units is formed and reports to the Audit Committee (consisting of three independent directors). The Risk Management Committee regularly reports on the company's risk environment, risk management priorities, risk assessments, and mitigation measures at risk management meetings. At least once a year, the Risk Management Committee reports to the Audit Committee and the Board of Directors on the execution of the company's risk management program.



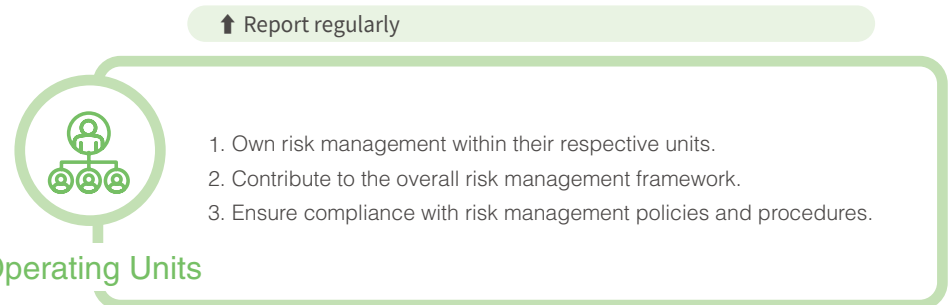
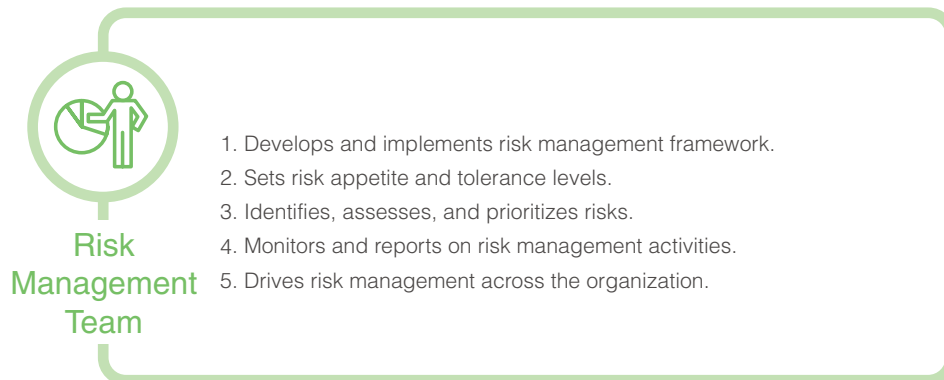
Note: For detailed information on the professional expertise and knowledge of the board members in risk management, please refer to Chapter 2. Corporate Governance - Board Diversity and Independence.



↑ Report regularly (At least once a year)



↑ Report regularly (At least once a year)



Risk Management Process



Emerging Risks and Policies

Nan Pao identifies emerging risks annually by referencing the World Economic Forum's "Global Risks Report" and MSCI's "ESG and Climate Trends Outlook." Our core management team discusses and confirms industry environmental contexts, conducts risk assessments, and executes risk treatment and monitoring to identify and control emerging risks. This proactive approach ensures that we are equipped to address operational impacts and challenges, aligning with our commitment to sustainable development.

Emerging Risks in 2023 at Nan Pao	Key Talent Risk	Risks Associated with Adopting Generative AI
Risk Description	Located near the Southern Taiwan Science Park, Nan Pao faces increasing competition for talent from the semiconductor industry, which has attracted a significant portion of the local workforce. This has led to higher recruitment costs and challenges in securing skilled employees.	Generative AI, a technology capable of generating human-like text, images, and other media, has gained traction in recent years. While it offers potential benefits in terms of efficiency, it also poses several risks: <ul style="list-style-type: none"> • Inaccurate Output: Generative AI models trained on biased or inaccurate data can produce misleading or harmful content, leading to incorrect business decisions and reputational damage. • Data Security and Privacy: The development and deployment of generative AI models require large amounts of data. Without robust data security measures, there is a risk of data breaches and model exploitation.
Potential Business Impact	Increased Recruitment Costs: The fierce competition for talent has driven up Nan Pao's recruitment costs by 23% in 2023. To attract and retain employees, the company must offer competitive compensation and benefits.	<ul style="list-style-type: none"> • Misinformation: Employees who rely on generative AI for information may be misled by inaccurate or false outputs, leading to operational errors. • Unauthorized Use: Unauthorized use of generative AI tools by employees can expose the company to legal and reputational risks, such as the creation of copyrighted content without proper licensing.
Mitigation Strategies	Talent Management: Implement talent retention programs, employee stock ownership plans, and campus recruitment to attract and retain key personnel.	<ul style="list-style-type: none"> • Cybersecurity: Strengthen cybersecurity measures, including data protection and privacy controls. Conduct regular social engineering and data breach response drills. • Generative AI Governance: Establish guidelines for the use of generative AI, including data quality checks and risk assessments for specific applications.

Risk Identification and Assessment at Nan Pao

Nan Pao annually identifies numerous risk factors. In 2023, a total of 44 risk factors were identified across 22 risk categories.

Operational Risks

- Power or water supply disruptions:2
- Emission or air pollution leakage:2
- Abnormal waste disposal:2
- Chemical spills:1
- Supply chain disruptions:6
- Product labeling1
- Human resource management:2
- Violations of integrity policy:6
- Fire:1
- Employee health and safety:2
- Carbon tax:1
- Customer order adjustments:1

Legal Risks

- Compliance with laws and regulations:1
- Human rights management:2

Cybersecurity Risks

- Information leakage:3
- Insufficient computer hardware and software:1

Financial Risks

- Company creditworthiness:2
- Financial liquidity:4
- Market, exchange rate, or interest rate risks:1

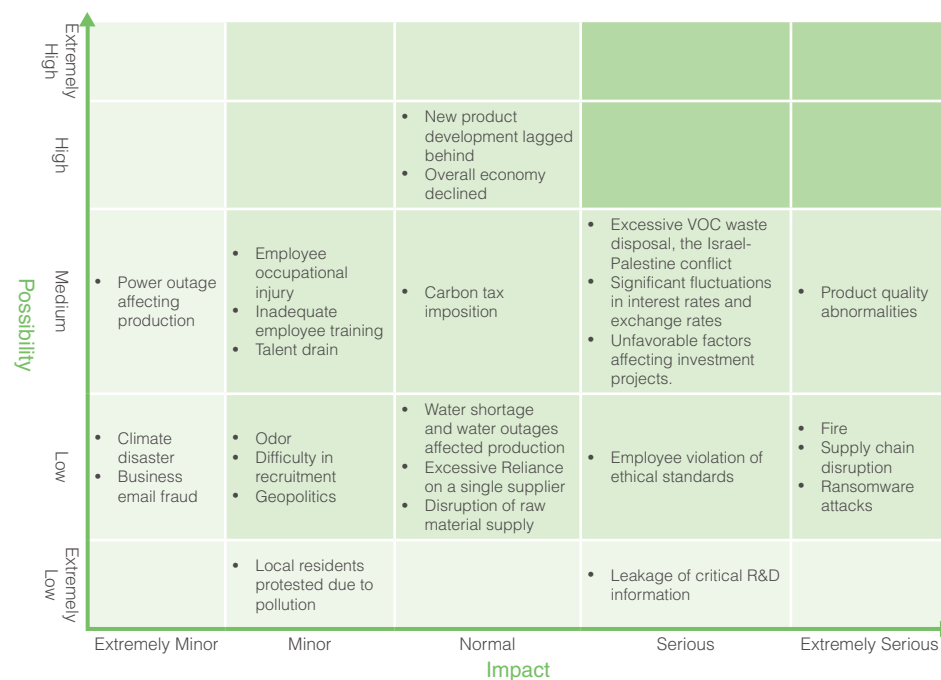
Product Risks

- Non-compliant chemical labeling:1
- Human error:1

Technological Risks

- Technological insufficiency:1

Potential Risks



A 2023 assessment revealed no critical issues requiring immediate attention. However, for potential risks identified, mitigation measures have been implemented by the responsible parties. The efficacy of these measures will be evaluated annually.

Risk Item	Mitigation Measures
Product Quality Abnormalities	<ul style="list-style-type: none"> Implement CIT project to enhance product quality stability. Strengthen technical services to prevent customer misuse. Develop a KAL Group customer management system to maintain good customer relationships and cultivate new generations of personnel with independent operational capabilities.
Excessive VOC Waste Disposal	<ul style="list-style-type: none"> Collect VOCs through condensation. Plan for RCO or RTO treatment facilities.
New Product Development Lag	Introduce external technology (e.g., Industrial Technology Research Institute, French consultants) .
Increased Collection Risk for Customers in the Middle East due to the Israel-Palestine Conflict	Adopt a post-collection payment terms for customers in the Middle East and Egypt. (Due to strict collection terms, sales have declined.)
Significant Fluctuations in Interest Rates and Exchange Rates Due to Changes in the International Situation, Leading to Price Fluctuations and Insufficient Cash Flow	Incorporate exchange rate fluctuations into daily financial decision-making and implement natural hedging through increased foreign currency financing.
Adverse Factors Affecting Investment Projects Due to Economic Fluctuations and Geopolitical Influences, Resulting in Additional Disposal Costs and Losses	<ul style="list-style-type: none"> Conduct detailed pre-investment assessments to reduce the risks of high-leverage investment strategies Consult accountants for equity valuation opinions and commission professional institutions to conduct valuation assessments to mitigate investment risks through rigorous procedures.

To mitigate the potential environmental impact, personal injury, and property damage caused by accidents, we have established an Emergency Response Plan. This plan outlines procedures for handling various emergency situations, including toxic gas leaks, fires, unusual odors, chemical spills, earthquakes, natural disasters, and power outages. The Safety and Health Department will be responsible for organizing and conducting emergency response training within the plant. Through regular drills, all employees will become familiar with emergency procedures, reporting processes, and the command system.

Training Hours for Risk-Related Courses at Nan Pao Taiwan in 2023

Training Category	Number of Trainees	Total Hours	Average Hours per Trainee
Risk Management	7,985	6,657	0.83
Ethics and Integrity	1,042	442	0.42

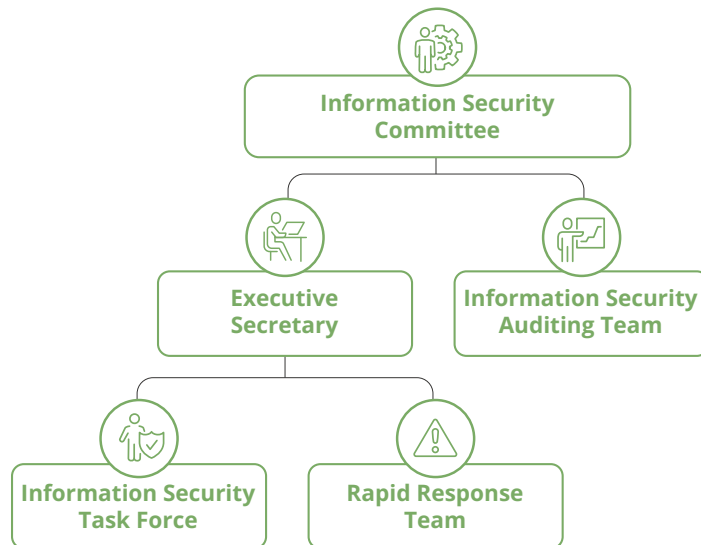
3.5 Information Security Management

Information Security Governance Framework

1. Information Security Governance Organization

Nan Pao established an "Information Security Committee" in 2021 to oversee the planning, implementation, maintenance, and governance of the information security management system. The committee is responsible for the development, implementation, risk management, and compliance auditing of information security policies and procedures. The CEO serves as the chairperson of the committee, with the Director of the Information Department, Mr. Guo Pei-Yi, acting as the Chief Information Security Officer and Executive Secretary. Other committee members include top executives from various functional units, including the Adhesive Business Unit, Footwear Materials Business Unit, Coatings Business Unit, Operations Management Unit, Finance Management Unit, Research and Innovation Unit, Human Resources Department, Information Department, Legal Department, and Internal Audit Department. Additionally, an "Information Security Audit Team" and an "Information Security Implementation Team" have been established to specialize in the planning and auditing of the company's information and physical security, as well as to lead the operations of this committee.

2. Information Security Organization Structure



Information Security Policy

Nan Pao's Information Security Policy encompasses both the parent company and its overseas subsidiaries. The policy is guided by three core principles: (1) strengthening information security management to ensure the confidentiality, integrity, and availability of our information assets; (2) providing an information environment that supports the continuous operation of our business; and (3) complying with relevant regulations to protect against both internal and external intentional or accidental threats.

Nan Pao has implemented a comprehensive Information Security Management System (ISMS) to mitigate information security risks from a systems, technical, and procedural perspective. This system creates an information security environment that meets customer needs and continuously improves through the Plan-Do-Check-Act (PDCA) cycle.

Planning Phase

The company focuses on information security risk management. To enhance information security, Nan Pao has implemented ISO 27001 certification since 2022. This ensures that all information systems operate under standardized management guidelines, reducing security vulnerabilities and operational anomalies caused by human error. Annual reviews are conducted to continuously improve the system.

Implementation Phase

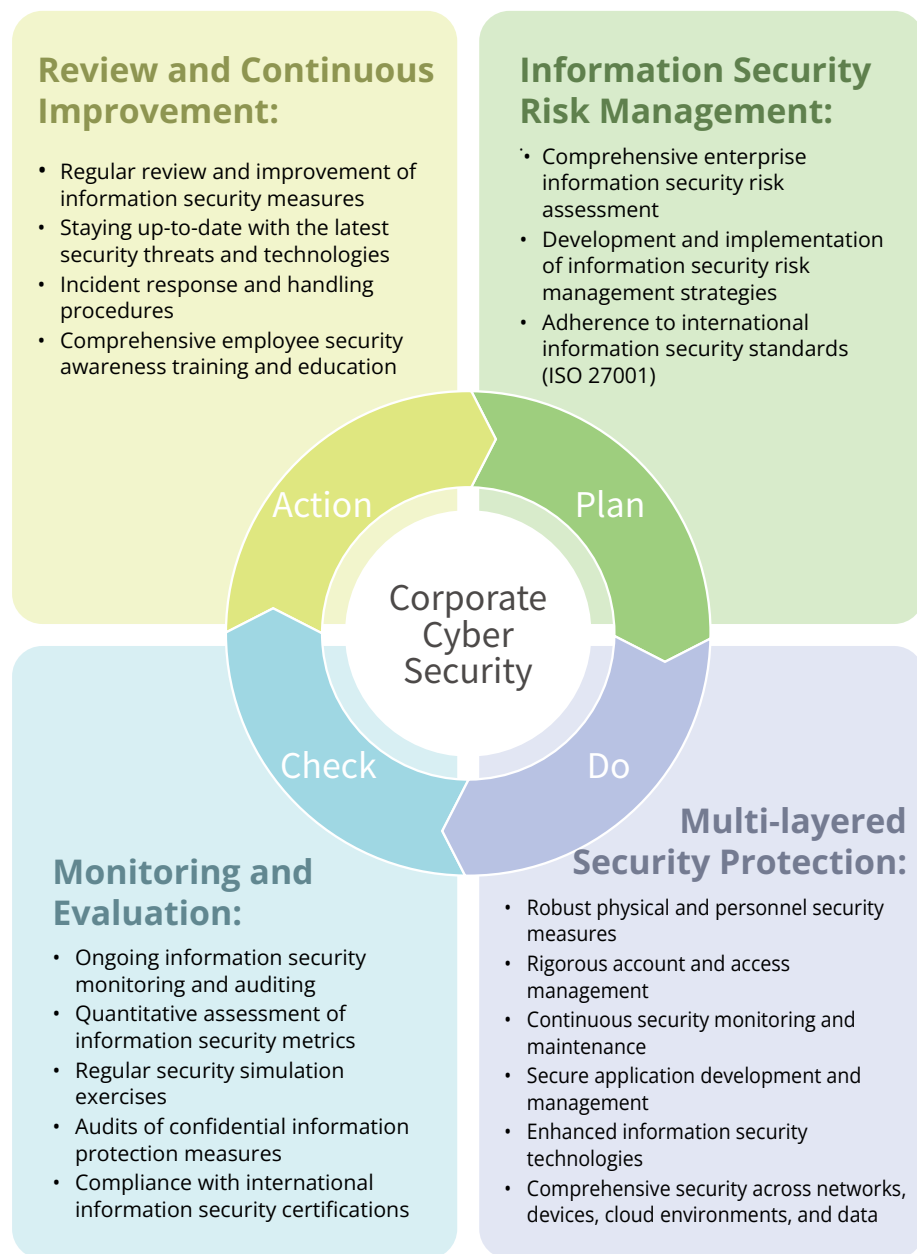
A multi-layered information security protection mechanism has been established, and new information security risk management technologies are continuously introduced to improve the efficiency of detecting and responding to various security incidents. The company has also strengthened its information and network security protection processes to safeguard its critical assets.

Checking Phase

The effectiveness of information security management indicators is monitored regularly, and third-party audits of the management system are conducted annually. Additionally, the company engages cybersecurity vendors to perform vulnerability scans to ensure continuous improvement in information security management and defense capabilities.

Action Phase

The company reviews and continuously improves its security measures. Employees and contractors who violate information security regulations and procedures are subject to disciplinary action. Moreover, the company provides ongoing information security training to enhance employee awareness.



Specific Management Solutions

1. Multi-layered Security Protection

To achieve our information security policy and objectives, Nan Pao has established an "Information Security Protection Map" and implemented proactive security measures. By deploying next-generation firewalls, intrusion prevention systems, email filtering, operating system updates, antivirus software, encryption for confidential documents, and endpoint device connection control, we have established a multi-layered network segmentation mechanism. Network services are isolated based on their specific purposes, and regular updates and patches are applied to operating systems and applications. Critical data and documents are backed up offsite to prevent widespread damage in the event of an external network attack.

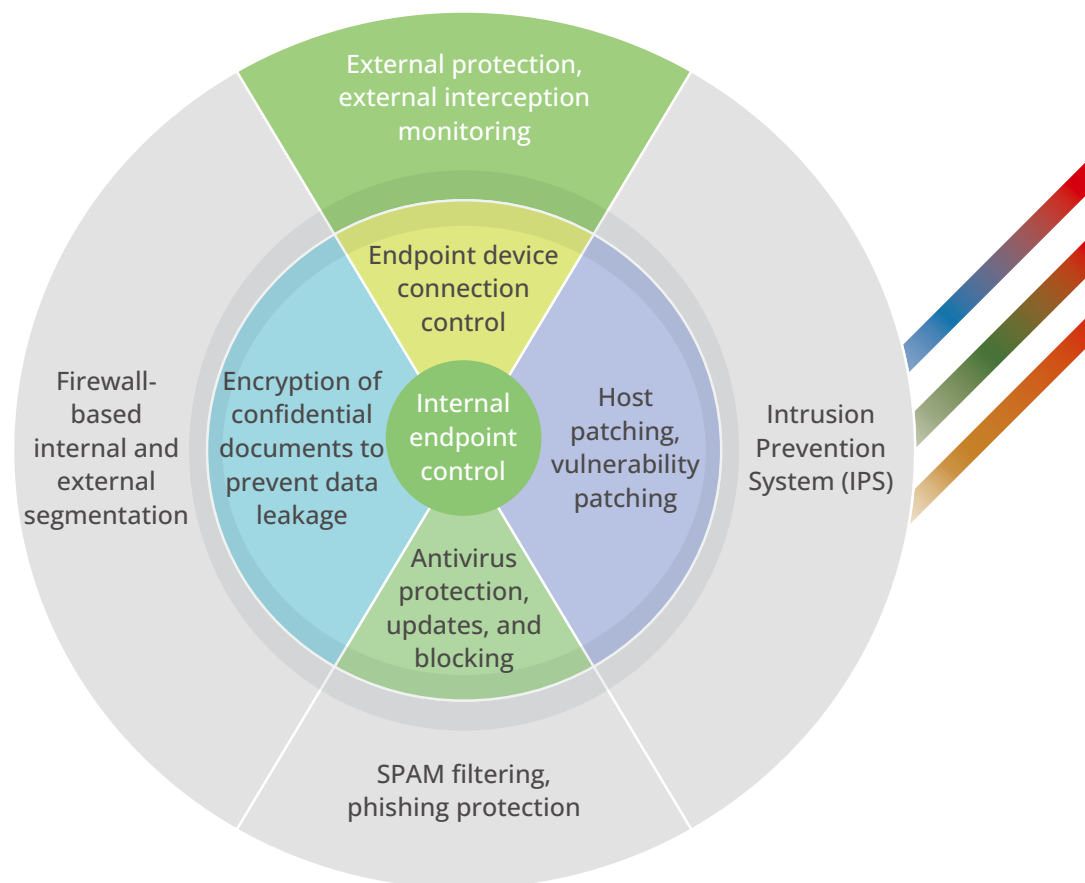


Photo: Information Security Protection Map

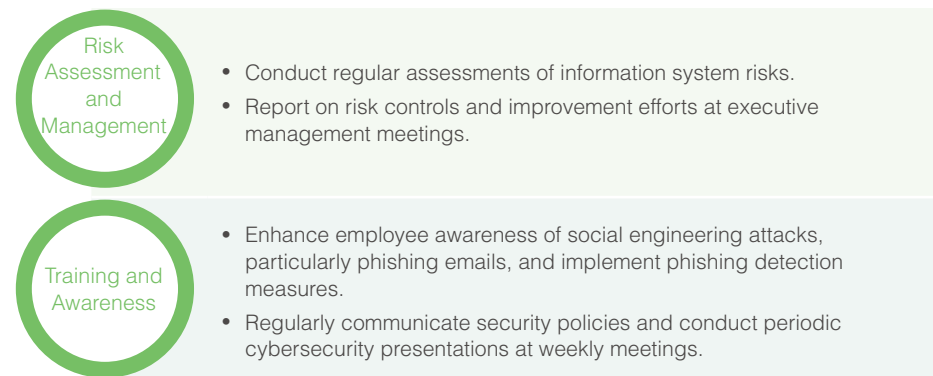


Photo-Multi-layer Security Protection

2. Review and Continuous Improvement

Through our internal risk management mechanism, we assess risks associated with information systems. We report on risk control and improvement measures at regular management meetings to mitigate and reduce network risks.

We conduct annual information security training to enhance employee awareness. We also regularly distribute security policies and knowledge via email, and hold special presentations during weekly meetings to reduce the risk of employees clicking on malicious emails. We regularly update and patch operating systems and applications, and implement offsite backups for important data.



Investment in Information Security Management

Certification	Successfully obtained ISO 27001 information security certification in June 2022 and passed the surveillance audit in 2023 without any major non-conformities.
Training	All 27 new employees at the headquarters completed a 1-hour information security induction training in 2023. Additionally, the group conducted 5 social engineering phishing email tests involving 500 employees in November.
Awareness	Monthly email announcements were distributed to promote information security policies. A special lecture titled "Insights into Internal Cybersecurity Risks" was held during a weekly meeting on September 27, 2023, to communicate important security regulations and precautions.
Customer Satisfaction	No customer complaints related to data loss were received in 2023.

Cybersecurity Incident

Incident Date	Incident Description	Impact Scope	Financial Loss	Response and Improvement Measures	Expenditure
April 2023	Ransomware attack targeting VMware CVE-2021-21974 vulnerability, encrypting data on ERP, group email servers, and other subsystems in Taiwan, China, and Malaysia.	Taiwan, China, and Malaysia subsidiaries' ERP, email servers, etc.	0	Activated emergency response team, updated systems, expanded backup space.	\$7,855,000

▷ The 2023 Information Security Risk Management Framework was presented to the Board of Directors on December 20, 2023.

Information Security Incident Management Status	2023
Total Number of Information Security Incidents	0
Number of Incidents Involving Customer Data Breaches	0
Total Number of Customers Affected by Security Incidents	0
Total Fines Related to Information Security Violations	0



04

SUSTAINABLE SUPPLY CHAIN



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4.1 Innovation Drivers

Nan Pao established the "Nan Pao Research Institute" in 1971. Through continuous breakthroughs, innovation, and active research, combined with the group's R&D manpower and resources, we have accelerated the development of high-value-added new products, strengthened our competitive advantage, and created new corporate value. This has driven Nan Pao towards becoming a high-tech, high-performance adhesive enterprise and a global leader in the industry.

Nan Pao's Research and Development Center now houses over 300 R&D professionals across five departments. One key focus area is developing polyester polyols from recycled PET bottles. The center also explores new materials and technologies, such as environmentally friendly options and high-performance specialty chemicals. The current priority is to create high-performance, low-carbon chemicals using Nan Pao's polymer expertise to boost high-value-added industries.

The total count of R&D personnel in Nan Pao Taiwan

	2019	2020	2021	2022	2023
total count	106	108	97	102	107



Research and Development Plan

Nan Pao is continuously increasing its R&D investment and expanding the applications of its existing products into new areas. The company is also focusing on green products and environmental sustainability, developing products with sustainable value while meeting both environmental and market demands. Nan Pao will continue to invest in research and development of green products to contribute to a low-carbon economy and achieve sustainable growth. To maintain growth and enhance innovation capabilities, significant R&D and technical resources are invested in high-performance shoe adhesives, functional textile adhesives, medical product adhesives, automotive low-VOC adhesives and hot melt adhesives, flexible packaging adhesives, optical pressure-sensitive adhesives, construction chemicals, and functional coatings.

Foshan Goodwill, a subsidiary of Nan Pao, is committed to increasing the proportion of new and improved products in total sales. Newly developed black plaster hot melt adhesive product lines and air filter foam hot melt adhesive products have been launched on the market in 2023.

Meanwhile, the company has comprehensively improved the cost-performance ratio of its main products for the medical, label, and waterproof membrane industries, further enhancing its competitiveness in these sectors.

Unlike other competitors who focus most of their R&D efforts on the wind energy market, Changshu YuBo, another subsidiary, invests heavily in high-performance composites for sports equipment, wind turbine blades, hydrogen cylinders, mass transit, automobiles, and industrial applications, and holds a leading position in the industry.

Huai'an Nan Pao, another subsidiary, actively integrates the industry chain to enhance its competitiveness. By perfectly combining resin and carbon fiber to create preregs, the company has successfully applied these materials to 3C electronics, new energy vehicles, and high-end cars. It also develops products for aerospace, medical devices, and sports goods to meet customers' one-stop needs.

R&D Collaboration Performance

To achieve the goal of sustainable economic development together, Nan Pao has actively collaborated with external R&D professionals. By combining its own strengths with those of external experts, Nan Pao has jointly developed bio-based products and high-performance products. This has strengthened academic and industry exchanges, shared resources, and promoted technological innovation and talent cultivation, creating a win-win cooperation among enterprises, schools, and research institutions. The following are the R&D collaboration achievements in 2023:

Project	Collaborating Partner	Actual Performance	Technical Achievements	2023 Sales and Performance
Waterproof, Fiberglass, and White Adhesives	French Technical Consultant	Improved manufacturing process for stable viscosity, leveraging patent information from the French consultant.	Gained knowledge of advanced processes for specialty adhesives, adjusted existing formulas, and developed adhesives with different properties.	-
DM-629MDS Process Stability	National Cheng Kung University, Department of Chemical Engineering	Accelerated the procurement of special raw materials in the early stage and the process of on-machine testing in the later stage by utilizing the analysis technology, testing equipment, and vendor resources of the cooperating unit, thereby resolving quality issues.	Developed improvement plans and conducted experimental verification based on clear analytical evidence, leading to improvements in process know-how and enhancing product competitiveness.	Shortened the process time by approximately 16%.
UV-curable Pressure-Sensitive Adhesive	Japanese Technical Consultant	Leveraging patent information from the Japanese consultant, Nan Pao gained knowledge of advanced UV-curing processes, adjusted existing formulas, and developed adhesives with different properties.	Developed a series of related products based on this technology, offering various UV-curable products with different properties.	NT\$10,920,000
Ministry of Economic Affairs, Bureau of Industrial Development: "Large Enterprises Helping Small Enterprises" Low-Carbon Project	More than 10 upstream and downstream companies	Collaborated with the supply chain to promote green products and green processes.	Expected to reduce greenhouse gas emissions by 8,000-10,000 tons upon completion of the project.	

CIT Program: Fostering a Culture of Continuous Improvement

To foster a culture of innovation and continuous improvement, Nan Pao established the CIT (Continual Improvement Team) Promotion Office in 2022. The office is dedicated to promoting continuous improvement projects and has set short-, medium-, and long-term plans to achieve improvement goals. A comprehensive training program has been designed to enhance employee capabilities. The curriculum includes 8D problem-solving, lean tools, statistical testing, DOE, and Minitab application analysis. Employees receive systematic guidance and training, and an incentive system is in place to create a proactive improvement environment.

An annual project competition is held for participating teams. In 2023, the CIT project competition entered its second year. From 2022 to 2023, a total of 12 projects were submitted for the competition. Participants came from various departments, including R&D, production, sales, technical service, warehousing, QA, QC, and procurement, with nearly 800 employees participating in CIT activities. Both mid-term and year-end presentation sessions were held to provide a platform for teams to showcase their progress. Awards such as perfect attendance awards, outstanding performance awards, team leader certification, and top three prizes were designed to encourage outstanding individuals and teams.



2023 CIT Continuous Improvement Year-End Presentation

4.2 Business Units and Technology Core

Nan Pao has solidified its position as a leading supplier to top-tier athletic brands by offering innovative footwear adhesives and exceptional service. Beyond footwear adhesives, Nan Pao is actively developing new growth drivers such as shoe cleaning agents, shoe treatment agents, and shoe curing agents used in the shoe manufacturing process. Additionally, the company is focused on five key markets: textiles, technology, flexible packaging, woodworking, and medical supplies. Nan Pao's strategic approach involves penetrating local markets, securing partnerships with leading local clients, and ultimately entering the supply chains of global tier-one customers to continually strengthen its market position.

Footwear and sportswear R&D and Business Unit

Endorsement and Awards from a Globally Renowned Sports Brand

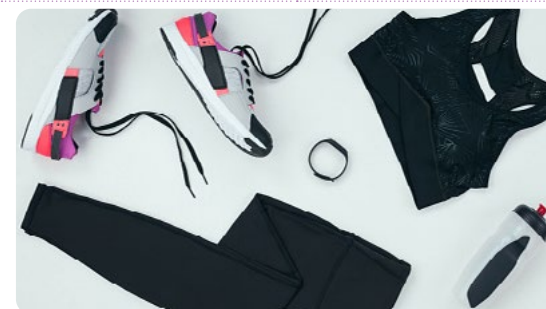
Recognized as the Preferred Supplier for a Global Sports Brand
Consecutively awarded Best Adhesive Supplier by a Global Sports Brand in 2023.



Sportswear

Opportunities
in Bio-based and Recyclable Products

- Bio-Based
- Recyclable
- Low/Zero VOC



PU Foam Insoles

First bio-based PU Foam Insoles

NanPao has developed biomass materials with lignin extract from liquid waste produced during paper manufacturing. The biomass materials provide high support and low elasticity, which can also achieve negative carbon emissions.

Footwear Additives

We are developing eco-friendly, carbon-negative footwear additives, replacing fossil-based materials with **nature-based materials**.

Textile Adhesives

NanPao has recycled derivatives of carbon dioxide as raw materials. The materials provide great softness and breathability.

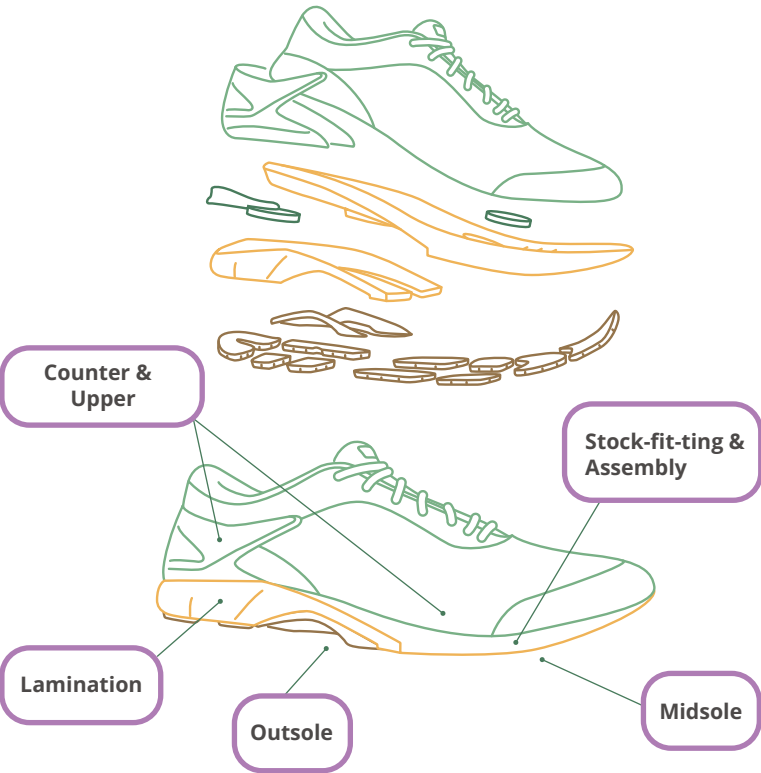
Footwear Adhesives

Currently, 75% to 80% of NanPao footwear adhesives products are low-VOC or zero-VOC.

Nan Pao is one of the world's top three footwear adhesive suppliers, primarily serving global tier-one athletic brands. Nan Pao's shoe adhesives are not only environmentally friendly but also compatible with a wide range of traditional and high-tech materials. Moreover, we offer customized solutions tailored to our clients' specific manufacturing processes, such as automated outsole coating. Beyond providing adhesives with consistent composition and properties, we also develop low-viscosity products free of organic solvents. Our strong R&D team, coupled with a responsive technical service team, has set us apart from the competition.

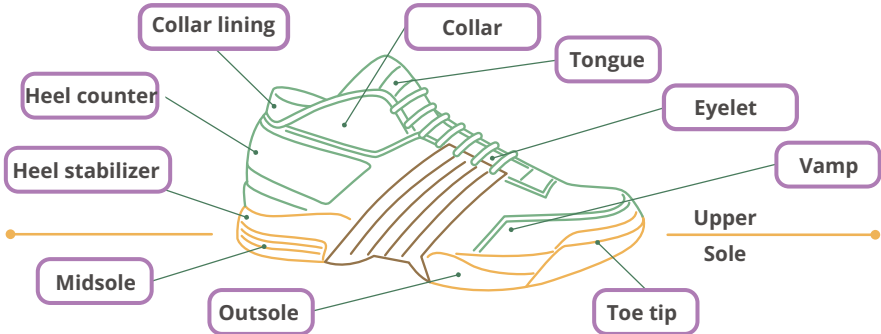
To address rapidly changing market demands and rising labor costs, the footwear industry is shifting towards process innovation and optimization, such as shortened production cycles, rapid manufacturing, and automation. Nan Pao is committed to developing innovative shoe adhesives for new athletic footwear production lines.

Thanks to our long-standing partnerships with brands and footwear manufacturers, our clients often seek our input during the design phase when they need to use new materials, optimize processes, eliminate bottlenecks, or find stronger adhesives for new shoe models. This collaborative approach has enabled us to secure more orders and increase our overall market share in the athletic footwear adhesive market.



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, waterproof 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

Consumer Goods

High Performance | and Bio-based | for Sustainable Life

- Bio-Based
- Low/Zero VOC
- High Performance



Non-Woven Adhesives Leading Supplier of local Tier-1 Diaper Brands in Mainland China

We have developed high wet-strength adhesives to extend diaper durability even after wetting. NanPao ultra-soft adhesives for the elastic band and diaper outer surface provide greater comfort, remaining soft to the touch in both cold and warm weather.



Paper Coating
Plastic free paper coating can make paper cups and paper containers completely recyclable and reusable.

Paper Labels Lamination
Bio-based hot melt adhesives used for paper labels lamination of metal cans.



WWoodpow® - Woodworking Adhesives
Our woodworking PUR adhesives are solvent-free, with great heat and moisture resistance and high bonding strength, which enables safer and more sustainable furniture.

Industrial & Tech

Efficient and Eco-Friendly Solutions in High Demand

- Eco-Friendly
- Low/Zero VOC
- High Performance



UV Tape for Semiconductor

High temperature and high humidity resistance. Acid free design which enables low corrosion and low pollution design for ITO film.



Breaking into semiconductor supply chain

Breaking into semiconductor supply chain

UV Tape is for semiconductor process to protect surface of wafer during backgrinding process and to hold wafer with ring frame during dicing process. With UV irradiation, the tape can be easily peeled from the wafers, which help improve production efficiency.



Automotive Adhesives

NanPao has developed water-based adhesives products (low/zero-VOC) for car interior such as carpets, leather seats etc.

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:



Flexible packaging materials



non-woven



tapes



woodwork



textile

Coatings and Construction Materials R&D and Business Unit

Coatings & Construction

Pursuing Home Efficiency and Living Comfort

- Low/Zero VOC
- High Performance



Powder Coatings for Tap Water Pipes

The First Solution Provider in Taiwan

Preventing the pipes from leaching chemical substances into tap water. Making drinking tap water safer and provide better quality and more sustainable water in Taiwan.

Insulating Glass Sealant

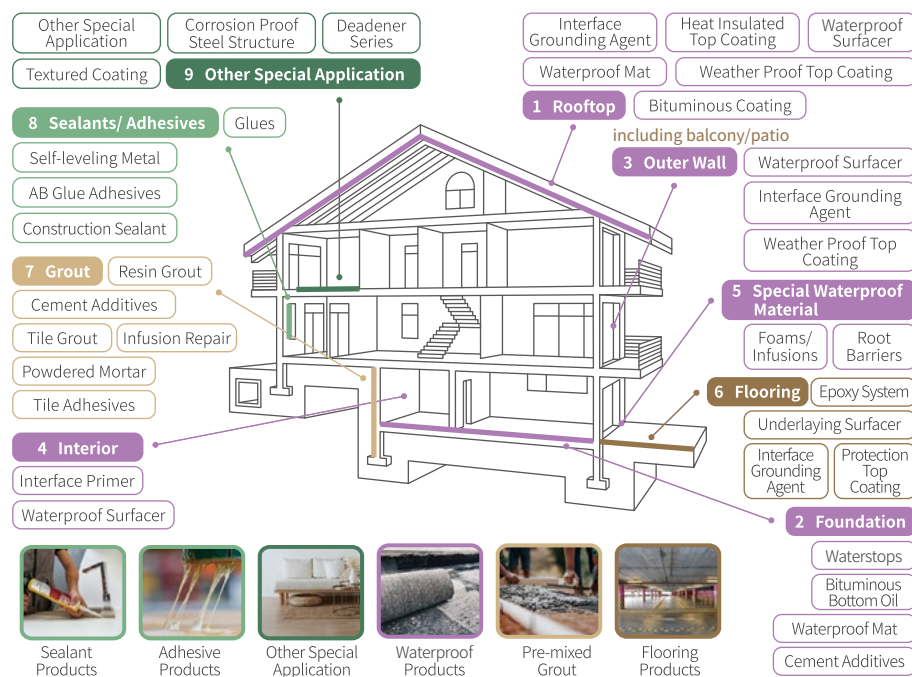
Resistant to sunlight, extreme weather and moisture, improving energy efficiency for buildings

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.

The demand for environmental protection is a major driving force behind the development of powder coatings. In the mainstream market, there is a search for methods to reduce the volatile organic compound (VOC) content of products, leading to the substitution of solvent-based coatings with powder coatings in industrial production. Powder coatings have low VOC content, are easy to clean, and overspray can be recycled. New water-based wood coatings have become a trend in the industry, replacing old wood coatings that used formaldehyde and solvent-based paints with unpleasant odors that are not environmentally friendly. The development of formaldehyde-free and non-hazardous environmentally friendly coatings will become a mainstream trend in the industry.

Construction Chemical Product Application



Innovative development section

The Innovation and Development Department aims to provide technological solutions for replacing new materials and solving process problems to help our customers achieve their environmental and carbon reduction goals, benefiting the environment and society together.

Nan Pao is committed to sustainability and is actively developing environmentally friendly chemicals. Our adhesives are used in a variety of applications, including high-efficiency and sustainable products, high-margin electronics and optoelectronics, and the automotive and electric vehicle industries. Our coatings and construction materials are designed for energy-efficient and comfortable housing, as well as solar energy and water resource applications.

Low/Zero VOC

- Water-based products contain little to no volatile organic compounds (VOCs).
- Switching adhesive products from solvent-based to water-based can reduce greenhouse gas emissions by 50%.

Bio-based raw materials

Recycled raw materials

- Bio-based and recycled raw materials can reduce our reliance on fossil resources and lower greenhouse gas emissions.
- While the penetration rate of such products is still low, they offer significant long-term growth opportunities.

High-performance products

Environmentally friendly, and low-pollution

- High-performance, environmentally friendly, and low-pollution products provide added value to our customers by supporting their sustainability goals.

1. Climate Change/Circular Economy Series: With the core principles of Replace (replacing petroleum-based materials), Recycle (recycling and regeneration), and Reduce (reducing resource consumption), we develop products that mitigate climate change.

By substituting existing petrochemical raw materials with bio-based materials in the production of water-based acrylic resins, we not only maintain their basic properties but also achieve ecological friendliness and sustainable development. We also design formulations according to the specific requirements of our customers to efficiently meet market demands.

2. Environmental Protection and Low Environmental Impact Series: We develop various Eco-friendly products, such as water-based, solvent-free, and non-phenol products, or products that minimize process pollutants' emissions, reducing negative impacts on the environment.

Polyester Polyol R&D Technology Section

Introducing the industry's polyester material recycling supply chain and utilizing water-based copolyester resins in polyester fiber substrates can enhance functional industries. This is a future trend in the circular economy.

By adopting recycled PET bottles, which are cleaned and sliced, to produce recycled PET-based polyols, they can serve as raw materials for water-based polyurethane (PU) products. This not only reduces the dependency on petroleum for polyester but also minimizes resource consumption and promotes resource recycling.

Transforming recycled PET bottles into high-performance polyester polyols can be applied as raw materials in water-based PU. When applied in textile products, it can provide stiffness to garments. If used in foam materials, such as chair cushions, it can offer comfort and softness.

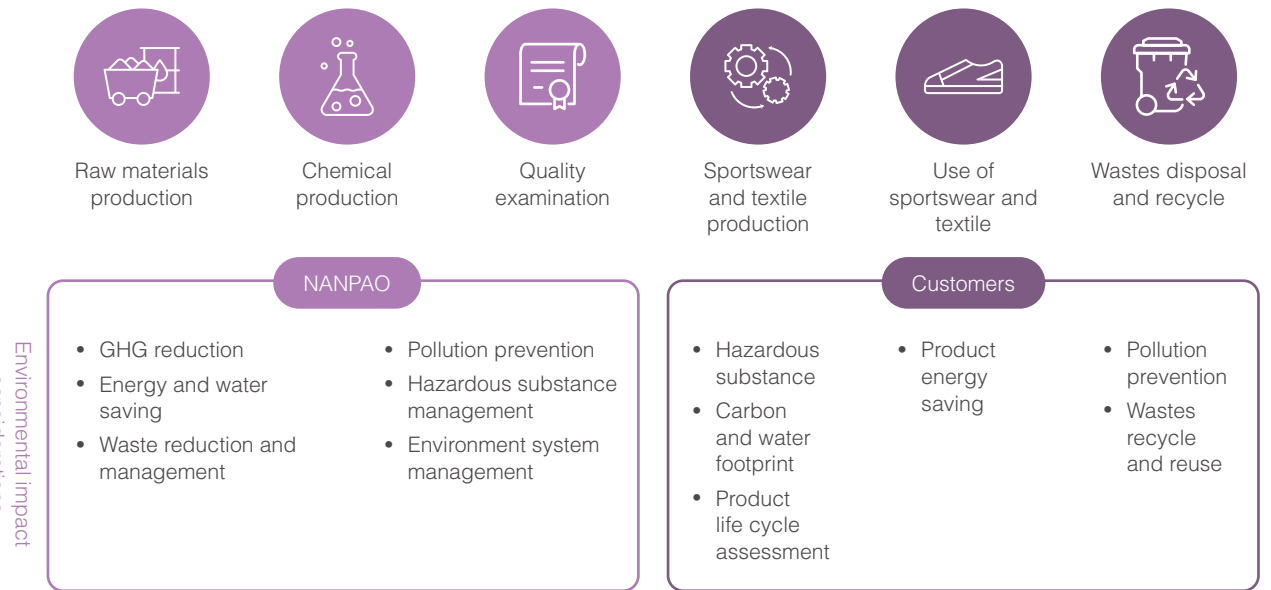
Process Refinement and Product Innovation

As a leading adhesives manufacturer in Asia, Nan Pao is committed to continuous improvement and expansion of our existing businesses while investing heavily in R&D to enhance our long-term competitiveness. We embrace a circular economy approach to create green business opportunities and ensure that all our product development is free from animal testing.

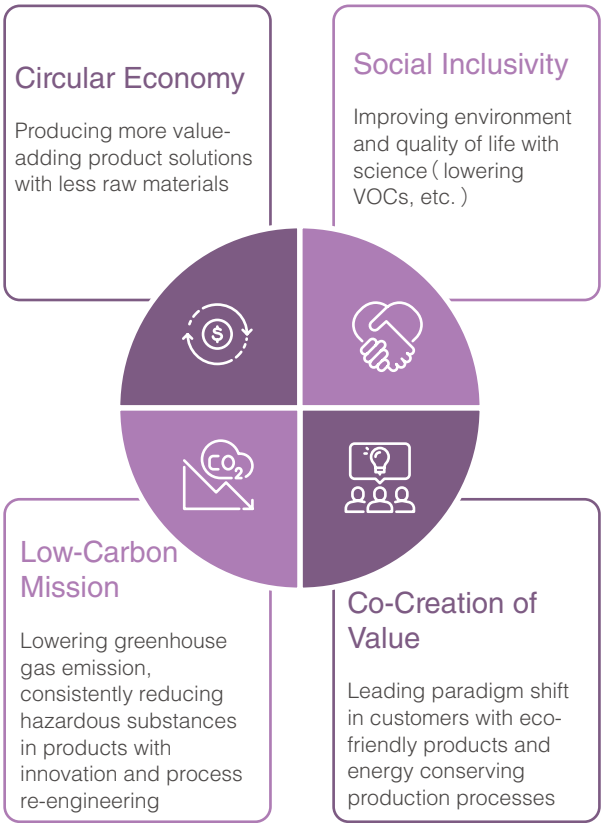
Product Life Cycle Assessment

Nan Pao conducts comprehensive life cycle assessments (LCA) for our products. While various solvents are used in our manufacturing facilities, the raw materials for products such as adhesives, coatings, building materials, and carbon fibers do not directly involve chemicals that pose significant health or environmental risks. We have implemented rigorous risk assessment protocols for all regulated chemicals, covering the entire product lifecycle from development to disposal. Nan Pao considers the environmental impact of our products throughout their lifecycle, including raw material sourcing, manufacturing, and transportation. We are dedicated to minimizing the environmental footprint of our products by implementing strict hazardous substance management, pollution prevention, and energy efficiency measures in our manufacturing processes. Furthermore, we require our suppliers to adhere to environmental protection standards.

Life Cycle Assessment (LCA) is a method of evaluating the environmental impacts of a product or service throughout its entire life cycle, from raw material acquisition to manufacturing, distribution, use, and disposal. By conducting LCAs, companies can assess the cradle-to-grave environmental impacts of their products, including global warming and ozone depletion. The results of these assessments can be used to make informed decisions about product design, manufacturing processes, and services, ultimately leading to more environmentally friendly products and reduced resource consumption.



Nan Pao has completed the environmental footprint analysis of water-based adhesives in accordance with ISO 14067 life cycle assessment standard. The declaration unit is per kilogram, and an ISO 14067 verification statement has been obtained. The calculation results indicate that the majority of the environmental footprint comes from the raw material acquisition stage. In the future, there will be continuous efforts to expand the coverage of product life cycle assessment (LCA), establish operational procedures for conducting product life cycle assessments, provide training to employees through internal courses, and design low-carbon products by analyzing carbon hotspots and implementing improvements.



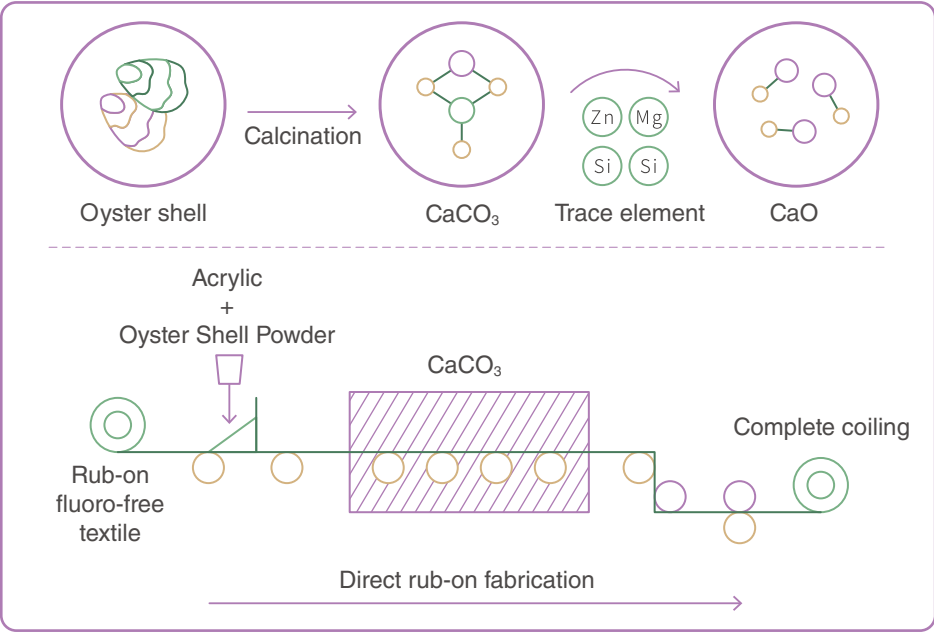
Low-carbon Chemicals

The company is committed to the trends of circular economy and ESG sustainable development, aiming to achieve sustainable business goals through the use of bio-based materials and recycled materials, contributing to circular economy, environmental protection, energy conservation, and carbon reduction. The bio-based materials we have developed can reduce carbon emissions by 5-80% depending on the bio-based content. Our product range includes bio-based PU foam cushions certified by the US USDA bio-based label, bio-based polyols applicable for PU foam and adhesive synthesis, bio-based shock-absorbing materials for insoles and midsoles, bio-based spray resin and adhesive for footwear, bio-based functional coatings for textiles, bio-based PUR for wood floor adhesion, and bio-based hot melt adhesive for food container labels.

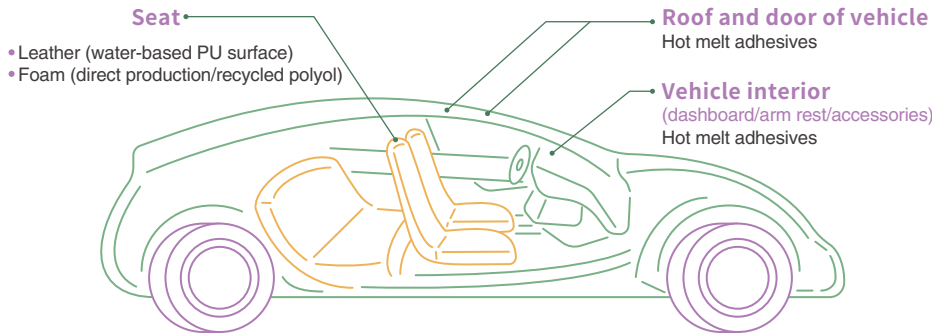
Furthermore, by incorporating recycled materials into our products, we have developed textile coating resins and heat transfer resins containing r-PET, floor coatings containing recycled wafer waste, and textile coating resins containing oyster shell powder, which can reduce carbon emissions by up to 26%. In response to government initiatives to reduce plastic usage and to overcome traditional food container coating processes, we are dedicated to developing water-based non-plastic paper coating resins that provide water and oil resistance and can be fully recycled as paper after disposal, aiming to achieve multiple goals of plastic reduction, carbon reduction, and waste reduction.

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.

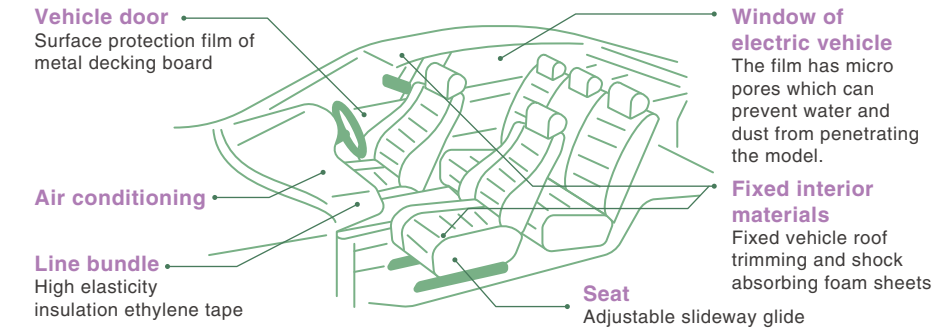
Acrylic Used in Textile Made with Oyster Shell Powder



Biomass and Eco-friendly Adhesive Application for Vehicles



Low Volatile Organic Compounds (VOCs) Double-sided Tape and Pressure Sensitive Adhesive

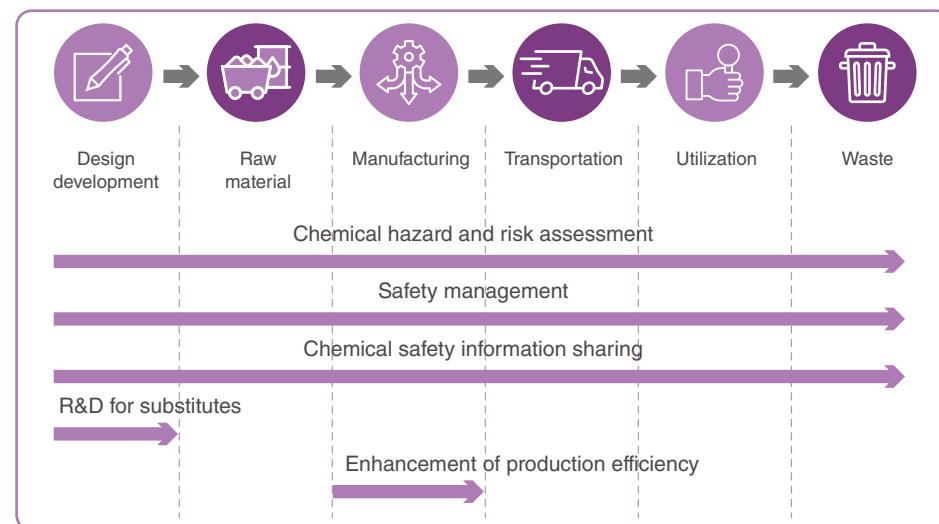


Application	Green product	Sustainability				Sustainability
		Biomass	Recycle	Water-based	Solvent-free	
Leather	Water-based PU resin for surface			○		Carbon reduction : >50% No greenhouse gas emission
Adhesives	Hot melt adhesives				○	VOC-free green products No greenhouse gas emissio
PU foam	Biomass polyol	○				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%

4.3 Responsible Chemicals 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.

Responsible Chemical Management Strategy



Results of GHS Classification for Nan Pao's Factories

	Taiwan	Foshan (CN)	Foshan Advanced (CN)	Kunshan (CN)	Fuqing	VNP (VN)	NP Materials (VN)	NP advanced materials (VN)	NNV (VN)	Thailand
Classification 0	48%	31%	100%	76%	18%	21%	27%	17%	39%	71%
Classification 1	17%	27%	0	2%	52%	21%	2%	2%	0	19%
Classification 2	35%	42%	0	22%	30%	58%	71%	81%	61%	10%

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 fulfil our sustainable beliefs.

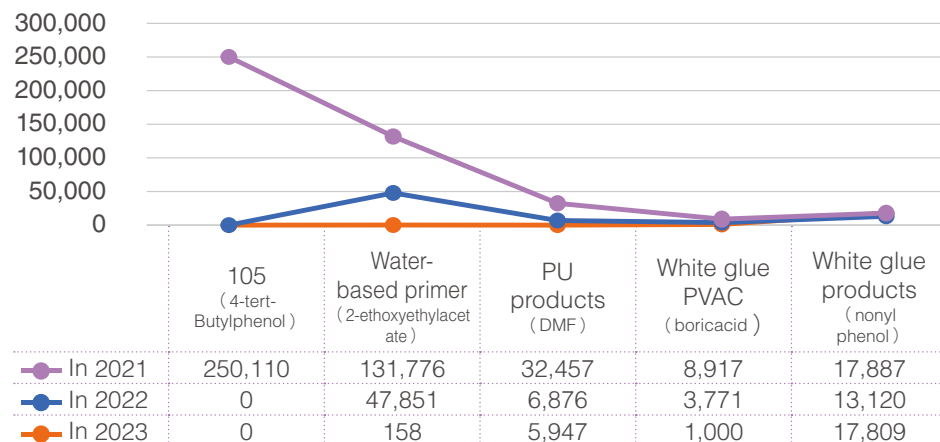
Chemical GHS Classification

In accordance with the United Nations Globally Harmonized System of Classification and Labelling of Chemicals (GHS), we have adopted a globally recognized hazard communication system to promote the safe use of chemicals and enhance protection of human health and the environment. This system encompasses physical, health, and environmental hazards, providing workers with a comprehensive understanding of chemical risks in the workplace. By reducing the need for chemical testing and assessment, GHS facilitates proper evaluation and identification of chemical hazards, minimizing trade barriers and promoting safe international trade.

100% of products at our Taiwan headquarters have undergone hazard risk assessments. All group subsidiaries also conduct product hazard risk assessments based on this standard. In 2023, products classified as GHS Hazard Category 1 accounted for 17% of our Taiwan headquarters' sales, while Category 2 products accounted for 35%. Combined, Category 1 and 2 products represented 53% of Nan Pao's total revenue in Taiwan, a 2% decrease from 2022. We take a proactive and cautious approach to the handling, use, and disposal of these chemicals. These chemicals are also incorporated into our annual factory emergency response scenarios. Through proactive scenario planning and response measures, we ensure that our employees are familiar with the appropriate control and response measures for different situations, minimizing the consequences of incidents.

Nan Pao Taiwan set a goal in 2021 to reduce the usage of Restricted Substances List (RSL) chemicals, as defined by EU regulations, in all sales products by 50% by 2030. Through dedicated efforts by the R&D team in finding alternative products and adjusting formulations, the company achieved a 50% reduction in the usage of Substances of Very High Concern (SVHC) in 2023 compared to 2021, surpassing the 2030 target. This demonstrates Nan Pao's strong commitment to green chemistry.

Substances of Very High Concern in bulk products-Taiwan (kg)



Note: Top 5 SVHCs used in Nan Pao's main products.

ZDHC Zero Discharge of Hazardous Chemicals and bluesign® standards

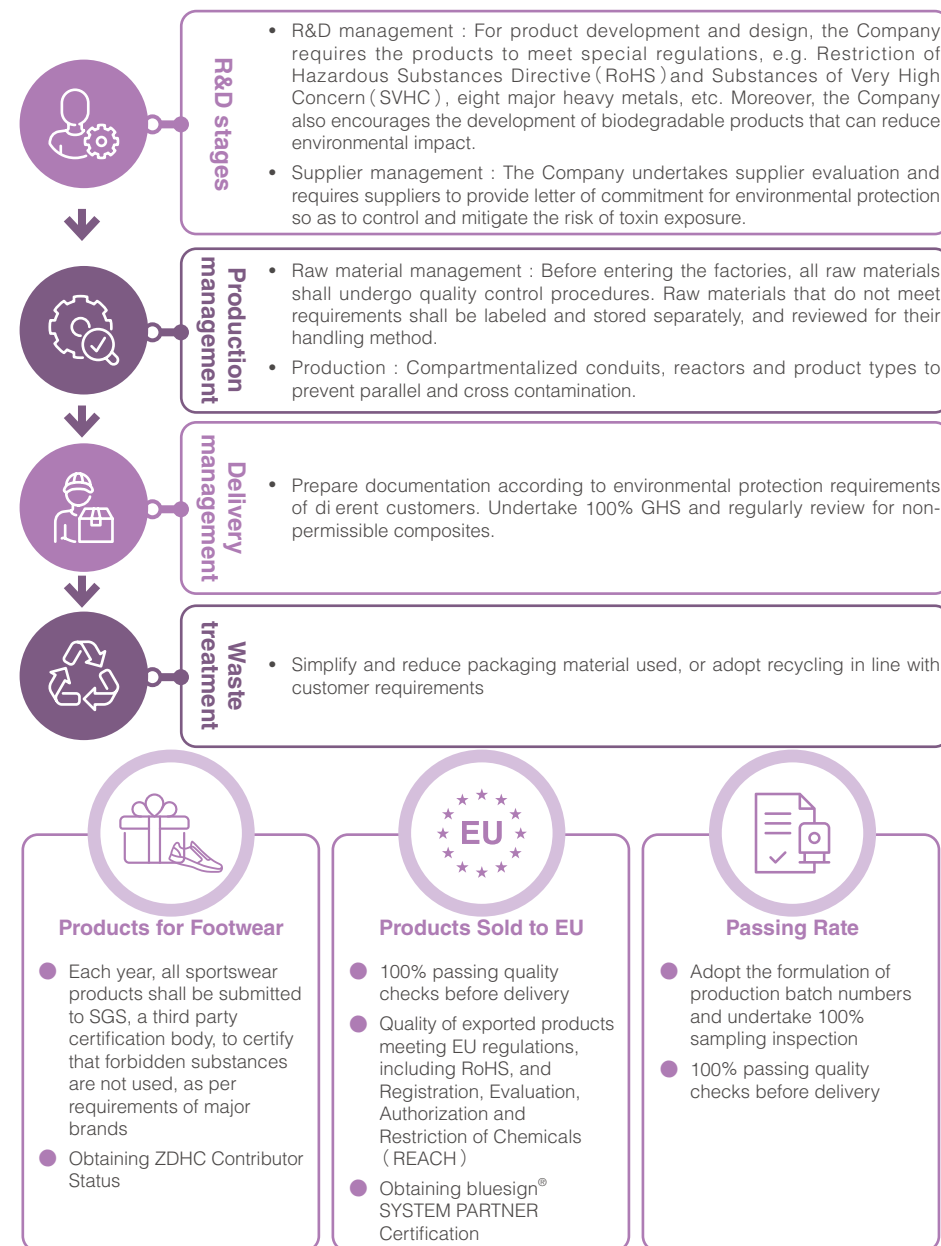
Nan Pao products meet the stringent requirements of the ZDHC Zero Discharge of Hazardous Chemicals and bluesign® standards. Leveraging advanced polymer synthesis and structural design, hazardous substances have been eliminated and hazardous materials are strictly controlled. Our core technologies not only provide products with excellent performance but also minimize human health and environmental risks, ensuring consumer safety. Nan Pao has obtained bluesign® certification for 20 textile products, including foam coatings, lightweight windproof coatings, durable high-strength bag coatings, water-based PU for lamination, formaldehyde-free water-based acrylic, PUR adhesives for fabrics/films, fluorine-free water-repellent agents for dyeing and finishing, and thick, moisture-wicking, quick-drying auxiliaries. To accelerate the management of chemicals in footwear products, our factories in Foshan, Dongguan, Vietnam, and Indonesia have achieved the highest Level 3 certification from the global ZDHC. 100% of footwear chemicals shipped to renowned sports brands have obtained Level 3 certification, solidifying Nan Pao's position as a leader in the footwear chemical industry.



Product Quality Guarantee

NANPAO 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:



4.4 Good Customer Relations

Technical Services

Customer satisfaction is built not only on product quality, but also on excellent after-sales service. Our technical service team comprises highly skilled professionals with extensive experience in resolving technical issues. We have established a comprehensive big data database and assigned dedicated personnel to each sales office to provide timely and professional technical support to our customers. Furthermore, we offer comprehensive training and support to our customers' production teams regarding product usage.

Nan Pao's technical service team is committed to providing timely and effective solutions to our customers' product development challenges. When customers encounter any difficulties during product usage and report them to our sales department, our technical service team immediately takes over and provides support.

After product launch, our technical service team collects all issues encountered by customers on their production lines and conducts on-site troubleshooting training and technical seminars to proactively address customer technical problems.

Customer Privacy and Rights Protection

We are committed to protecting our customers' privacy. All commercial information, transaction data, and other customer-related data provided by our customers are managed by dedicated personnel and archived in compliance with the Personal Data Protection Act. Access to customer data within the company is strictly controlled and requires prior approval and authorization. In 2023, we did not receive any complaints regarding breaches of customer privacy or data loss.

Our products undergo a rigorous process from development, registration, marketing, and sales, all in compliance with relevant laws and regulations.

Customer Satisfaction

Strategy

Customized service. Regularly understand and respond to customer needs and feedback through meetings or questionnaires, providing the best customer service.

Nan Pao is dedicated to providing exceptional customer service. To ensure we meet our customers' needs, we conduct annual customer satisfaction surveys. In 2023, we conducted a customer satisfaction survey among 82 of our key clients in Taiwan. The overall satisfaction score reached 4.57, surpassing our target of 4. Notably, 91% of the respondents expressed satisfaction, with particularly high praise for our staff's service attitude. Taiwan's performance accounts for 67% of our total business. This valuable data allows us to identify areas for improvement and implement necessary adjustments.

Looking ahead, we will continue to prioritize customer satisfaction by regularly reviewing customer feedback and implementing enhancements to our products and services. Our goal is to maintain a high level of customer satisfaction and exceed our customers' expectations.



4.5 Supply Chain Management

Nan Pao Supplier Sustainability Policy

Nan Pao values its suppliers as long-term partners. We seek suppliers who can provide competitive quality, technology, delivery times, and costs. In the future, Nan Pao will place greater emphasis on the governance, environmental, and social aspects of our suppliers, making them key partners in driving value chain sustainability. To achieve our sustainability goals, we have integrated our "Supplier Code of Conduct" and "Environmental Commitment" into a comprehensive "Nan Pao Supplier Code of Conduct." This code prohibits the use of child labor and hazardous work for young workers. Given the global nature of Nan Pao's operations, our procurement department establishes additional evaluation criteria and contractual terms tailored to the specific requirements of each region. All suppliers, including those in our group companies, are required to sign this code.

Nan Pao is committed to building long-term partnerships with our suppliers and fostering a sustainable supply chain. In addition to regular assessments of quality, delivery times, transaction performance, and service cooperation, we encourage our suppliers to prioritize environmental protection, safety, health, and human rights.

In 2023, none of Nan Pao's suppliers in Asia (Japan, Korea, China, Vietnam, etc.) or Europe (Germany, Belgium, the United States, Spain, Italy, etc.)



Supplier Management

Supplier Sustainability Program

Category	Description
Policy and Commitment	Nan Pao Supplier Code of Conduct
Board Oversight	<ul style="list-style-type: none"> The "Nan Pao Supplier Code of Conduct" was approved by the representative of the Board of Directors as the highest guiding principle. The ESG management plan is reviewed regularly by the board of directors to ensure that cooperation with suppliers is in line with the company's sustainability policies and goals. The Board of Directors is responsible for overseeing the implementation of the "Supplier ESG Program".
Code of Conduct Review	<ul style="list-style-type: none"> Suppliers are required to abide by the "Nan Pao Supplier Code of Conduct," which covers aspects like business ethics, labor rights, health and safety, environmental protection, and corporate governance. Regularly review (by signing a compliance statement) suppliers' implementation of the code of conduct, provide necessary guidance and support, and ensure that management expectations and goals are met.
ESG Rating and Contract Termination Clauses	<ul style="list-style-type: none"> Score the ESG performance of key suppliers by reviewing supplier ESG reports or the "Supplier ESG Assessment Questionnaire", and share the results with suppliers as a reference for formulating improvement plans. Contract termination clauses are inserted in contracts. Nan Pao reserves the right to termination of cooperation for any failure of a supplier in meeting the specific requirements in ESG performance or occurrence of a major ESG incident.
Supplier Selection	<ul style="list-style-type: none"> The supplier assessment form includes ESG scoring items to ensure that all suppliers we cooperate with have good ESG performance and are in line with the company's ESG vision and goals.
Procurement Personnel Training	<ul style="list-style-type: none"> Regularly conduct ESG training for procurement unit personnel and internal procurement-related stakeholders every year (either internally or in cooperation with external units) to ensure that they understand their responsibilities in the supplier's ESG program and how to effectively promote and manage it.

Supplier Screening Mechanism

Aspects	Description
Business Relevance	<ul style="list-style-type: none"> Products or services needed by Nan Pao Passed the Nan Pao assessment as a qualified supplier
Environmental	<ul style="list-style-type: none"> Including but not limited to air pollution, wastewater, waste, toxic substance management, energy use, greenhouse gas emissions
Social	<ul style="list-style-type: none"> Including but not limited to human and labor rights
Governance	<ul style="list-style-type: none"> Including but not limited to anti-corruption and bribery

Supplier ESG Assessment

Assessment Approach	Description
Desk Assessment	<ul style="list-style-type: none"> Suppliers of top 60% of the transaction amount must fill in the ESG self-assessment questionnaire or present the ESG report of the previous year. Employees or outsourced consultants will conduct a review of supplier supporting documents to assess the supplier's commitment, implementation status and possible risks on relevant ESG issues.
On-site assessment by supplier	<ul style="list-style-type: none"> Nan Pao employees conduct on-site visits and assessments of high ESG risk suppliers, and evaluate the ESG performance and risks of suppliers through on-site inspections, interviews and confirmation of relevant information.

Supplier Development

Category	Description
ESG Program/ Training	<ul style="list-style-type: none"> Provide detailed information on supplier ESG programs, including standards documents and ESG-related forms. Periodic supplier education and training sessions, as well as supplier partner forums, are conducted to disseminate information and provide education on ESG initiatives.
Provision of ESG Benchmark Information	<ul style="list-style-type: none"> Periodically offering external ESG courses/benchmark information.
Assistance in Improvement Measures	<ul style="list-style-type: none"> External consultants to provide remote consulting assistance/review of supplier improvement measures. Internal employees provide responses and relevant information regarding improvement measures for suppliers.
In-depth Support Program	<ul style="list-style-type: none"> Participation in the Ministry of Economic Affairs' "Subsidy Program for Low-Carbon and Smart Manufacturing Upgrades": Assisting select suppliers in enhancing their carbon management and information disclosure capabilities.

Supplier Evaluation Results

To achieve our supply chain sustainability goals and ensure our suppliers adhere to environmental standards, Nan Pao has implemented a "Supplier Code of Conduct" outlining guidelines for environmental permits, resource conservation, pollution prevention, hazardous substance management, waste disposal, and material control. Suppliers are required to acknowledge and comply with these guidelines. In 2023, we set a target of 100% compliance and achieved a 97.7% return rate. The remaining 2.33% of suppliers (41 companies) provided explanations for their inability to sign. Given the global nature of Nan Pao's operations, our procurement department establishes additional evaluation criteria and contractual terms tailored to the specific requirements of each region to ensure supplier compliance.

Starting in 2024, Nan Pao Taiwan Headquarters, in addition to following our ISO 9001-compliant "Supplier Management and Evaluation Procedures," has implemented a new "Supplier ESG Risk Assessment Criteria" to manage and assess the ESG risks of key suppliers. A "Supplier ESG Self-Assessment Form" is used to evaluate suppliers' environmental, social, human rights, and corporate governance risks. Through ongoing communication and improvement, we are working towards a sustainable supply chain. In 2023, we conducted risk assessments and on-site audits of 7 key suppliers.

Due to the global nature of Nan Pao's operations, our procurement department establishes additional evaluation criteria and contractual terms tailored to the specific requirements of each region to ensure supplier compliance. In 2023, no cases of child labor or violations of freedom of assembly were found among our suppliers. Additionally, there were no incidents of forced or compulsory labor, such as withholding identification documents, requiring mandatory deposits, or threatening employees with dismissal for involuntary overtime.

Local Sourcing

Nan Pao Group is committed to promoting local sourcing to fulfill our commitment to local economies and communities. This approach not only stimulates local businesses but also reduces the environmental impact of transportation, enhancing the company's sustainability. Given that raw materials represent the largest cost component in our products and their quality is critical to product yield, a stable supply of high-quality raw materials is our primary procurement objective.

Nan Pao Group has production facilities in many countries, and each location actively supports local suppliers. In 2023, the proportion of locally sourced raw materials for production at each site was 62.3%. Excluding intercompany transactions, this figure increased to 81.8%, surpassing our target of 70%. (In 2022, the group's local sourcing ratio for raw materials was 61.8%, reaching 79.2% excluding intercompany transactions).

For labor and engineering procurement in Taiwan in 2023, the local sourcing ratio remained above 99%. (The same ratio was achieved in 2022.) We will continue to collaborate with local suppliers and deepen our local sourcing strategy to contribute to a healthier and more stable business environment.

Supply Chain Environmental Performance

Nan Pao Group is dedicated to environmental sustainability and actively promotes the use of recycled pallets as a replacement for new ones. This reduces the demand for natural resources, minimizes waste generation, and decreases the energy and water consumption required for pallet production, fostering a circular economy. This initiative brings sustainable benefits to both the company and society, achieving a win-win situation between environmental protection and business success. In 2023, Nan Pao Taiwan achieved a cumulative recycled pallet procurement ratio of 69%, with a continuous upward trend each year. Additionally, we purchase wooden components to repair damaged pallets.

	Pallet Recycling	Reusable Carriers
Description	Repurposing of Pallets: The company has successfully replaced new pallets with recycled ones.	Adoption of Eco-Friendly Crates: Traditional cardboard boxes have been replaced with reusable eco-friendly crates.
Quantifiable/ Qualitative Results	The procurement rate of recycled pallets has reached 69%.	<ul style="list-style-type: none"> Shipping boxes can be reused over 15 times. A reduction of 1,000 metric tons in cardboard usage, leading to a 20% decrease in cardboard waste
Implementation Areas	Taiwan	Foshan
Photo		

05

GREEN MANUFACTURING AND LOW CARBON TRANSFORMATION

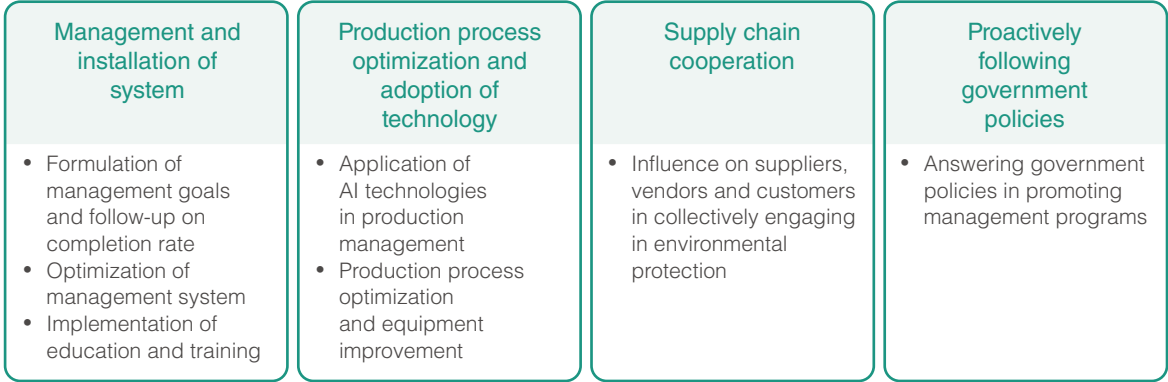


5.1 Risk and Opportunity of Climate Change	68
5.2 Greenhouse Gas Emission and Management	72
5.3 Energy Management	75
5.4 Water Resources	77
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5.6 Waste Management	82
5.7 Ecosystem Preservation	85

Nan Pao is committed to addressing climate-related financial disclosures, net-zero emissions, renewable energy, green chemistry, and circular economy initiatives. We have implemented the ISO 14001 Environmental Management System to integrate sustainability into our daily operations. Our sustainability efforts focus on climate change, energy, water resources, waste management, and air pollution prevention to protect the environment and enhance corporate value.

As of 2023, our headquarters (Nan Pao Taiwan) and 11 production sites have successfully established and obtained third-party certification for the ISO 14001 Environmental Management System. These certified companies include: Nan Pao Taiwan, Foshan Nan Pao, Foshan Advanced, Dongguang Nan Pao, Dongguang Jiaqing, Kunshan Nan Pao, Vietnam Nan Pao, Vietnam Materials, Vietnam Advanced Materials, Vietnam NNV, Indo Nan Pao, and Thai Nan Pao.

Environmental Sustainability Policy and Management Approach



Environment Policy

NANPAO's environmental policy is to produce environmentally friendly products, comply with regulations, prevent pollution, save energy and reduce waste, involve all employees, and continuously improve. NANPAO also commits to:

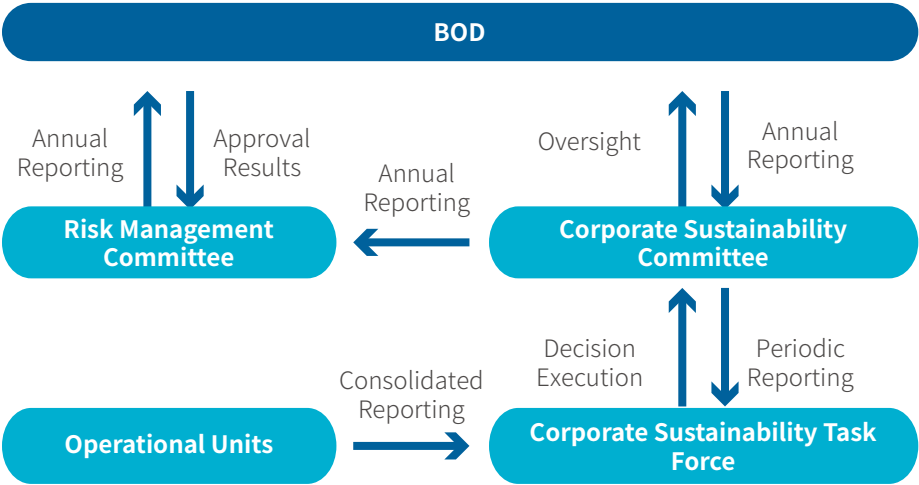
1. Implementing ISO14001 environmental management system and practicing continuous improvement.
2. Disclosing relevant information regularly in accordance with local and international laws and regulations.
3. Continuously improving the ability to research and develop green products, and strictly adhering to international standards for environmentally friendly products.
4. Clearly communicating the policy and requiring all employees to fully implement it, working together to protect the environment.

Environmental Management and Climate Governance Framework

To enhance our environmental performance and climate risk management, Nan Pao has established a comprehensive environmental management and climate governance structure. Each level of the organization has clearly defined responsibilities to achieve our environmental objectives. The roles and responsibilities of each level are outlined as follows:

- 1 Board of Directors:** As the highest climate governance body, the Board oversees the company's overall sustainability strategy, including climate change action plans, through the Risk Management Committee and the Corporate Sustainability Committee. The Board regularly reviews the performance of these initiatives and provides recommendations.
- 2 Corporate Sustainability Committee:** This committee is responsible for developing and implementing the company's sustainability and climate-related governance strategies. The CEO, as a member of both the Corporate Sustainability Committee and the Risk Management Committee, oversees the regular review of the company's sustainability strategies and aligns them with external environmental changes. The CEO reports to the Board and the Risk Committee annually on the progress of these strategies, ensuring effective integration of risk management across the Group and its subsidiaries.
- 3 Corporate Sustainability Task Force:** Led by the CEO as the Chief Sustainability Officer, and with the Chief Operating Officer of each subsidiary serving as the task force leader, this group is responsible for monthly reviews of each unit's carbon reduction plans and performance. The Planning Department consolidates the climate change and energy management activities of all plants, conducts audit of their performance, and reports regularly to the Chairman.
- 4 Operational Units:** Each plant's general manager chairs the energy management and safety health committee, and the production vice president oversees the effective operation of the environmental management system. Subordinate units are responsible for promoting environmental projects and managing significant environmental risks and opportunities.

Nan Pao Environmental Management and Climate Governance Framework



Regulatory Compliance

Nan Pao Taiwan has maintained a clean environmental record in 2023, with no environmental fines issued. To ensure ongoing compliance, the company has implemented several measures, including:

- Enhanced Operational Controls: Stricter controls have been placed on on-site operations, maintenance, and procedures.
- Intensified Monitoring: Increased monitoring of high-risk areas has been implemented to prevent incidents.
- Regular Inspections: Regular inspections of on-site equipment are conducted by dedicated personnel.
- Employee Empowerment: Employees are encouraged to take ownership of environmental compliance, thereby reducing the likelihood of non-compliance incidents.

Year	2021	2022	2023
Violation Type	Air pollution, Water pollution, Industrial waste	Air pollution	Industrial waste
Reporting Authority	Tainan City Environmental Protection Bureau	Tainan City Environmental Protection Bureau	Tainan City Environmental Protection Bureau
Number of Cases / Amount (NT\$)	6 / 1,090,000	2 / 450,000	1 / 60,000

Environmental Capital Expenditure and Performance Analysis

Nan Pao Taiwan has compiled data on environmental capital expenditures for all its manufacturing sites over the past three years. This data has been analyzed in comparison with the corresponding environmental and economic benefits achieved. To continuously reduce energy consumption and carbon emissions, Nan Pao has consistently invested in new environmental protection equipment. However, as the payback period for these investments is relatively long, we will conduct annual reviews of the return on investment for each piece of equipment to maximize the impact of our investments.

Year	Environmental Benefits	Economic Benefits	Capital Expenditure (NT\$)
2021	Electricity saved: 81,440 kWh	Savings: NT\$330,646	1,550,000
2022	Electricity saved: 82,689 kWh	Savings: NT\$335,718	29,343,339
	Natural gas saved: 13,560 m ³	Savings: NT\$169,690	
	Water saved: 1,464 m ³	Savings: NT\$17,568	
2023	Electricity saved: 273,864 kWh	Savings: NT\$1,111,887	113,736,171
	Natural gas saved: 27,120 m ³	Savings: NT\$337,047	
	Water saved: 3,299 m ³	Savings: NT\$39,588	

5.1 Climate Change Response

The 2023 United Nations Climate Change Conference (COP28) concluded on December 12, 2023, with a final decision committing to a "transition away from all fossil fuels." This signifies an acceleration of global climate change and the transition to a low-carbon market. Nan Pao, leveraging its existing governance framework, follows the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). By continuously adjusting scenario analyses, Nan Pao incorporates its responses to climate-related risks into its governance, strategy, risk management, and metrics and targets disclosures, enabling effective climate change management.

5.1.1 Assessment of Climate-Related Risks and Opportunities

Nan Pao has established a list of climate-related risks and opportunities based on the TCFD framework. By leveraging the expertise of department heads from various manufacturing sites, Nan Pao assesses the potential operational impacts of climate change over short, medium, and long-term timeframes across the supply chain, research and development, and operations. Significant climate-related risks identified by Nan Pao are incorporated into the company's overall risk management framework. These risks are regularly assessed, controlled, and monitored in accordance with Nan Pao Group's Risk Management Policy and Procedures. For more details on the operational mechanisms, please refer to Section 2.3 Risk Management.

Process for Identifying Material Climate-Related Risks and Opportunities

Nan Pao has followed a systematic process to identify material climate-related risks and opportunities, aligned with the TCFD framework and international best practices.

Step.1 Identification of Climate-Related Risks and Opportunities

Nan Pao has identified 7 transition risks, 5 physical risks, and 5 potential opportunities by considering factors such as product applications, supply chain, mitigation and adaptation actions, R&D of new products and technologies, and production operations.

Step.2 Climate Scenario Analysis

Nan Pao has conducted scenario analysis based on reports from the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). Two scenarios were analyzed:

- IEA Net Zero Emissions (NZE) Scenario: This scenario assumes net-zero emissions by 2050 and assesses the impact on various operational aspects of the company's low-carbon transition economy.
- IPCC SSP5-8.5 High Emissions Scenario: This scenario assumes a high level of greenhouse gas emissions with minimal climate policies. It assesses the potential impacts of extreme weather events on the company's production sites.

Step.3 Identification of Material Risks and Opportunities

Nan Pao conducted workshops with various departments and business units to assess the likelihood, potential impact, and timing of each identified risk and opportunity. The results were then plotted on a climate change risk and opportunity matrix to identify material risks and opportunities.

Step.4 Monitoring and Managing Risks and Opportunities with Appropriate Indicators and Targets

Each department and business unit has set specific actions, indicators, and targets to address material climate-related risks and opportunities. These are monitored regularly through the risk management process to ensure effective risk control and oversight.

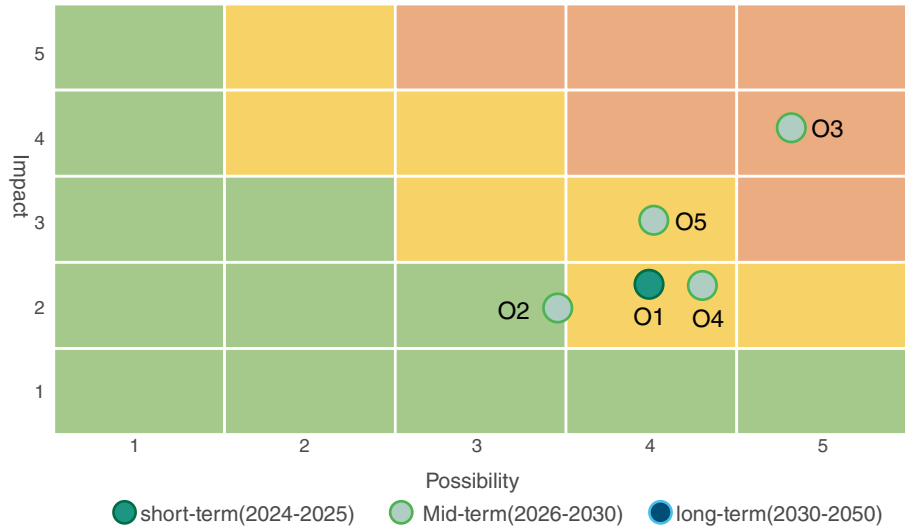


Climate Change Impact Matrix

Climate Change Matrix



Climate Change Matrix



Transition Risks		
Code	Risk Type	Risk Issue
T1	Existing Regulations	Increasing the use of renewable energy in response to customer demands, international initiatives, and reduction targets.
T2	Emerging Regulations	Paying carbon taxes or purchasing certificates due to greenhouse gas emission regulations.
T3	Emerging Regulations	Fluctuations in upstream raw material prices due to carbon border adjustment mechanisms.
T4	Technology	Product transformation to use low-carbon raw materials or process using electricity.
T5	Market	Meeting customer requirements for value chain decarbonization targets.
T6	Reputation	Negative publicity related to environmental issues.
T7	Reputation	Stagnation in sustainability rating performance.

Physical Risks		
Code	Risk Type	Risk Issue
P1	Immediate	Extreme weather events impact production facilities.
P2	Long-term	Sea-level rise inundates low-lying plant sites.
P3	Immediate	Extreme weather events disrupt supply chain scheduling.
P4	Long-term	Extreme heat impacts production processes, electricity consumption, and employee attendance.
P5	Immediate	Water scarcity impacts production processes.

Opportunities		
Code	Opportunity Type	Opportunity Risk Issue
O1	Resource Efficiency	Improve solvent recovery efficiency in the production process.
O2	Energy Sources	Continuously develop or procure low-carbon energy.
O3	Products and Services	Meet customer demands for low-carbon products.
O4	Products and Services	Develop products that adapt to extreme weather conditions.
O5	Market	Expand into the carbon fiber lightweighting market.

Financial Impact Analysis of Material Climate-Related Risks and Opportunities

Climate-Related Risks and Opportunities	Scenario	Scenario Analysis Event	Impact on Nan Pao Resins' Operations	Response Strategies	Key Performance Indicators and Targets
T5 Transition Risk: Meeting customers' value chain decarbonization targets	Temperature rise of 1.5° C (IEA NZE)	<ul style="list-style-type: none"> Customers need to achieve low-carbon targets and comply with sustainable product standards. 	<ul style="list-style-type: none"> Nan Pao Resins has met the short-term targets of major customers; however, the medium-term decarbonization targets of major customers will grow significantly. 	<ul style="list-style-type: none"> Nan Pao Resins continues to develop water-based green products and expand the application of low-carbon raw materials in the medium term. 	<ul style="list-style-type: none"> Greenhouse Gas Reduction: <ul style="list-style-type: none"> ◆ Complete the scope 1, 2, and 3 ISO 14064-1 carbon footprint for the entire plant by 2027. ◆ Reduce carbon emission intensity by 10% by 2025. ◆ Achieve carbon neutrality by 2050. Renewable Energy Installation: <ul style="list-style-type: none"> ◆ Complete the installation of 2,500 kW of renewable energy devices at the plant by 2025.
O3 Opportunity: Meeting customer demands for low-carbon products			<ul style="list-style-type: none"> Nan Pao Resins is committed to replacing petroleum-based raw materials. If it meets customers' demand for green products, it can enhance product competitiveness. 		
T4 Transition Risk: Product transformation to use low-carbon raw materials or process using electricity		<ul style="list-style-type: none"> The price of biomass raw materials may continue to rise due to the impact of land use and energy demand changes in a high economic growth scenario. 	<ul style="list-style-type: none"> The short-term impact of customer demands and rising biomass raw material costs is limited. However, in the long term, a significant increase in biomass raw material prices will impact costs. 	<ul style="list-style-type: none"> When developing new types of low-carbon products, simultaneously lay out channels for green product sales to increase market share 	
T2 Transition Risk: Paying carbon taxes or purchasing certificates due to greenhouse gas emission regulations		<ul style="list-style-type: none"> Considering the carbon tax and carbon certificate prices at the plant's location and evaluating their impact. 	<ul style="list-style-type: none"> If Nan Pao Resins' own operations generate carbon emissions and pay fees according to local carbon tax/carbon certificate rates, it will impact production costs. If some of Nan Pao Resins' upstream suppliers are carbon-intensive industries and are affected by carbon tax pass-through, it will impact procurement costs. 	<ul style="list-style-type: none"> Production units continue to promote energy conservation and carbon reduction initiatives and plan to install renewable energy equipment. Cooperate with the supply chain to reduce carbon emissions and reduce the risk of value chain carbon taxes. 	
O5 Opportunity: Expanding into the carbon fiber lightweighting market		<ul style="list-style-type: none"> In a low-emission scenario, the global wind power, electric vehicle, and hydrogen markets are growing year by year, driving the carbon fiber lightweighting market. 	<ul style="list-style-type: none"> Nan Pao Resins has recently developed carbon fiber products and entered the wind power, electric vehicle, and hydrogen markets, increasing revenue opportunities. 	<ul style="list-style-type: none"> Invest in the development and testing of applications for lightweighting products to enter emerging markets. 	
O4 Opportunity: Developing products that adapt to extreme weather conditions		<ul style="list-style-type: none"> The construction sector advocates for zero-carbon ready buildings to achieve net zero, and the market for insulation and energy-saving coatings is growing. 	<ul style="list-style-type: none"> Nan Pao Resins' insulation and energy-saving coating products can gain a first-mover advantage in revenue as the building market replaces cycles. 	<ul style="list-style-type: none"> Steadily operate the insulation and energy-saving coating market to maintain a competitive advantage in product market share. 	

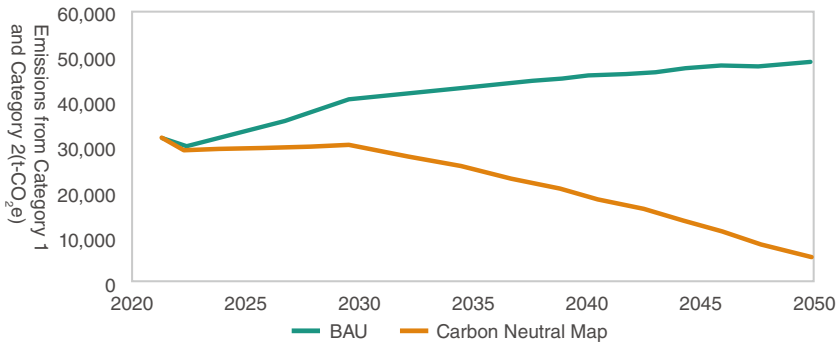
5.1.2 Nan Pao's Carbon Neutrality Roadmap

Nan Pao has implemented a greenhouse gas (GHG) inventory process across all production plants since 2022, in accordance with ISO 14064-1. By quantifying the carbon emissions of operating plants and analyzing carbon hotspots, Nan Pao has conducted a comprehensive review of energy and resource consumption in its processes. Simultaneously, the company has widely installed renewable energy generation equipment and purchased green certificates as appropriate. Nan Pao has launched and implemented a GHG reduction plan, and is further considering the feasibility of implementing energy recycling projects.

Additionally, Nan Pao has embarked on a product mix adjustment initiative. Through process and technological innovation, as well as the selection of low-carbon raw materials, Nan Pao is accelerating the development and deployment of low-carbon chemical processes. Furthermore, by inventorying product materials and processes, Nan Pao has established a systematic management tool and process to ensure the transparency and integrity of product carbon footprint data flows. Based on this, Nan Pao has developed a carbon footprint reduction plan to drive the value chain and the overall industry ecosystem to reduce carbon emissions together. For the progress of Nan Pao's green product promotion, please refer to Chapter 4, Sustainable Supply Chain.

Nan Pao's medium- and long-term goals are to replace traditional fossil fuels with renewable energy and continuously innovate technology. Technological innovation relies on long-term research and development investments with external partners, which is expected to be gradually realized after 2030. Before then, to effectively manage GHG emissions, Nan Pao will continue to conduct comprehensive optimization of product processes.

Nan Pao Resins Group Carbon Emissions Forecast



5.2 Greenhouse Gas Emission and Management

Greenhouse Gas Emission Management Policy and Implementation Program

Management and Installation of System

- Perform greenhouse gas emission inspection in accordance with ISO 14064-1
- Regular inspection of greenhouse gas emission volume and reporting to the competent authority
- Consistent promotion of indirect greenhouse gas emission inspection
- Consistent promotion of reduction goal of greenhouse gas emission

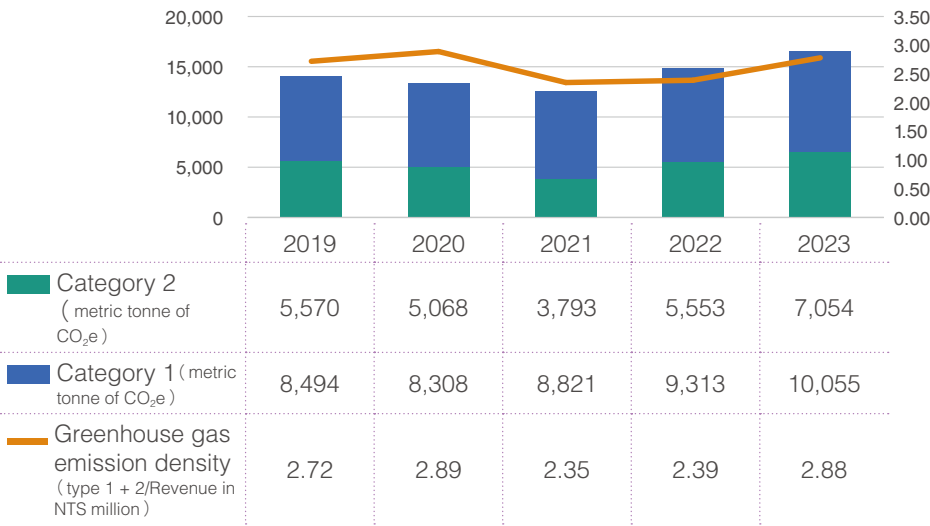
Production Process Optimization and Adoption of Technology

- Installation of solar panels

Proactively Following Government Policies

- Increase in renewable energy use

Greenhouse Gas Emission Volume (Category 1&2) for Nan Pao Taiwan



Greenhouse Gas Emission Overview for Nan Pao Taiwan

Item	GHG Protocol Category	Description	Emissions (tonnes CO ₂ e)	
			2022	2023
Category 3: Indirect GHG emissions from the value chain				
Upstream transportation and distribution of goods	4	Transportation emissions from purchasing raw materials and consumables	750.1497	1,245.80
Downstream transportation and distribution of goods	9	Excluded due to the lack of a reasonable methodology and information collection platform based on the materiality criteria for indirect emissions	-	-
Employee commuting	7	Emissions associated with employees commuting to and from work, including transportation from home to the workplace	305.2566	319.6137
Customer and visitor transportation	-	Relevant, but data and information are difficult to obtain, so it is not included in the calculation	-	-
Business travel	6	Relevant, but data and information are difficult to obtain, so it is not included in the calculation	-	-
Category 4: Indirect GHG emissions from the use of purchased products				
Emissions from purchased goods - energy	3	Emissions from raw materials, fuels, and energy production consumed by the plant (not included in scope 1 and 2)	-	-
Emissions from purchased goods - materials	1		98,946.79	163,253.61
Emissions from capital goods	2	No large-scale asset expansion activities	-	-
Emissions from the disposal of solid and liquid waste	5	Emissions from the outsourcing of transportation and disposal of waste generated during the production process at the plant	347.0401	322.0868
Emissions from asset use	8	Not applicable. Nan Pao Resins does not have any leasing activities with upstream suppliers.	-	-
Emissions from the use of other services	-	Relevant, but data and information are difficult to obtain, so it is not included in the calculation	-	-
Category 5: Indirect GHG emissions from the use of sold products				
Emissions from the use stage of products	10 、 11	Excluded due to the lack of a reasonable methodology and information collection platform based on the materiality criteria for indirect emissions	-	-
Emissions from the end-of-life stage of products	12		-	-
Emissions from assets leased by downstream	13	Not applicable, products are not leased to downstream users	-	-
Emissions from investments	14 、 15	Subsidiaries calculate and report their own results	-	-
Total			100,349.23	165,141.11

Nan Pao commits to achieving carbon neutrality by 2050. To reach this goal, we will gradually build and purchase renewable energy facilities. In 2023, we completed the GHG inventory for Scope 1 and 2 emissions across all our chemical production sites and obtained verification certificates. Starting from 2025, we will initiate Scope 3 inventory and verification for all our sites, aiming to complete 100% of our sites by 2027. In 2024, we have formally included environmental performance in the KPIs of our senior management. Our greenhouse gas reduction targets are as follows:

GHG Category	Target
Scope 1 and 2	5% reduction compared to 2023

Nan Pao Taiwan's organization-wide GHG inventory for 2023 showed total Scope 1 to 6 greenhouse gas emissions of approximately 182,250 tonnes of CO₂e. Scope 1 and 2 emissions increased by 2,243 tonnes CO₂e (15.09%) compared to the previous year. This increase is primarily due to the inclusion of our R&D headquarters in the 2023 inventory, which led to increased energy and resource consumption.

For Scope 3 to 6 emissions, we first identified the organization's material emission sources and then conducted emissions inventories. In 2023, the major emission source for Nan Pao Taiwan's Scope 3 to 6 emissions was the use of upstream raw materials. Specifically, the proportion of direct raw material use included in the inventory increased from 60% of the procurement value of chemicals in 2022 to 80% in 2023. Consequently, Scope 4 emissions for Nan Pao Taiwan significantly increased in 2023. To further control emissions from direct raw materials, Nan Pao's R&D team is dedicated to reducing solvents in products and adjusting formulations with recycled and bio-based materials to lower the carbon footprint of our products.

Greenhouse Gas Emission Intensity Information of Nan Pao Resins Group in 2023

	Taiwan	Foshan (CN)	Foshan Advanced (CN)	Dongguan (CN)	Dongguan Jia-Chin (CN)	Kunshan (CN)	Fuqing (CN)	VNNP (VN)	NP Materials (VN)	NP advanced materials (VN)	NNV (VN)	Indonesia	Thailand	Total emission of NANPAO manufacturing factories
Scope 1 (metric tonne of CO ₂ e)	7,053.69	558.05	1,886.95	307.21	10.87	84.18	77.33	517.86	971.42	84.96	110.16	198.79	49.41	11,910.89
Scope 2 (metric tonne of CO ₂ e)	10,054.94	1,270.49	2,251.66	485.78	478.36	461.99	194.46	1,385.20	1,617.34	224.90	791.16	171.46	66.49	19,454.24
Total emission of Scope1~2 (metric tonne of CO ₂ e)	17,108.64	1,828.54	4,138.61	792.99	489.23	546.17	271.79	1,903.06	2,588.76	309.87	901.32	370.25	115.90	31,365.13
Revenue (NT\$ million)	5,951	1,910	2,188	261	155	566	405	3,253	1,993	901	478	1,723	69	20,870.70
Greenhouse gas emission density (type 1 + 2/ Revenue in NT\$ million)	2.88	0.96	1.89	3.04	3.16	0.97	0.67	0.59	1.30	0.34	1.88	0.21	1.68	1.50
ISO14064-1 verification	●	●	●	●	●	On going	●	●	●	●	On going	●	●	
Scope 3 (metric tonne of CO ₂ e)	1,565.42	3,707.64	8,089.10	581.20	758.59	409.03	293.50	268.96	337.85	301.19	121.57	205.11	11.12	16,650.28
Scope (metric tonne of CO ₂ e)	163,575.69	58,675.17	104,801.26	10,922.61	5,959.67		7,081.84	32,974.80	46,424.46	16,342.23	3,376.88		717.66	450,852.27
Total emission of Scope1~4 (metric tonne of CO ₂ e)	182,249.75	64,211.35	117,028.97	12,296.80	7,207.49	955.20	7,647.13	35,146.82	49,351.07	16,953.28	4,399.77	575.36	186.49	498,209.48

Note 1: The greenhouse gas emission coefficients used for the inventory are primarily based on the "Greenhouse Gas Emission Coefficient Management Table 6.0.4 Version" announced by the Environmental Protection Administration.

Note 2: The calculations are based on the global warming potentials provided in the Fifth Assessment Report (2013) of the Intergovernmental Panel on Climate Change (IPCC) , a United Nations body.

Note 3: Our company adopts an operational control approach to aggregate the Scope 1 and Scope 2 greenhouse gas emissions from various production regions. The greenhouse gases included in the inventory are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and nitrogen trifluoride.

Note 4: Due to the nature of Scope 3 emissions not being under "direct ownership or control," it is more challenging to aggregate and obtain relevant emission data. Therefore, they have been exempted from the inventory scope at this stage.

5.3 Energy Management

Energy Management Policy and Implementation Program

Management and Installation of System

- Adoption of ISO 50001 management systems
- Performance of production process optimization and energy conservation incorporated into the incentive system

Production Process Optimization and Adoption of Technology

- Automated Energy management
- Promotion of energy conservation and carbon reduction programs.

Proactively Following Government Policies

- Provisions of Renewable Energy Development Act on installation and purchase of green energy

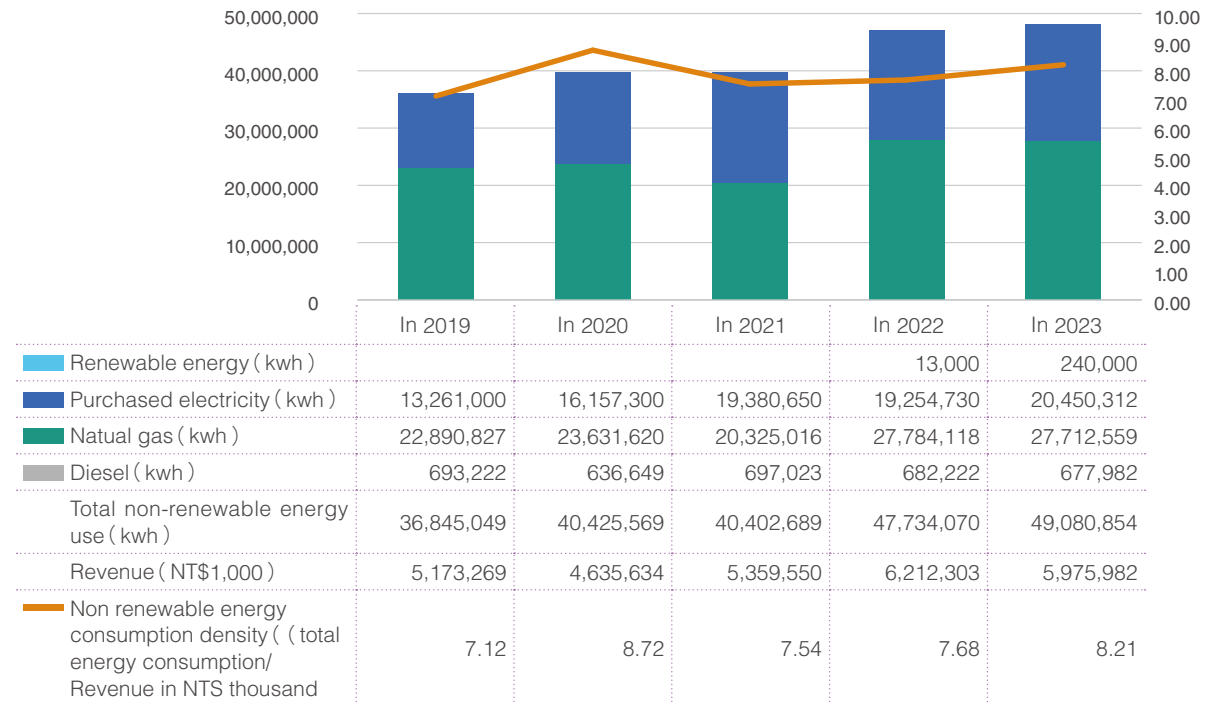
Nan Pao has established cross-functional energy management review teams at each of its operating sites, led by the general manager of the subsidiary. These teams meet regularly to review energy consumption, develop energy-saving initiatives, and continuously monitor the performance of these initiatives. To ensure effective implementation, relevant procedures and regulations aligned with the energy team's policies have been put in place. These teams also provide the energy team with detailed information required for project evaluation.

By integrating smart meters and platform management systems at our plants, on-site personnel can monitor the energy consumption of various equipment in real-time. Through data analysis from the platform system, we can continuously review and optimize processes, improve energy integration, and reduce unnecessary consumption, thereby increasing energy efficiency.

In the future, we will continue to engage expert teams to conduct plant audits and provide guidance, identifying areas for improvement, suggesting solutions, and assisting with improvement actions. Through a "big factory mentoring small factory" approach, we aim to continuously enhance the overall ecological benefits. Our current

energy management strategies include: 1. automated energy management, 2. energy-saving and carbon reduction project implementation, and 3. optimization of management systems and energy efficiency, with performance incorporated into our incentive system. Nan Pao Taiwan, Foshan Nan Pao, and Foshan Advanced Materials have all obtained ISO 50001 energy management system certification

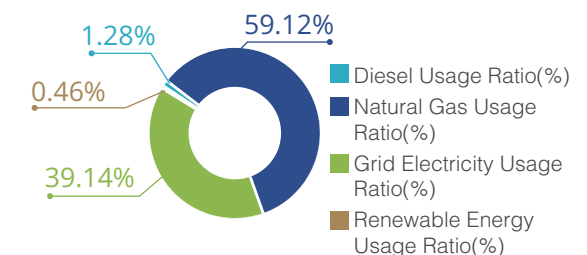
Nan Pao Taiwan Energy Consumption



Note: The energy consumption calculation scope was expanded significantly in 2021 to include additional facilities such as the main Plant, Operations and R&D Headquarters, and regional offices.

Nan Pao Taiwan's total non-renewable energy consumption in 2023 was 52,704,116 kWh, representing a 10.41% increase or 4,970,046 kWh compared to the previous year. Starting from 2023, all departments at Nan Pao Taiwan have set their own carbon reduction projects and are tracking their progress monthly. The inclusion of the Operations and R&D Headquarters in the energy consumption calculation from 2023 onward led to a significant increase in office building electricity consumption compared to the previous year.

Nan Pao Taiwan Energy Usage Ratio



Voltage Stabilization and Power Optimization Project

Starting from 2023, Nan Pao Taiwan has implemented a voltage stabilization project as part of its plan to reduce the amount of purchased electricity. The first plant has already completed the installation of AMI smart meters, voltage stabilizers, and an energy management system. Subsequent installations will be carried out at Pao-Li Plant and the 5th Plant. Upon completion, it is expected that approximately 10% of electricity can be saved.

Additionally, Nan Pao plans to introduce a power optimization system. This system will not only establish a smart energy management platform for monitoring energy efficiency but will also filter out harmonics from the power supply through technology, reducing line impedance. By preventing the increase in impedance and the resulting equipment heating and power consumption, the service life of the equipment can be extended. It also reduces internal three-phase unbalance and improves power factor.

In January 2023, Nan Pao joined Ancillary Power's innovative virtual power plant, which is built around SDG Goal 9. By utilizing the electricity load resources of the group's factories, Nan Pao not only provides Tainan Power Company with real-time standby capacity auxiliary services but also helps Tainan Power Company strengthen its smart and resilient sustainable power grid infrastructure to expand the use of more economically viable clean and renewable energy. In 2023, Nan Pao completed 2,705 hours of standby (811.5 MW) and successfully responded to two dispatch requests from Tainan Power Company, providing and saving 1,200 kWh of electricity and reducing CO₂ emissions by 584 kilograms.



Energy monitoring system

Energy consumption data of Nan Pao Resins Group in 2023

	Unit	2022	2023
Electricity	Self-generated renewable	kWh	237,200
		GJ	854
	Purchased renewable	kWh	0
		GJ	0
	Purchased non-renewable	kWh	35,830,666
		GJ	128,990
Diesel	kWh	6,419,246	7,823,192
	GJ	23,109	27,948
Natural gas	kWh	4,647,701	41,715,057
	GJ	16,732	151,386
Total non-renewable energy consumption		kWh	35,830,666
Total renewable energy consumption		kWh	237,200
Total energy consumption		kWh	36,067,866
Total energy consumption		GJ	129,844
Renewable energy as a percentage of total energy		(%)	0.7%

Energy Efficiency Index

Electricity consumption per NT\$ million of revenue	kWh/NT\$ million	1.76	2.08
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Note 1: Based on electricity consumption per revenue at major global resin manufacturing sites (from 2022).

Note 2: Renewable energy ratio: (Self-generated + Purchased) / Total

Innovative Energy-Saving Initiatives at Various Plants

Nan Pao has adopted a two-pronged approach to carbon reduction: low-carbon energy and process energy efficiency. In 2023, we implemented energy-saving projects across all group plants and utilized energy management systems to continuously improve energy efficiency.

Region	Details
Taiwan	<p>Voltage stabilization system</p> <ul style="list-style-type: none"> Production items T number/Power consumption of production equipment Smart energy saving and carbon reduction: Monthly electricity consumption reduced by 10%
Vietnam	<p>Replacement of industrial electric fans with pneumatic fans</p> <p>Replacement of fixed-speed units with variable frequency drives to improve full-load operation of the unit, with approximately 10 hours of operation per day, it is estimated that monthly power consumption can be reduced by 5%.</p>
Vietnam	<p>Replacement of air compressors with variable frequency equipment</p> <p>Replacement of fixed-speed units with variable frequency drives to improve full-load operation of the unit, with approximately 10 hours of operation per day, it is estimated that monthly power consumption can be reduced by 5%.</p>
Taiwan, Indonesia	<p>Replacement of chillers</p> <ul style="list-style-type: none"> Taiwan: Replacement of air-cooled chillers with energy-saving water-cooled chillers, reducing monthly electricity consumption by 10%. Indonesia: It is planned to replace with new variable frequency chillers. Due to the use of variable compressors, it can save and reduce electricity consumption by 20%, and reduce carbon emissions by about 4.35 tons per year.
Indonesia	<p>Additional installation of solar streetlights</p> <p>Replacement of factory streetlights with solar-powered lamps to save electricity and energy consumption. It is estimated that 3600 kWh of electricity can be saved annually, and carbon emissions can be reduced by about 12.55 tons per year.</p>

Renewable Energy

Nan Pao Resins prioritizes energy and greenhouse gas management as part of its daily operations. We are continuously implementing energy-saving and carbon reduction measures to improve energy efficiency. Moreover, we actively cooperate with local government energy policies and have been installing self-owned solar power generation facilities at various production sites. Our greenhouse gas emissions inventory has revealed that Scope 1 and Scope 2 emissions are primarily attributed to purchased electricity. Therefore, our company is actively engaged in energy management, including the installation of solar power generation equipment on the rooftops of our plants in Taiwan, Foshan, and Thailand to reduce carbon emissions. Additionally, since 2023, we have started purchasing renewable energy certificates in Taiwan and Indonesia and conducting offset assessments.

In response to the launch of the international carbon credit trading platform of the Taiwan Carbon Exchange on December 22, 2023, Nan Pao enthusiastically participated as one of the first carbon credit purchasers and was awarded the inaugural purchase certificate. The company has purchased 2,000 tons of carbon credits, which will be used to offset its own operational emissions. Internally, we will continue to promote energy-saving and carbon reduction projects, including the installation of solar power generation equipment and the replacement of energy-consuming equipment, to gradually achieve our carbon reduction goals.



The Inaugural Certification Ceremony for the First Carbon Credit Purchasers of the Carbon Exchange in 2023

In 2023, our company generated a total of 1,324,477 kWh of electricity from our own renewable energy sources and purchased an additional 174,000 kWh, resulting in a reduction of approximately 830 metric tons of carbon dioxide emissions.



5.4 Water Resource

Water Resources Risk Water Resources 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, 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

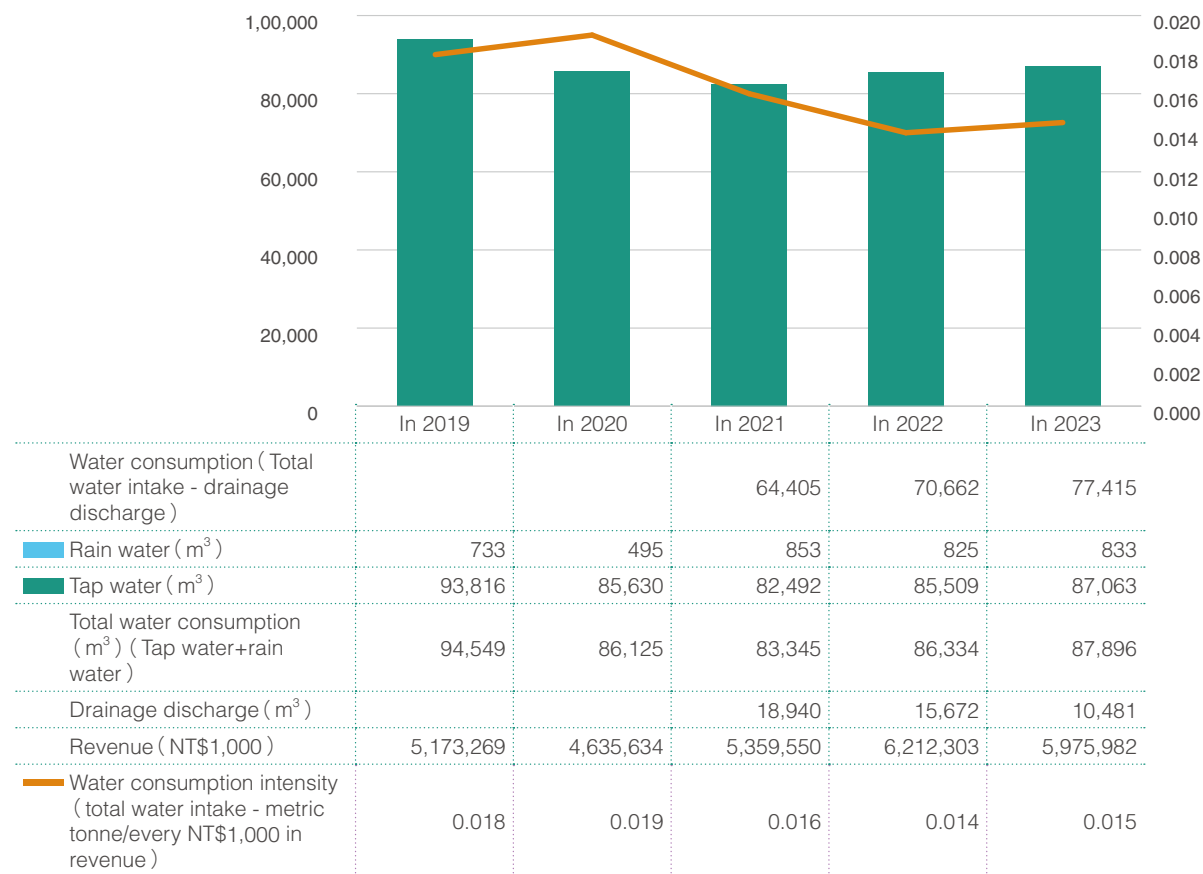
- Cooperation with brands to inspect the results of water conservation

Water Management

Nan Pao is committed to minimizing its water footprint through reduction, reuse, and recovery. Municipal water is our primary source. In Taiwan, Nan Pao withdrew 87,896 cubic meters of water in 2023, a slight increase of 1.81% compared to the previous year. Water consumption, at 77,415 cubic meters, increased by 9.56% in 2023. To further enhance water stewardship, Nan Pao has incorporated environmental performance into senior management KPIs, setting targets to reduce water withdrawal.

Content	Target
Water Withdrawal	Reduce by 8% compared to 2023

Water consumption of Nan Pao Taiwan in 2023



In recent years, extreme weather conditions have caused unstable water supply in Taiwan, leading to conflicts between industrial and domestic water usage. To alleviate the impact of these conflicts, Nan Pao has implemented various measures for water resource management, such as open-source conservation, aiming to improve the water consumption in their processing system and processes. Nan Pao also focuses on recycling wastewater, such as through the discharge of wastewater recovery, rainwater harvesting, steam condensate recovery, and cooling water recovery through heat exchangers, to increase the recycling rate within the factory. Therefore, the company continues to maintain the concept of recycling and reusing water and is gradually moving towards the goal of multiple water sources, aiming to reduce the risk of production loss or damage caused by water restrictions and to minimize the impact on water resources.

All water sources used by Nan Pao Taiwan are supplied by the Taiwan Water Corporation, and the company does not draw water from ecologically protected areas or use groundwater sources. Nan Pao is not included in any ecological conservation areas or water quality protection zones, and no species in the surrounding area have been listed in the IUCN Red List or the National Protection List.

Water Sources

The water sources for each plant are primarily groundwater, municipal water, and industrial water. When planning the use of water resources, we consider government policies, company development, industry changes, and the water resource needs of surrounding residents. For example, we collaborate with authorities to establish groundwater extraction points at our facilities for public use during droughts. This ensures a reasonable and effective management, allocation, and use of water resources. The amount and method of water extraction do not cause significant negative impacts on the local ecosystem or nearby residents.

Group Water Withdrawal and Response Measures for Water-Stressed Areas

Climate change has altered the conditions of water resources, making water quantity and quality pressing global issues. Nan Pao has identified locations in water-stressed areas using publicly available and reliable tools for assessing water scarcity—specifically, the World Resources Institute's Aqueduct Water Risk Atlas. Our company has multiple facilities in China and Southeast Asia situated in these water-stressed areas. Although water stress has not impacted the operation of these facilities, Nan Pao continues to enhance management in these areas and set water resource management targets to reduce water withdrawal. We actively understand and respond to local social and environmental impacts to jointly preserve precious water resources.



Item		Taiwan (HQ)	Foshan (CN)	Foshan Great- Will (CN)	Dongguan (CN)	Dongguan Jia-Qing (CN)	Kunshan (CN)	Fuqing (CN)	Vietnam	NP Materials (VN)	NP advanced materials (VN)	NNV (VN)	Thailand	Indonesia
Water pressure index		Low -Mid	Mid-High	Mid-High	Mid-High	Mid-High	High	Low -Mid	High	High	High	High	High	Extremely High
Groundwater extraction (m³)		-	-	-	-	-	-	300	-	-	-	-	-	-
Total municipal water intake (m³)		87,063	50,790	8,694	9,144	9,144	9,647		58,691	16,183	5,398	9,847	2,479	-
Wastewater discharge (m³)		10,481	21,195	900	320	2,909	2,800	300	-	-	-	-	2,419	
Water consumption (m³)		77,415	29,595	7,794	8,824	6,235	6,847	300	58,691	16,183	5,398	9,847	60	8,220
Effluent Water Quality	Chemical Oxygen Demand (COD)	41.6	46.0	46.0	47.6	21.6	38.0	-	45.0	54.0	3.1	47.3	618.9	48.3
	Biochemical Oxygen Demand (BOD)	2.1	14.8	14.8	15.8	6.9	8.0	-	19.0	22.0	2.7	21.0	71.5	8.7
	Suspended Solids (SS)	3.5	15.0	15.0	8.0	13.6	12.0	-	19.0	26.0	27.0	16.5	-	8.0
	Ammonia	0.2	0.7	0.7	0.3	0.3	1.5	-	12.6	-	6.2	2.2	-	0.3
	Phenols	2.0	-	-	-	-	2.8	-	-	-	-	-	-	0.0

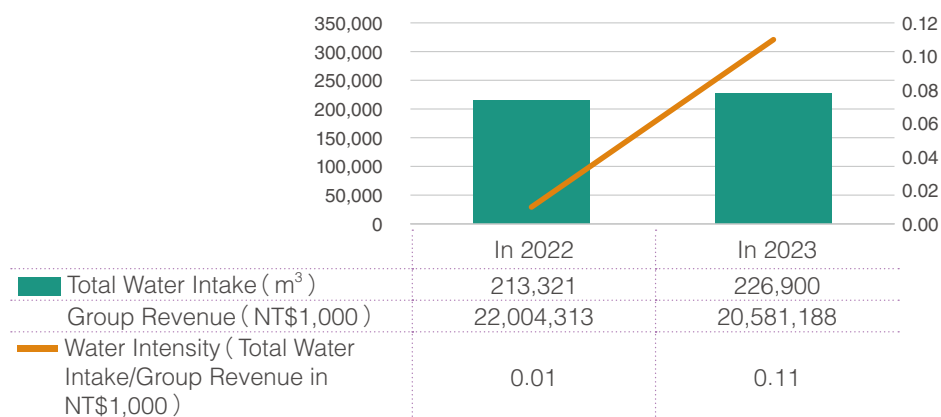
Note 1: Each plant has different process characteristics and emission standards, so the water quality treatment and standard comparison will vary for each plant.

Note 2: The standard values are based on the headquarters (Taiwan) water quality discharge standards.

Note 3: The average discharge concentration is based on the reported testing data.

Note 4: The Chemical Oxygen Demand (COD) discharge standard and target are set at 100, following the Taiwan Environmental Protection Administration's regulations for the chemical industry.

Water consumption & intensity of Nan Pao Group



Note: Calculated using the water withdrawal of Nan Pao's main global manufacturing plants divided by plant revenue. (Covering resin manufacturing plants from 2022 onward)

The total water withdrawal in 2023 (226,900 liters) increased by 5.60% compared to 2022 (214,875 liters), primarily due to the continuous increase in production demand within the group, which led to higher water requirements for the processes.

Wastewater Management

Rivers play a vital role in providing water resources and serve as essential habitats for diverse flora and fauna. Wastewater from Nan Pao undergoes chemical treatment, biological (activated sludge) treatment, and MBR membrane treatment to meet regulatory discharge standards. The treated water is then released into water bodies approved by environmental authorities, with daily and periodic testing as required by law to meet stakeholder (bluesign® testing) requirements. This commitment to environmental protection is a crucial part of Nan Pao's overall environmental plan to achieve sustainability goals.

For discharge management, Nan Pao's internal environmental laboratory conducts daily wastewater quality (COD) testing to enhance monitoring and management, ensuring discharge quality exceeds regulatory standards (COD < 100 mg/L). Biannual external sampling and testing of discharge water quality are conducted to comply with regulations and stakeholder (bluesign®) requirements, including heavy metal detection and fish egg toxicity (zebrafish eggs). All testing results remain below control limits to ensure no impact on the environmental ecology of nearby water bodies.

5.5 Air Pollution Prevention

Air Pollution Management Policy and Implementation Program

Management and Installation of System

- Regular inspection of air pollutant emission and reporting to the competent authority
- Air pollution prevention campaign
- Management personnel are required to attend training and obtain the relevant licenses

Production Process Optimization and Adoption of Technology

- Change to natural gas boiler

Supply Chain Cooperation

- Launching low VOC chemicals as per customer requirements
- Ensure that air pollutant emission meeting the requirements of certification bodies such as Reach, Bluesign and ZDHC

Proactively Following Government Policies

- Announcing air quality and undertaking response measures in line with regulatory requirements

Air Pollutant Emissions

Nan Pao has established an "Air Pollutant Prevention and Management Procedure," continuously introducing air pollution control technologies and regularly reviewing existing facilities and production processes. Regular inspections of boiler equipment and emission pipelines ensure compliance with regulations. Following internal standard procedures, gas emissions are collected through pipelines, treated by exhaust treatment equipment, and discharged after passing regular exhaust sampling tests to meet regulatory requirements.

In 2023, Nan Pao in Taiwan emitted 63.71 tons of volatile organic compounds (VOCs) during production, a decrease of 2.36 tons (-3.57%) compared to 2022, with the VOC emissions remaining consistent with the previous year. To effectively reduce air pollution and decrease emissions of volatile and other harmful pollutants, Nan Pao is actively exploring improvements

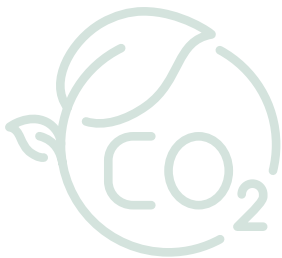
at the source and the addition of control equipment, seeking the best feasible technologies. Nan Pao has implemented gravity bed exhaust treatment facilities and Regenerative Catalyst Thermal Oxidizers (RCO) to handle harmful pollutants from production processes, minimizing environmental impact. This commitment to environmental protection is a crucial part of Nan Pao's overall environmental plan to achieve sustainability goals. In 2024, Nan Pao will include environmental performance in the KPIs of senior managers, with specific air pollutant reduction targets set.

Item	Target
VOCs	VOCs reduced by 5% compared to 2023

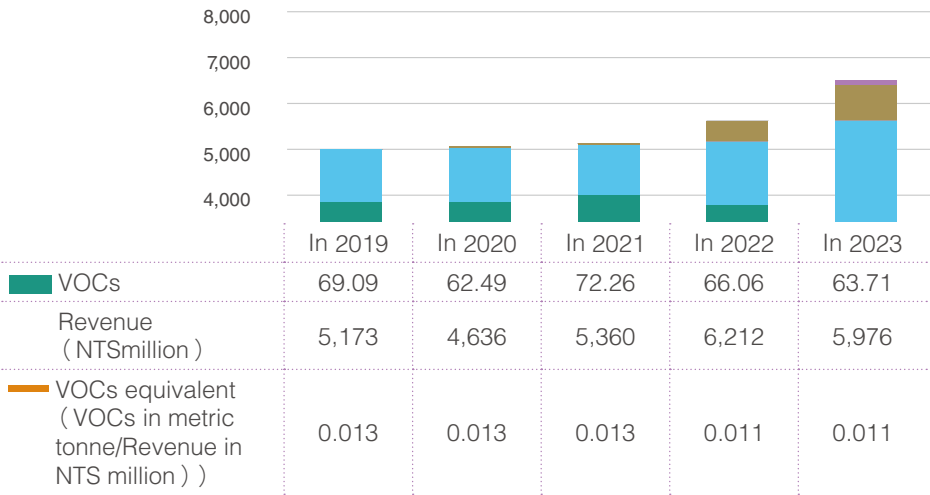
2023 Air Pollutant Emission Data for Nan Pao Taiwan

	VOCs	Particulate Pollutants	SOx	NOx	HAPs
2019	69.09	0.24	0.44	2.6	
2020	62.49	0.15	0.01	3.24	
2021	72.26	0.11	0.00	3.59	21.11
2022	66.07	0.12	0.00	3.98	21.51
2023	63.71	0.16	0.09	5.11	21.25

Note: Nan Pao has adhered to EPA's HAPs regulations since 2021 and has zero ODS emissions.



VOCs equivalent for NANPAO Taiwan



Air Pollutant Emissions (Metric Tons)

Air Pollutant Emissions (Metric Tons)	VOCs	SOx	NOx	HAPs
2022	102	105	174	21
2023	130	54	162	29

Note: The scope of air pollutant emissions in 2022 includes our resin manufacturing facilities.



5.6 Waste Management

Waste Management Policy and Implementation Program

Management and Installation of System

- Reduction of waste from sources
- Waste sorting, grading, recycling and reusing
- Sale of waste with economic value to external vendors for recycling and reuse
- Engagement of qualified vendor to perform disposal for waste without economic value

Production Process Optimization and Adoption of Technology

- Installation of sludge treatment equipment

Supply Chain Cooperation

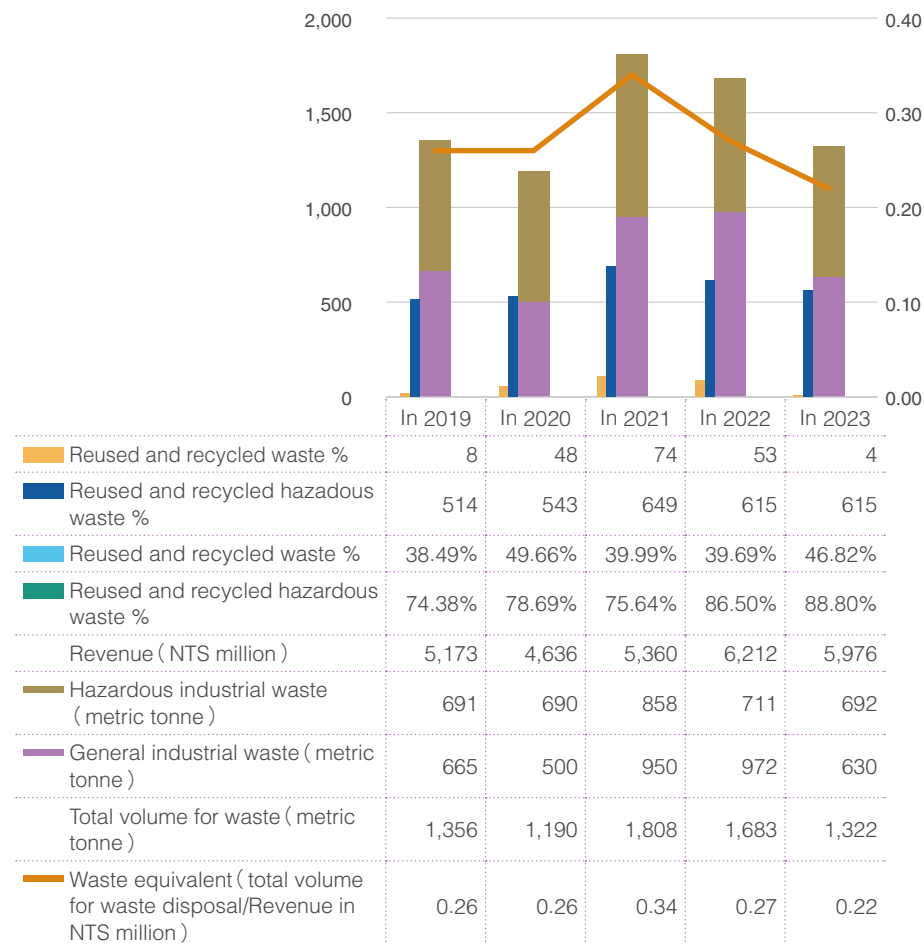
- Strict inspection of information of waste treatment vendors
- Recycling of packaging material by collaborating with customers

Nan Pao is committed to eliminating the use of restricted substances and materials, and actively promoting waste reduction and recycling. We carefully select raw materials and suppliers, continuously improve our technology and seek environmentally friendly alternatives. By strictly adhering to environmental regulations and customer requirements related to our operations, products, and services, we strive to meet or exceed our set targets.

Nan Pao is committed to sustainable waste management through waste classification, reduction, recycling, and reuse. By conducting comprehensive assessments of waste generation and flow, we aim to minimize our environmental impact and create a more sustainable business. Since 2024, environmental performance has been a key performance indicator for senior management. Our waste disposal target for this year is:

Item	Target
Waste Disposal Volume	Reduced by 5% compared to 2023

Waste Statistics of Nan Pao Taiwan



Nan Pao has a comprehensive waste management procedure in place, adhering to environmental regulations. We classify and store waste appropriately, and conduct regular internal audits to ensure compliance. To promote resource circularity, we prioritize in-house reprocessing, recycling, and only resort to incineration or landfilling as a last resort. In 2023, we successfully reduced total waste generation by 361 metric tons (-21.47%) compared to 2022.

Hazardous Waste Treatment

To ensure the safe and compliant disposal of hazardous waste, including waste solvents and containers, Nan Pao engages licensed waste disposal companies. We maintain rigorous tracking of waste from generation to final disposal through GPS monitoring and regular site inspections. All disposal activities are fully compliant with environmental regulations.

Key Performance Indicators for Waste Management

Indicators	Unit	2022	2023
Waste Generated per NT\$ Million of Revenue	Thousand metric tons of waste / NT\$ million	0.21	0.17
Non-Hazardous Waste Generated per NT\$ Million of Revenue	Thousand metric tons of waste / NT\$ million	0.14	0.07
Hazardous Waste Generated per NT\$ Million of Revenue	Thousand metric tons of waste / NT\$ million	0.07	0.10

Note: Waste data from 2022 onwards covers our resin manufacturing operations.

Waste Management Practices Across Nan Pao Resins Group Facilities

	Treatment	2022	2023		Treatment	2022	2023
Non-Hazardous Waste	Incineration	1,329	946	Hazardous Waste	Incineration	914	1,206
	Landfilling	221	30		Landfilling	0	59
	Physical Treatment	13	47		Physical Treatment	0	53
	Thermal Treatment	145	177		Washing Treatment	484	672
	Washing Treatment	591	0		Recycling and Reuse	39	250
	Biological Treatment	56	14				
	Recycling	466	380				

Solvent Recovery

Nan Pao primarily generates waste solvents and resins during its manufacturing processes. To promote sustainable resource utilization, our waste management prioritizes in-house process reuse to minimize raw material consumption, followed by recycling, and as a last resort, incineration or landfilling.

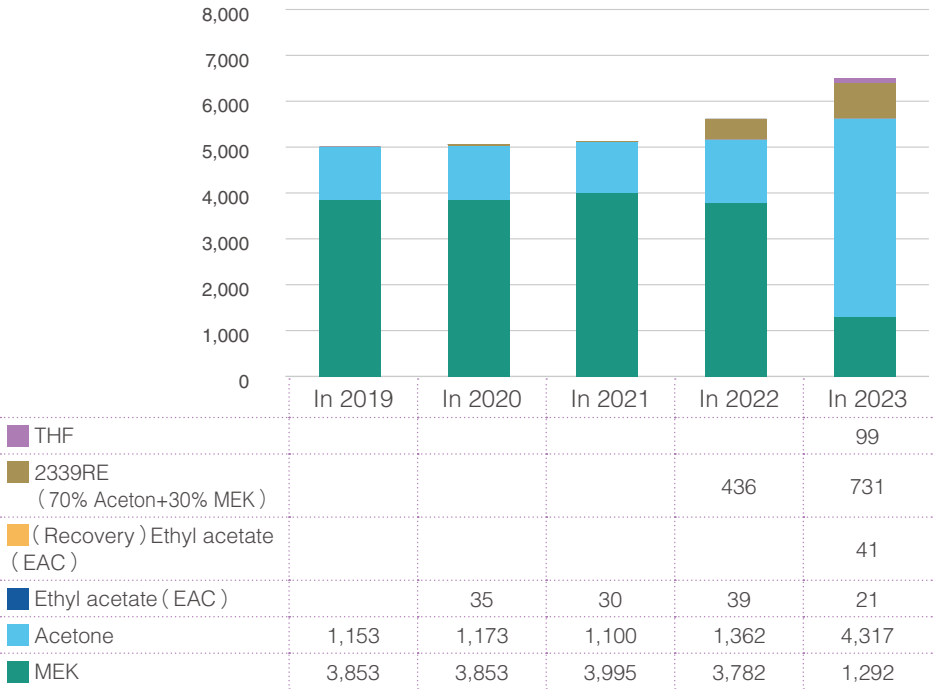
Nan Pao has conducted a Life Cycle Assessment (LCA) on its water-based PU dispersion (including packaging) and obtained ISO 14067 verification. In the water-based PU manufacturing process, waste solvents are distilled and reused (e.g., acetone), significantly reducing waste solvent generation and disposal costs. Other chemicals (e.g., butanone) produced from solvent distillation are sold to customers. This not only enhances resource efficiency but also improves our operational performance, aligning with the circular economy principle of turning waste into value.

Nan Pao Taiwan continues to expand its solvent recovery and reuse equipment and processes. In 2023, we recovered a total of 6,501 tons of solvent, an increase of 882 tons (15.70%) compared to the previous year.

Nan Pao Taiwan Solvent Recycled Weight (ton)



Carbon Emission Reduction from Recycling Solvent (tCO₂e/year)



Through our solvent recovery and reuse program, Nan Pao Taiwan reduced CO₂ emissions by 18,204 metric tons in 2023, representing a 45.29% decrease from the previous year. This achievement not only contributes to a lower carbon footprint but also leads to substantial cost savings on chemical raw material purchases.

Review of Environmental Compliance for Nan Pao Taiwan in 2023

Nan Pao Taiwan is committed to environmental compliance. In September 2023, we were fined NT\$60,000 for a non-compliance issue related to the waste disposal plan at our Pao-Li Plant. This incident has served as a reminder of the importance of continuous improvement in our environmental management systems. We have conducted a thorough review of our hazardous industrial waste handling procedures and implemented corrective actions to prevent similar occurrences in the future.

(NTD Thousand)	
Event Description	Expenditure
1. Penalty Date: September 6, 2023 2. Penalty Number: Huanji No. 1120110404 3. Violated Regulation: Article 31, Paragraph 1, Subparagraph 1 of the Waste Disposal Act 4. Violation Details: The business waste produced by Bao-Li Plant on May 12, 2023, was entrusted to a disposal agency, Daining Co., Ltd., as general industrial waste (code D-0499). However, after sampling and analysis, the total mercury content of the batch of incoming waste (2.04 mg/L) exceeded the toxic leaching test standard, classifying it as hazardous industrial waste. This did not comply with the items in the originally approved business waste management plan. Bao-Li Plant failed to record this hazardous industrial waste in the business waste management plan as required. 5. Penalty: A fine of NT\$60,000.	60
Corrective Actions and Improvements	Expenditure
1. Rechecked the handling methods for hazardous industrial waste (containers). 2. Containers containing toxic substances and heavy metals were treated as B-0299 and B-0399. 2. Amended the waste management plan to add B-0299 and obtained approval from the Tainan City Environmental Protection Bureau on September 1, 2023 (Huan Shi No. 1120107142).	100

5.7 Ecosystem Preservation

Biodiversity provides essential raw materials, food, and drinking water for human health. It is also a significant carbon sink.

Before establishing any production site, Nan Pao conducts comprehensive assessments against relevant environmental regulations. Our production sites are located in industrial development zones permitted by local governments and are not situated within protected or reserved biological habitats. Additionally, no species listed in the International Union for Conservation of Nature (IUCN) Red List of Threatened Species or national protected species lists are present in these areas. We are committed to minimizing any potential impact on local biodiversity from our production activities.

To reduce the environmental impact of our production processes, Nan Pao implements pollution prevention equipment and continuously improves treatment efficiency.

Furthermore, Nan Pao has established a Biodiversity Policy, committed to adopting preventive, mitigating, and monitoring measures within our sphere of influence. We also encourage our supply chain partners to support and collaborate in these efforts.

NANPAO Group Biodiversity Policy

NANPAO remains vigilant on climate change issues, and in recent years, it has recognized the importance of biodiversity conservation and forest protection. The company has formulated the "NANPAO Group Biodiversity Policy," dedicating efforts to implement preventive, mitigative, and monitoring measures within the scope of corporate capabilities. It also calls upon its supply chain partners to collectively support and collaborate to achieve the following commitments and guidelines:

1. Ensure that NANPAO and its relevant supply chain partners refrain from establishing operational bases in areas internationally or nationally designated as important habitats, biodiversity-sensitive, or planned as natural conservation zones. Also, avoid locating facilities in adjacent regions with ecological corridors, interconnected hydrological and vegetation conditions, or mutual influences.
2. Avoid operational activities that damage or impact protected forests and species. Actively support initiatives related to biodiversity conservation and conduct biodiversity risk assessments.
3. If changes in land use are involved in the company's operations, including the construction of factories, adjustments to land configurations and utilization, or the use of vacant land, assess potential ecological value losses. Implement mitigation actions to compensate and achieve No Net Loss (NNL).
4. When operations must take place in proximity to crucial biodiversity areas, follow a sequence of measures such as impact avoidance, reduction, restoration, and compensation to minimize ecological impacts. Strive towards achieving a Net Positive Impact (NPI) on the environment.
5. Promote biodiversity maintenance and forest conservation concepts to internal and external stakeholders, raising awareness of environmental protection.
6. Ensure that NANPAO and its relevant supply chain partners comply with international and local laws and regulations. Operations should not involve deforestation, and development activities should avoid areas with tree cover, highly conservation-worthy locations, peatlands, etc., to realize the goal of No Gross Deforestation.
7. In informed situations, refrain from procuring from suppliers causing biodiversity loss, logging, or violating regulations.
8. Collaborate with supply chain partners and stakeholders to actively support biodiversity maintenance, forest conservation, and ecological protection efforts.

06

VALUE CO-CREATION



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6.1 Human Rights Policy

Nan Pao values human rights issues and continuously adjusts work regulations to comply with domestic and international laws and regulations. The company has adjusted working hours, wages, and vacation rules according to the latest revised labor laws to ensure that every employee can work with peace of mind and enjoy protection and security in the workplace. Nan Pao is committed to creating a high-quality and friendly workplace.

To uphold the basic human rights of Nan Pao 's employees and value chain partners (including customers, suppliers/contractors, agents, joint ventures, and local communities) and promote sustainable development in the environment, society, and economy, Nan Pao has formulated a "Human Rights Policy." The policy supports and respects the protection, respect, and remedy principles of the United Nations Universal Declaration of Human Rights, the first and second principles of the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights, and the international human rights norms of the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. Nan Pao complies with local laws and regulations to ensure the implementation of human rights protection work.

Note: Please refer to the company website for NANPAO's "Human Rights Policy."

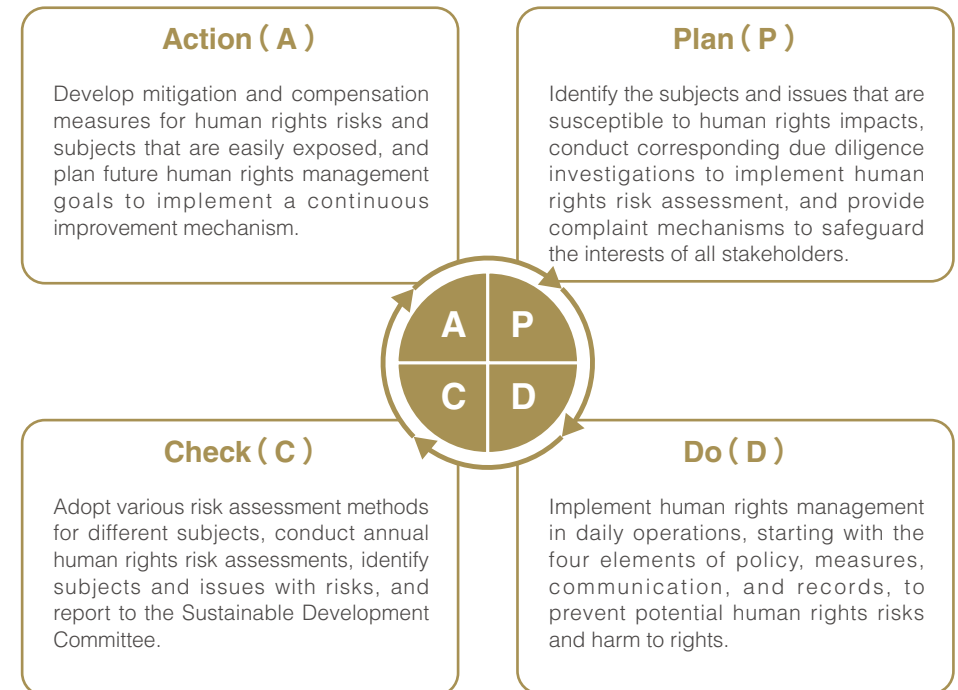
Human Rights Protection Measures of NANPAO

No forced labor	Comply with government labor laws and international norms, and do not force or coerce anyone who is unwilling to perform labor.
Prohibition of child labor	No child labor is allowed in any of Nan Pao Resins' operating locations
Basic wage compliance	Ensure that employees' wages are not lower than the local minimum wage and safeguard employee benefits.
Employee rest time	Reasonable work hours are limited and employees are entitled to paid leave
Freedom of association	Respect employee choices and allow employees to join unions freely
Equal respect	Implement diversity and equality and oppose any form of discrimination
Anti-discrimination and harassment	Establish "Measures and Penalties for the Prevention and Control of Sexual Harassment," ensure privacy and personal information protection in the workplace, and hold educational training courses and relevant event reporting channels.

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.

Human Rights Risks Management Procedures



Role	Target Group	Human Rights Issues	Key Policies	Responsible Unit	Due Diligence	Mitigation Measures	Grievance Mechanism
Employer, Value Chain Partners (including joint ventures)	All employees, Foreign workers, Female employees	Freedom of choice of profession, working hours, wages and benefits, non-discrimination, sexual harassment	Human Rights Policy	HR Department, HR units of subsidiaries	Workplace Maternity Protection Plan, Employee Attendance Management Regulations, Internal Compliance Audit	1. Conduct investigations and control of physical and chemical hazards according to the "Workplace Maternity Protection Plan." 2. Recruitment and hiring are based on ability, with no discrimination based on age, gender, race, or other criteria, ensuring equal pay for equal work, and no discriminatory provisions.	1. Internal reporting channels: Internal reporting channels of each subsidiary (Audit Department) (audit@nanpao.com) 2. External reporting channels: Customer service mailbox (info@nanpao.com)
		Working hours				1. The Company has established clear policies regarding working hours and overtime in its Employee Attendance Management Regulations. 2. The Company strictly prohibits overtime work once the legal monthly limit has been reached.	
	All employees	Collective bargaining				1. As part of our commitment to sustainability, we regularly educate employees about their rights and responsibilities. The company supports employees' right to form or join labor unions and engage in collective bargaining and peaceful assembly. 2. We maintain an open and inclusive workplace culture that respects employees' rights to form or join labor unions.	
		Forced labor, Human trafficking, Equal pay				1. We respect our employees' human rights. We will not withhold any identification documents, and employees are free to leave their employment. 2. We promote our company's code of conduct, strictly prohibiting forced labor, human trafficking, and other human rights violations.	
	Child labor	Adolescent workers				We are committed to protecting children and will not employ anyone under the legal working age.	
Procurement	Suppliers/ contractors	<ul style="list-style-type: none"> Respect the freedom of choice of profession of their employees. Protect adolescent workers. Ensure reasonable working hours, fair wages and benefits. Prioritize occupational safety and emergency preparedness. Source minerals responsibly. Protect data privacy and security. 	Supplier Code of Conduct	Strategic Procurement Department, Procurement Units of subsidiaries	Supplier Code of Conduct Statement, Supplier Audits, Internal Compliance Audit	Suppliers sign the "Nan Pao Supplier Code of Conduct" and assess the environmental, social, human rights, and corporate governance sustainability risks of key suppliers, and establish a termination mechanism.	
Community	Neighboring communities and environment	Water resources, noise, air pollution	Corporate Sustainability Practices Guidelines	Operating plant sites	Regular monitoring of noise, wastewater, and gas emissions sources at the plant site.	Regularly invite community administrative units and residents to visit the plant site to introduce environmental and safety management measures.	Community Affairs Management Unit and Telephone
Service Provider	Customers	Data privacy and security	Privacy and Personal Data Protection Policy	Operating plant sites	Annual risk assessment, internal compliance audit	Regularly conduct security vulnerability tests and strengthen backup management.	Business and business administration departments

Human Rights Risk Identification and Mitigation

A human rights risk assessment, conducted by relevant departments on a regular basis, is carried out with reference to workplace health and safety conditions. The assessment comprehensively covers all of Nan Pao's operating sites (including subsidiaries) and production-related activities, evaluating the occurrence rate and impact level of risk items on employees. In 2023, no human rights risks were identified. The company regularly reviews internal regulations, operational procedures, and related risks, and actively optimizes the working environment. Domestic and international customers also assess Nan Pao's human rights risks and related measures against international standards. No incidents of human rights audit violations were reported by customers in 2023.

Scope of Human Rights Assessment at Nan Pao Resin from 2021 to 2023

Category	Assessment Ratio (%)	Risk Incidents (%)	Mitigation Actions (%)
Own Operating Sites (% Employees)	100%	0%	0%
Contractors & Tier 1 Suppliers	100%	0%	0%
Joint Ventures	100%	0%	0%

6.2 Employee and Welfare

Diverse Recruitment

Nan Pao recognizes that a quality workforce is essential to its success. We have established a fair and equitable human resources system and a sound internal organization to empower our employees. We treat all applicants and employees equally, regardless of race, gender, age, religion, nationality, or political belief. Adhering to our belief of "valuing talent and putting people first," we provide equal employment opportunities.

To attract a diverse talent pool, we actively utilize various recruitment channels such as social media, internships, on-site job fairs, and university collaborations. We also participate in university-industry collaborations and offer short-term internships and cooperative education programs to students. These initiatives allow students to gain practical work experience and apply their knowledge, facilitating a smoother transition into the workforce.



International student internship



University student internship

Caring for Employees with Disabilities

Nan Pao is committed to supporting employees with disabilities by providing tailored assistance and fostering a supportive work environment. We have exceeded the legal requirements for hiring individuals with disabilities, and have partnered with the Tainan City Labor Bureau to develop vocational training programs. Through mentorship and guidance from senior employees and supervisors, our colleagues with disabilities are able to integrate seamlessly into the workplace and successfully complete their tasks. Additionally, we have implemented ergonomic designs to create a work environment that is accessible to all.

Nan Pao employs 11 individuals with disabilities, accounting for 1.58% of our total workforce, which exceeds the requirements stipulated in the "Disabled Persons Rights Protection Act". We respect the diverse beliefs, cultures, and customs of our employees and have never been involved in any incidents of discrimination, sexual harassment, child labor, violations of indigenous rights, or forced labor. Our headquarters is located in Xigang District, Tainan City, and we prioritize hiring local candidates when vacancies arise, contributing to local employment opportunities.

In 2023, all employment contracts at our operating sites complied with local labor laws, and there were no reported cases of discrimination, sexual harassment, child labor, violations of indigenous rights, or forced labor.



Career assessment and planning for disabled employees



Visiting disabled student interns

Employee Composition and Retention

As of 2023, the Nan Pao Group has a total of 3,142 employees. The Taiwan headquarters employs 695 people, including 181 female employees and 514 male employees. In recent years, Nan Pao has actively promoted a gender-equal work environment, which has helped attract more female employees. In 2023, the proportion of female employees increased by 5.23% compared to the previous year (from 24.9% to 26.0%). Due to the labor-intensive nature of the chemical industry, over 70% of our employees are male. In terms of age composition, over 70% of Nan Pao's employees in 2023 were between the ages of 30 and 50.

Recognizing that a diverse workforce enhances organizational resilience and overall business performance, Nan Pao is committed to fostering a diverse and inclusive workplace. We aim to continue increasing the proportion of female employees and female managers. In 2023, there were 12 female managers in Taiwan, accounting for 11% of all managers. Nan Pao also emphasizes diversity in terms of employee nationality and composition, with each operating site primarily staffed by local employees.

Employee Distribution in Nan Pao Taiwan

	2021				2022				2023			
Age	Male	Ratio	Female	Ratio	Male	Ratio	Female	Ratio	Male	Ratio	Female	Ratio
<30	62	12%	16	10%	59	11%	16	9%	55	11%	18	10%
30-50	363	71%	93	61%	373	72%	110	64%	374	73%	117	65%
>50	87	17%	45	29%	87	17%	46	27%	85	16%	46	25%
Total	512	100%	154	100%	519	100%	172	100%	514	100%	181	100%

Female Leadership in Nan Pao Resins Group

Nan Pao Resins Group	Female headcounts in 2022	Total headcounts in 2022	Percentage in 2022	Female headcounts in 2023	Total headcounts in 2023	Percentage in 2023
Total Employees	903	3,083	29.30%	921	3,142	29.31%
All Managers	48	332	14.50%	52	379	13.72%
First-Line Managers	45	288	15.60%	49	322	15.22%
Senior Executives	3	44	6.80%	3	57	5.26%
Production Department	433	1969	22.00%	453	2021	22.41%
R&D Department Employees	86	318	27.00%	104	335	31.04%

Note:1. Female first-line managers are at the section chief level and above.

Note:2. Female executives are at the assistant general manager level and above.

Note:3. Female executives in non-production revenue departments

To foster a more inclusive and diverse workplace and demonstrate our commitment to gender equality, Nan Pao recognizes the value that women's meticulousness and coordination skills can bring to the chemical industry. In recent years, we have been actively working to increase the proportion of female employees and managers within the Group. We plan to raise the percentage of female first-line supervisors to 17% and the percentage of female employees in R&D and technical departments to 33% within the next five year

Global Leadership at Nan Pao Resins Group in 2023

	Total		First-Line manager		Middle manager		Senior executive	
	Headcount	%	Headcount	%	Headcount	%	Headcount	%
Taiwan	228	60.16%	59	62.77%	118	52.21%	51	86.44%
China	99	26.12%	32	34.04%	61	26.99%	6	10.18%
Vietnam	6	1.58%	3	3.19%	3	1.33%		
Australia	17	4.49%			17	7.52%		
Indonesia	9	2.38%			9	3.98%		
Thailand	0	0.00%			0	0.00%		
Malaysia	8	2.11%			8	3.54%		
the Philippines	3	0.79%			3	1.33%		
Bangladesh	1	0.26%			1	0.44%		
India	3	0.79%			3	1.33%		
Hong Kong	2	0.53%			1	0.44%	1	1.69%
Korea	3	0.79%			2	0.89%	1	1.69%
Total	379	100.00%	94	100%	226	100%	59	100%

Managerial vs. Non-Managerial Positions in Nan Pao Taiwan and Nan Pao Resins Group

Managerial vs. Non-Managerial Positions in Nan Pao Taiwan			
	Male	Female	Total
Non-Managerial Positions	459	174	633
Managerial Positions	55	7	62
Total	514	181	695

Note: Supervisory personnel refer to those at the manager level and above in the current year.

Managerial vs. Non-Managerial Positions in Nan Pao Resins Group			
	Male	Female	Total
Non-Managerial Positions	2,120	906	3,026
Managerial Positions	101	15	116
Total	2,221	921	3,142

Note: Supervisory personnel refer to management personnel.

Talent Acquisition and Retention at Nan Pao

Nan Pao firmly believes that our employees are our most valuable asset. To foster continuous growth and development, we offer comprehensive career advancement programs and a wide range of employee benefits.

Attracting Top Talent Beyond traditional recruitment channels, Nan Pao actively engages in campus recruitment to attract young talent and nurture them within our stable and growing chemical industry.

Fostering a Positive Work Environment To retain our competitive edge, we strive to create a friendly work environment that prioritizes work-life balance and offers abundant opportunities for professional development. We empower our employees to reach their full potential and achieve their career goals.

Diversity and Inclusion Nan Pao is committed to fostering a gender-equal workplace. In 2023, 29.31% of our employees were female, with women holding 13.72% of management positions and 5.26% of senior management positions. We will continue to set ambitious targets to promote gender diversity and create a more inclusive workplace.

A Growing Workforce As a result of our rapid business growth in 2023, 18% of our new hires were based in Taiwan, contributing to a company-wide new hire rate of 16%. The majority of our new hires are aged between 30 and 50 and join us as operators, R&D personnel, or management staff.

The Percentage of New Hires At Nan Pao Taiwan

Year	2021				2022				2023			
Age\Gender	Male Headcounts	% of new hires	Female Headcounts	% of new hires	Male Headcounts	% of new hires	Female Headcounts	% of new hires	Male Headcounts	% of new hires	Female Headcounts	% of new hires
<30	22	4%	6	4%	45	9%	14	8%	34	7%	10	6%
30~50	51	10%	18	12%	68	13%	24	14%	52	10%	13	8%
>50	1	0%	2	1%	1	0%	2	1%	1	0%		0%
Total headcounts of new hires	100				154				110			
Total employees	666				691				695			
Total percentage of new hires (%)	15%				22%				16			

The Percentage of New Hires at Nan Pao Resins Group

Year	2021				2022				2023			
Age\Gender	Male Headcounts	% of new hires	Female Headcounts	% of new hires	Male Headcounts	% of new hires	Female Headcounts	% of new hires	Male Headcounts	% of new hires	Female Headcounts	% of new hires
<30	168	8%	94	11%	225	10%	80	9%	147	7%	70	8%
30~50	214	10%	91	11%	269	12%	111	12%	240	11%	80	9%
>50	21	1%	7	1%	16	1%	10	1%	22	1%	8	1%
Total headcounts of new hires	595				711				567			
Total employees	2953				3083				3142			
Total percentage of new hires (%)	20%				23%				18%			

Note 1: New hire rate (%) = Number of new hires in the year / Total number of employees at year-end

Note 2: New hires include all employees hired during the year, regardless of subsequent turnover.

Nan Pao Recruitment Cost and Internal Promotion Rate (%)

	2020	2021	2022	2023
New Hires	77	97	711	567
Internal Promotion Rate (%)	16%	15%	2%	2%
Average Recruitment Cost (NT\$)	1,620	1,186	34,412	11,778

Note 1: Data for 2020 and 2021 represents Nan Pao Taiwan only. From 2022 onwards, data includes the entire Nan Pao Group.

Note 2: Due to the inclusion of the entire Group's human resources data from 2022, the overall recruitment cost has increased significantly due to exceptionally high recruitment costs in RLA, Australia.

Employee Turnover Statistics

We are committed to understanding our employees' reasons for leaving. When an employee resigns, their supervisor conducts an exit interview to discuss their decision. HR also conducts follow-up interviews to gather additional insights and explore opportunities for retention. Data from these interviews, including job role and tenure, are analyzed regularly to identify trends and inform talent management strategies.

In 2023, 109 employees voluntarily resigned from our Taiwan plant. For each resignation, we worked to understand the underlying reasons and explored options such as job reassignment, location changes, or internal transfer opportunities.

Employee Turnover Rate at Nan Pao Taiwan

Year	2021				2022				2023			
Age\Gender	Male	(%)	Female	(%)	Male	(%)	Female	(%)	Male	(%)	Female	(%)
<30	22	4%	6	4%	45	9%	14	8%	34	7%	10	6%
30-50	51	10%	18	12%	68	13%	24	14%	52	10%	13	8%
>51	1	0%	2	1%	1	0%	2	1%	1	0%		0%
Total turnover number	100				154				110			
Total employee number	666				691				695			
Turnover rate (%)	15%				22%				16%			

Employee Turnover Rate at Nan Pao Resins Group

Year	2021				2022				2023			
Age\Gender	Male	(%)	Female	(%)	Male	(%)	Female	(%)	Male	(%)	Female	(%)
<30	169	8%	77	9%	159	7%	60	7%	112	5%	42	5%
30-50	248	12%	91	11%	258	12%	99	11%	220	10%	75	8%
>51	38	2%	14	2%	37	2%	12	1%	37	2%	22	2%
Total turnover number	637				625				508			
Total employee number	2953				3083				3142			

Note 1: Turnover rate (%) = Number of employees who left in the given year / Total number of employees at the end of the given year for the respective category.

Note 2: Employees who left include those who resigned voluntarily, were terminated, or retired.



Voluntary Turnover Rate Statistics of Nan Pao Resins Group

Year	2020	2021	2022	2023
Number of Employees	581	637	625	508
Voluntary Resignation	412	542	542	421
Employee Headcount	2,945	2,953	3,083	3,142
Turnover Rate (%)	19.7%	21.6%	20.3%	16.2%
Voluntary Resignation Rate (%)	14.0%	18.4%	17.6%	13.4%

Seamless Labor-Management Communication

Nan Pao Resins strictly adheres to labor laws, including the Labor Standards Act, Occupational Safety and Health Act, and Labor Insurance Act, to ensure a fair and just working environment. In addition to complying with legal requirements, the company has established an open and transparent communication channel between management and labor. To foster a harmonious labor-management relationship, Nan Pao Resins holds quarterly labor-management meetings where representatives from both sides can openly exchange ideas. The company values employee feedback and responds promptly to their concerns.

With a proven track record spanning six decades, Nan Pao Resins has always upheld the principle of "harmonious labor-management relations for mutual benefits." To further strengthen communication, the company regularly invites the union chairman to participate in business meetings, ensuring that employees have a comprehensive understanding of the company's operations and future direction. Notably, 54% of Nan Pao Resins' employees are union members, demonstrating a strong commitment to collective bargaining and employee representation.

Reasons for Nan Pao Taiwan's Decision Not to Enter into a Collective Bargaining Agreement:

1. **Respect for Individual Choice:** Nan Pao Taiwan respects the right of employees to freely choose whether or not to join a union. The company believes that each employee has the right to make this decision independently and will not be unfairly treated based on their union membership status. We support employees in making balanced decisions between their individual and collective rights.
2. **Flexibility and Adaptability:** To maintain flexibility and adaptability in response to market changes and business needs, the company has chosen not to enter into a collective bargaining agreement. This allows for quicker decision-making and more agile adjustments to organizational structure and staffing.

3. Direct Communication and Consultation: Nan Pao Taiwan promotes direct communication and consultation with employees. Open communication channels are in place to encourage employees to express their opinions, raise concerns, and seek resolutions. Employee involvement in decision-making is encouraged, ensuring that their voices are heard and considered.
4. Flexible Benefits and Compensation: The company is committed to providing flexible benefits and compensation packages that meet the individual needs and expectations of its employees. Performance-based rewards, competitive salaries, and comprehensive benefits are offered to recognize employee contributions and maintain market competitiveness.
5. Continuous Improvement of Working Conditions: Nan Pao Taiwan is dedicated to continually improving working conditions, including the work environment, safety measures, and training opportunities. Through internal policies and processes, the company ensures that employee rights are respected and protected, independent of the provisions of a collective bargaining agreement.



Union membership assembly

Compensation Management

Nan Pao has established a Compensation Committee to assist the Board of Directors in developing, implementing, and evaluating the company's overall compensation and benefits policies, as well as the compensation of directors and executive officers.

The primary responsibilities of the Compensation Committee include:

1. Regularly reviewing and proposing amendments to the Compensation Committee's organizational regulations.
2. Establishing and periodically reviewing the company's annual and long-term performance objectives, as well as compensation policies, systems, standards, and structures for directors and executive officers.
3. Regularly assessing the achievement of performance objectives by the company's directors and executive officers, and determining the content and amount of their individual compensation.

The compensation of Nan Pao's directors is determined by the Compensation Committee, taking into account their level of involvement in the company's operations and their contributions, as well as industry benchmarks. The final determination is made by the Board of Directors. In years where the company is profitable, up to 3% of the profit is allocated as director remuneration in accordance with Article 25 of the company's articles of association. In addition, Nan Pao's compensation management regulations stipulate various allowances and bonuses. The compensation of the CEO, general manager, and deputy general managers is determined based on their professional qualifications and by reference to the company's, industry's, and market salary levels. Relevant bonuses are also determined based on the company's annual operating

performance, financial condition, operating results, and individual job performance. In years where the company is profitable, 2% to 6% of the profit is allocated as employee compensation in accordance with Article 25 of the company's articles of association.

Nan Pao's compensation packages, as stipulated in the Compensation Committee's organizational regulations, include cash compensation, stock options, profit sharing, retirement benefits or severance pay, various allowances, and other substantial incentive measures. The compensation determination process takes into account the company's overall operating performance, future industry operating risks and development trends, as well as individual performance achievement rates and contributions to the company's performance. This ensures that compensation is reasonable and positively correlated with operating performance. The relevant performance appraisals and the reasonableness of compensation are reviewed by both the Compensation Committee and the Board of Directors. The compensation system is reviewed from time to time in light of actual operating conditions and relevant laws to balance the company's sustainable operations and risk management.

Compensation and Benefits

Nan Pao has established an incentive-based variable compensation system based on individual and organizational performance. Compensation is linked to seniority and performance and is not differentiated based on age, gender, race, or other factors. The average salary level is also higher than that of our peers. We adhere to the principle of sharing profits with employees to attract top talent, motivate existing employees, and retain them. A certain proportion of profits is allocated as employee bonuses, allowing employees to share in the company's success and encouraging them to engage in long-term investment and retirement planning.

Nan Pao has established a welfare committee. In Taiwan, all companies allocate 0.5% of salaries, 0.11% of sales, and 30% of the proceeds from the sale of scrap materials to fund various welfare activities for both domestic and foreign employees, in accordance with legal requirements. The allocation of funds for welfare committees in overseas locations is determined in accordance with local laws and regulations. In Taiwan, each welfare committee branch decides on the distribution of funds, including regular travel activities, May Day lottery, club activities, health checkups, scholarships, various gifts and holiday bonuses, and group insurance for employees.

Disclosure of Gender Pay Gap

Nan Pao Taiwan conducted a comprehensive analysis of its gender pay gap in 2023, comparing salaries for both managerial and non-managerial positions. The results indicate no significant difference in annual salaries between male and female employees, regardless of their job level. For entry-level positions, all new hires receive the same compensation. Additionally, for candidates with relevant experience and qualifications, salaries are determined based on factors such as education, experience, and certifications, without any discrimination based on gender or ethnicity. Using female salaries as a benchmark of 1.0, the average salary for male managers is 0.93, and for non-managerial males, it is 0.96.

Nan Pao Resins offers a competitive compensation package that is not influenced by factors such as age, gender, or race. Our average salary is higher than industry standards. We adhere to the principle of profit sharing to attract top talent, motivate existing employees, and foster a sense of ownership. Nan Pao Resins Group (including the Taiwan headquarters and overseas subsidiaries) fully complies with local labor laws and regulations regarding employee compensation and benefits. In 2023, there were no violations of employee pay or benefits in any of our operating locations.

Nan Pao Compensation Policy

- Salary:** Salaries are adjusted based on individual performance and overall company performance.
- Profit Sharing:** A portion of the company's profits is allocated to employee bonuses as a way to share success.
- Employee Stock Ownership:** Employees are encouraged to hold company shares through employee stock ownership plans to foster long-term investment and retirement planning.
- Performance-Based Incentives:** In addition to annual performance reviews, various incentive programs are in place to recognize, reward, and motivate outstanding performance. These include festival bonuses, production performance bonuses, project bonuses, suggestion bonuses, outstanding contribution bonuses, team collaboration bonuses, outstanding employee awards, and long-service awards.

Nan Pao Taiwan Gender Pay Ratio

Positions	Gender	2021		2022		2023	
		Number of Employees	Salary Ratio (Female=1)	Number of Employees	Salary Ratio (Female=1)	Number of Employees	2023
Managerial	Male	72	1.02	70	1.06	69	0.93
	Female	10	1	10	1	12	1
Non-Managerial	Male	426	0.95	427	0.94	431	0.96
	Female	150	1	150	1	164	1

Note 1: Managerial positions refer to employees at the level of section chief to manager (inclusive) ; non-managerial positions refer to employees below the level of section chief (exclusive) .

Note 2: Employees who have been employed or paid for less than 6 months in a given year due to new hires, resignations, leaves of absence, etc., are not included in the headcount.

Note 3: According to the Financial Supervisory Commission's regulations, companies are required to disclose salary information for "full-time employees who do not hold managerial positions".

Gender Pay Gap by Job Level at Nan Pao Taiwan in 2023

Job level /Gender	Manager and Above		Other Managerial Positions		Non-Managerial Positions	
	Base Salary	Total Compensation	Base Salary	Total Compensation	Base Salary	Total Compensation
Male	1	1	1	1	1	1
Female	0	0	1.07	1.06	1.06	1.04

Note 1: Other managerial positions refer to employees at the level of section chief to deputy manager.

Note 2: Non-managerial positions refer to employees below the level of section chief.

Gender Pay Equity Index at Nan Pao Taiwan in 2023

Indicator	Gap (%)
Difference in Average Pay Between Genders	2.52
Difference in Median Pay Between Genders	0.81
Difference in Average Variable Pay Between Genders	5.22
Difference in Median Variable Pay Between Genders	1.81

Retirement Benefits and Programs

Nan Pao offers an employee stock ownership trust to promote long-term savings. Employees contribute a portion of their salary, matched by company incentives. As of 2023, 74.82% participate. The company provides comprehensive insurance and complies with labor pension laws. All regular employees participate in the retirement plan. 100% of regular employees participate in the retirement plan.

Nan Pao Taiwan Retirement Plan and Implementation Guidelines:

- (1) The company has implemented a comprehensive retirement plan for its employees.
- (2) To ensure the security of retirement funds, a supervisory committee oversees their management and deposits.
- (3) Since 2005, we have been contributing to a government-mandated retirement fund for all employees.
- (4) Our retirement fund is professionally managed to meet international accounting standards.

Retirement System	Old System	New System
Governing Law	Labor Standards Act	Labor Pension Act
Contribution Method	Monthly contribution of retirement reserve to a designated account at Taiwan Bank (15% contribution rate)	Contribution based on the monthly wage classification table, at 6% of an employee's monthly salary, to an individual account at the Labor Insurance Bureau
Contribution Amount	As of December 31, 2023, the balance of the retirement reserve account was NT\$340,484,000	NT\$24,222,000 was contributed in 2023



Family Art and Craft



Family Art and Craft



Birthday Celebration



Birthday Celebration



Exploring the Science of Adhesives



Celebrating Our Literary Employees



Nan Pao Wins Silver at the 2023 1111
Job Bank Happy Enterprise Awards

Family-Friendly Policies

Nan Pao has partnered with high-quality childcare facilities near our factories to provide discounted childcare services for our employees. To support the government's childcare leave policy, employees may apply for childcare leave in accordance with the Gender Equality in Employment Act and its implementing regulations. Employees can also apply for an extension or early return to work based on their individual needs. During childcare leave, employees can maintain their labor insurance and health insurance coverage. Nan Pao is committed to protecting maternal rights and creating a friendly work environment for all employees. Our factory nurses actively care for pregnant employees, assessing and suggesting necessary adjustments to the work environment. In compliance with Taiwan's Gender Equality in Employment Act, we have established lactation rooms and provide maternity and paternity leave in accordance with the regulations of each operating location.

Country	Weeks of Maternity Leave	Days of Paternity Leave	Percentage of Employees in Group
Taiwan	8	7	986/3,142=31%
China	25	15	856/3,142=27%
Indonesia	12	2	204/3,142=6%
Vietnam	24	5	697/3,142=22%
Thailand	14	—	60/3,142=2%
the Philippines	15	7	15/3,142=0.5%
Australia	20	14	230/3,142=7%
Malaysia	14	7	41/3,142=1%
Bangladesh	16	—	16/3,142=0.5%
India	24	15	27/3,142=0.9%

Health and Wellness Initiatives

In addition to regularly organizing activities, Nan Pao encourages employees to participate in clubs, providing various opportunities to relax and rejuvenate outside of work. This helps maintain a work-life balance and promotes physical and mental health. Participation in these activities also fosters better connections with colleagues, family, and the local community. Nan Pao supports the establishment and participation in clubs, and so far, employees have independently formed golf, badminton, basketball, jogging, and music-related clubs.



Jogging Club Training



Saxophone Club Practice



Saxophone Club Practice



Golf Team Tournament Highlights



Golf Club Practice



Stress Relief with Essential Oils



Fitness and Wellness Program

Employee Health Promotion Courses

- **Fascia Relaxation Course:** Relaxing music paired with instructor-guided techniques. Using tennis balls to massage meridians for relaxation.
- **Weight Loss Class:** Achieving weight loss goals through exercise and dietary control.
- **Health Seminars:** Based on the top ten abnormalities in health check statistics, health educators provide relevant education and consultation on health check reports.
- **No Smoking and Betel Nut Pledge:** Signing a joint declaration to refuse smoking and betel nut use.

6.3 Employee Communication and Development

To ensure smooth communication between labor and management, we regularly hold various employee grievance mechanism channels, such as labor-management meetings, bi-weekly meetings, departmental supervisor exchange meetings, seminars, toolbox meetings, suggestion boxes, and the chairman's mailbox. If any unit is found to have violations or illegal activities, employees can use these channels to file complaints and reports with the company. Regular labor-management meetings are held where company management and labor representatives discuss and understand matters concerning employees and propose effective and feasible response solutions.

Name	Target Audience	Content	Frequency
HR Mailbox	All Employees	Reports of fraud and sexual harassment complaints	Anytime
CEO Hotline	Employees and Investors	Questions about company operations	Anytime
Website Customer Service Mailbox	All Employees and External Individuals	Any topic	Anytime
Weekly Meeting	All Employees	Reports from senior executives and above to inform Nan Pao employees about the company's operational policies and performance	Bi-weekly
Union Employee Forum	Union Employees	Communication and discussion on employee benefits and labor issues with union members	Annually
Toolbox Meeting	Production Units	Employees can raise any questions about work or workplace issues, and supervisors and responsible personnel will provide answers	Weekly
Welfare Committee Meeting	Welfare Committee Members	Explanation of employee welfare activities and fund utilization to welfare committee members from each plant	Quarterly

Ethics Training and Communication

To guide employees in adhering to ethical standards, Nan Pao has established the "Nan Pao Group Employee Code of Conduct," ensuring that stakeholders understand the ethical behavior expected during job performance.

Every new employee receives an introduction to the Code of Ethics on their first day. Regular updates are shared on the internal platform about the Code of Ethics, Trade Secrets Protection

Law, and related topics, helping employees understand ethical behavior, prevent conflicts of interest, avoid personal gain, maintain confidentiality, ensure fair trade, protect and appropriately use company assets, and comply with laws and regulations.

Nan Pao has formulated the "Code of Ethics" for all directors, managers, and employees to follow. This ensures that everyone adheres to company guidelines in daily work and business activities, earning public trust and supporting the company's sustainable growth and development.

Nan Pao provides an "Employee Opinion Mailbox" and an "Employee Grievance System." Employees with concerns about ethics or legal conduct, or experiencing any workplace unfairness, can consult the Human Resources Department or use the mailbox to seek assistance and appropriate advice, enabling them to report issues and prevent and avoid significant misconduct and violations of government regulations.

Training and Performance Management

The development and cultivation of human resources are foundational to a company's sustainable operation and continuous improvement. Nan Pao's training policy aims to align organizational capabilities with the company's vision and strategy, embedding corporate culture and values in employees' work behavior, enhancing core competencies, developing unique competitive advantages, and cultivating well-rounded, international management talent while fostering a culture of mutual learning.

To help the company and employees quickly adapt to the rapidly changing environment, Nan Pao has actively promoted digital learning in recent years. Initiatives include launching the online learning platform "Nan Pao E-Academy" and an online English learning platform. These digital systems create an innovative and diverse learning environment, allowing employees to engage in learning activities without time and space constraints and apply their learning outcomes to their work, continuously improving work efficiency.

According to the company's employee appraisal management guidelines, KPI-based employees undergo performance evaluations twice a year. All employees, except consultants, those on probation, and interns, are subject to these evaluations. Non-KPI employees have an annual performance review. Supervisors provide fair and objective assessments based on employee performance and goal achievement, offering appropriate assistance through interviews. For senior executives, promotion candidates, and employees with development potential, a 360-degree performance appraisal is conducted annually to gain a comprehensive understanding of their characteristics and potential.

In 2023, Nan Pao Taiwan invested a total of NT\$1,014,800 in employee training. The average training cost per employee was NT\$1,460 (695 employees / NT\$1,014,800), slightly lower than the NT\$1,695 spent in 2022.



Risk Management Training



CIT Final Presentation

Training Hours Statistics at Nan Pao Taiwan

	2022				2023			
	Total Training Hours		Average Hours		Total Training Hours		Average Hours	
	Male	Female	Male	Female	Male	Female	Male	Female
Senior Executives	425	5	1.5	1.02	566	6	1.23	0.92
Middle Managers	1,526	363	1.72	1.77	3,351	733	1.87	2.13
First-Line Managers	2,946	238	2.11	1.49	4,742	385	1.94	1.37
Engineers	909	170	1.48	1.08	2,766	626	1.51	1.46
Specialties	627	201	2.09	1.35	1,424	898	1.11	1.27
Labors	2,515	685	1.77	1.57	3,791	1,555	0.96	0.92

Nan Pao has established a diverse employee development program that achieves both business and human resource benefits, ensuring sustainable development in these areas. The table below shows the quantitative benefits of Nan Pao Taiwan's 2023 training program.

Course Name	Energy Management Training	Water Resource Efficiency Management Training
Course Objective	The Energy Management Training program is designed to develop the skills of internal auditors in the ISO50001 Energy Management System, equipping them with the ability to identify and correct auditing deficiencies, assist relevant departments in improving operations, and enhance environmental protection efforts. This training directly contributes to the company's operational efficiency by ensuring compliance with ISO50001 standards, and helping reduce energy waste.	The Water Resource Efficiency Management program provides systematic training to enhance internal auditors' competencies in ISO46001 audits, focusing on improving the company's water resource management practices. By strengthening employees' skills, the program helps reduce water usage and associated costs while supporting the company's strategic water conservation goals.
Course Benefits	Certification Rate: 85% (22 people)	Certification Rate: 81% (21 people)
Participants (as a percentage of total employees)	26 (3%)	26 (3%)

6.4 Safe Occupational Environment

Nan Pao is committed to creating a safe, healthy, and comfortable working environment. To achieve this goal and continuously reduce occupational accidents, we have established a "Occupational Safety and Health Policy" as our highest guiding principle. We prioritize safe operations and continuous improvement, actively improving workplace environments, manufacturing equipment, and operating procedures to safeguard the safety and health of our employees and other stakeholders.

Since 2000, Nan Pao has implemented the OHSAS 18001 Occupational Health and Safety Management System. All production sites and subsidiaries have successfully transitioned to the ISO 45001:2018 Occupational Health and Safety Management System certification in 2020. This system involves identifying hazards, conducting risk assessments, and developing control plans. These standards apply to the company's overall operations, employees, and contractors, and are used for management, monitoring, and improvement measures to prevent safety and health-related incidents within the plant.

To comprehensively implement occupational safety and health management, Nan Pao has established a "Safety and Health Committee," serving as the highest decision-making and deliberative body for safety and health management. The committee is chaired by management representatives from each plant on a rotating basis. It is responsible for formulating, coordinating, and supervising environmental, safety, and health matters at each plant. The Safety and Health Committee meets regularly every quarter and consults with employee representatives. In addition, the company holds plant-wide safety meetings every two weeks to discuss and set action targets for improving audit deficiencies, thereby preventing occupational accidents.

Safety and Health Policy:

- Compliance with regulations
- Workplace safety
- Environmental hygiene
- Total participation
- Consultation and communication
- Continuous improvement

Strategies:

1. Implementation of the ISO 45001 Occupational Health and Safety Management System
2. Provision of safe and healthy working conditions
3. Compliance with safety and health laws and other requirements
4. All employees and contractors understand, comply with, and implement various safety regulations, and undergo continuous training
5. Elimination of hazards and reduction of occupational safety and health risks

Management Guidelines and Objectives:

Following the safety and health policy and strategies, we aim to reduce incidents that harm the health and safety of personnel, promote process safety protection, and continuously improve occupational safety and health performance.

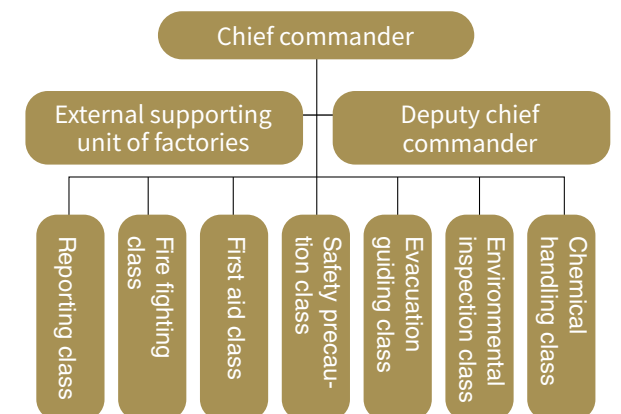
The ISO 45001 Certified System

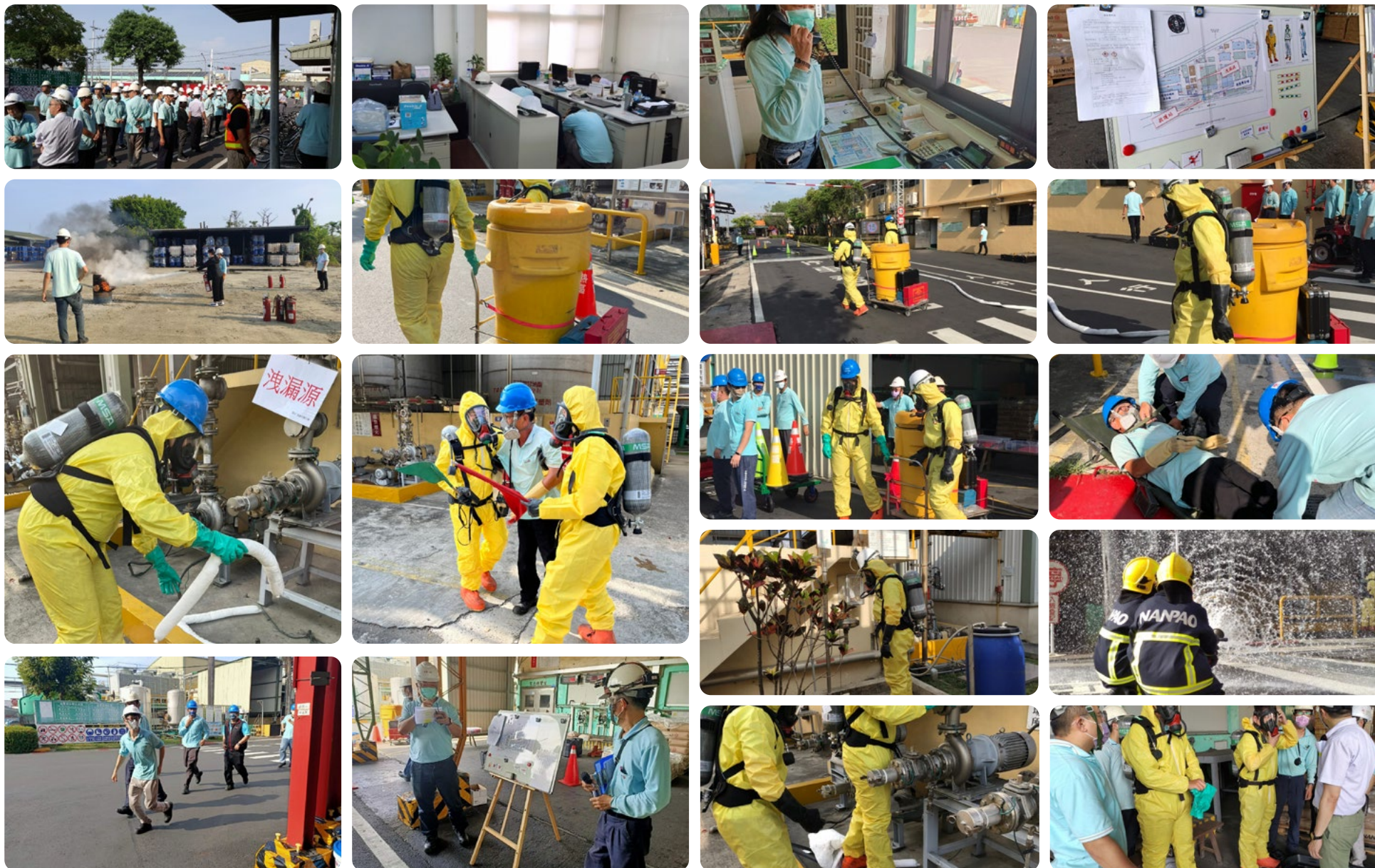
Facilities	Taiwan	Foshan (CN)	Dongguan (CN)	Kunshan (CN)	Fuqing (CN)	VNNP (VN)	NP Materials (VN)	NP advanced materials (VN)	NNV (VN)	Indonesia	Thailand
status	●	●	●	Due to the relocation of the factories, which has been previously established, will be temporarily suspended.		●	●	●	●	●	●

Emergency Response Program

Nan Pao has implemented a robust emergency response program to mitigate the risks associated with chemical manufacturing. Our facilities are equipped with state-of-the-art equipment and our employees are trained to respond effectively to a wide range of emergencies. Through regular drills and continuous improvement, we strive to minimize the impact of accidents on our employees, the environment, and our operations.

Emergency Response Program Organization chart :





Emergency Response Training

Occupational Safety and Training

Nan Pao is committed to fostering a safe working environment for our employees. Through regular safety inspections and behavioral observations, we proactively identify and mitigate hazards. We also employ safety climate indicators to monitor trends and adjust our safety management strategies as needed. To address the increasing number of commuting accidents, Nan Pao has partnered with local traffic police to conduct safety training and raise awareness among our employees.



Road Safety Awareness Workshop



Nan Pao Taiwan Safety and Health Training Statistics

		Pre-employment Training	Legal and Certification Training		On-the-Job Training
		New hires and transfers	Initial certification	Recertification	Specific or general personnel
2022	Headcounts	51	49	191	354
	Hours	234	1528	748	255
2023	Headcounts	220	50	154	3,200
	Hours	443	781	842	1,983

Partner Safety Management

Suppliers and Contractors

Nan Pao is committed to managing safety risks associated with contractor activities. We have implemented a rigorous safety management system that includes regular inspections, training, and communication. High-risk activities such as elevated work and confined space entry are closely monitored to prevent accidents. By partnering with our suppliers and contractors, we are able to proactively identify and mitigate potential hazards, ensuring a safe working environment for all.



Contractor Safety Briefing





Nan Pao is committed to providing a safe and healthy work environment for our employees. We have implemented a comprehensive incident reporting and investigation system, ensuring prompt medical attention and follow-up care for injured employees. Occupational health physicians assess the need for job modifications or restrictions, and root cause analyses are conducted for all occupational accidents. Corrective actions are developed and implemented, and progress is tracked through an electronic approval system. In 2023, Nan Pao Taiwan reported 30 near-miss incidents and accidents within the factory and 14 traffic accidents. To further enhance safety, we have implemented a mandatory personal protective equipment (PPE) policy and conducted training to raise awareness.

Nan Pao Taiwan Workplace Injury Statistics (Excluding Commuting Accidents) in 2023

Category/Year	2021	2022	2023
Full-time Employees			
Total Hours Worked	1,348,016	1,498,752	1,366,304
Total Working Days	167,764	163,836	170,788
Total Fatal Injuries	0	0	0
Total Lost-Time Injuries	6	6	2
Total Occupational Diseases	0	0	0
Total Lost Workdays	236	207	22
Contractors			
Total Hours Worked	18,480	35,040	20,272
Total Working Days	2,310	4,380	2,534
Total Fatal Injuries	0	0	0

Note 1: 14 commuting accidents involving full-time employees occurred in 2023.

Note 2: No temporary workers were employed by Nan Pao Taiwan in 2023.

Nan Pao Taiwan Process Safety Performance Indicators (%)

	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)	Severity Rate (SR)	Frequency Rate (FR)
2021	0	0.89	0	0	0	152.82	4.45
2022	0	0.91	0	0	0	157	4.57
2023	0	0.29	0	0	0	15.87	1.44

At all Nan Pao sites certified under ISO 45001, occupational injuries are subject to thorough investigation and corrective actions. A "non-conformity handling process" has been established, and workers, along with other stakeholders, are actively involved in evaluating the need for corrective measures to eliminate the root causes of non-conformities.

Note: Calculation Formulas for Process Safety Indicators

TRIR = (Number of Recordable Incidents * 200,000) / Total Hours Worked SR = (Total Days Lost due to Injuries * 1,000,000) / Total Hours Worked FR = (Total Injuries * 1,000,000) / Total Hours Worked

LTIFR = (Number of Lost Time Injuries * 1,000,000) / Total Hours Worked PSTIR = Total Severity Score of Process Safety Incidents x 200,000 / Total Man-Hours Worked

Nan Pao Resins Group Occupational Injury Performance Statistics in 2023

	Taiwan	Foshan (CN)	Foshan Advanced (CN)	Dongguan (CN)	Dongguan Jia-Chin (CN)	Kunshan (CN)	Yu-Bo (CN)	Fuqing (CN)	VNNP (VN)	NP Materials (VN)	NP advanced materials (VN)	NNV (VN)	Indonesia	Thailand	Prince Pharmaceutical	Biorich Biotech	Total
Employee Headcount (By 12/31/2023)	611	248	168	128	47	115	42	69	269	189	115	140	21	124	209	10	2,505
Total Hours Worked (Total man-hours worked by employees)	1,366,304	522,750	350,784	312,171	122,601	276,000	81,735	138,000	561,205	434,304	242,299	302,888	41,394	253,698	416,328	19,840	5,260,516
Number of disabling injuries (excluding traffic accidents)	2	0	2	0	0	1	0	0	1	2	0	0	0	0	0	0	8
Number of traffic-related disabling injuries	6	0	0	0	0	0	0	0	0	0	0	0	0	1	2	0	9
Days lost due to injuries	22.00	0.00	106.00	0.00	0.00	10.00	0.00	0.00	17.96	2.00	0.00	0.00	0.00	0.00	0.00	0.00	223.97
Frequency Rate (FR)	1.44	0.00	5.70	0.00	0.00	3.62	0.00	0.00	26.00	4.61	0.00	0.00	0.00	4.00	0.00	0.00	1.52
Severity Rate (SR)	15.87	0.00	302.18	0.00	0.00	36.23	0.00	0.00	32.00	4.61	0.00	0.00	0.00	0.00	0.00	0.00	42.58
Lost Time Injury frequency rate (LTIFR)	1.65	0.00	5.70	0.00	0.00	3.62	0.00	0.00	1.78	4.61	0.00	0.00	0.00	0.00	0.00	0.00	1.52

Note: The number of occupational accidents reported by Nan Pao Taiwan is based on the annual data submitted to the Tainan Labor Inspection Office

Nan Pao Taiwan Safety and Health Violations

Fined Incident	On August 8, 2023, the company violated Article 278 of the Occupational Safety and Health Facilities Regulations and Article 6, Paragraph 1 of the Occupational Safety and Health Act.
Total Fine for Regulatory Violations	A fine of NT\$100,000 was imposed pursuant to Article 43, Paragraph 2 of the Occupational Safety and Health Act.
Description of the Serious Violation	The employer failed to provide appropriate gloves or ensure their use by workers when using utility knives, resulting in an occupational injury to a worker's left wrist during product sampling and inspection.
Corrective Actions	An immediate inventory of protective gear required for all work processes will be conducted. Regular inspections and employee training on the correct wearing and use of protective gear will be implemented.

Health Center and Health Checkups

Nan Pao Taiwan has established a health center staffed by a dedicated occupational health nurse to provide first aid, emergency care, one-on-one health consultations, and employee health management. The goal is to provide employees with greater access to medical resources and professional advice, as well as educate them on health matters through the guidance of a professional nurse. A board-certified occupational medicine specialist is also invited to provide on-site services monthly to identify and improve occupational hazards, provide health consultations, and manage employee health issues.

To prevent diseases and protect employee health, Nan Pao Taiwan has engaged a board-certified occupational medicine specialist from a medical institution to provide monthly on-site services. These services include identifying and improving occupational hazards, providing health consultations, addressing employees' physical and mental health concerns, and referring employees to appropriate medical services. The specialist also assists in the implementation of health management plans.

Nan Pao Taiwan conducts annual general and special health checkups for all employees, regardless of age. The checkup items exceed regulatory requirements, including electrocardiograms, abdominal ultrasounds, cancer screenings (CEA, AFP, PSA), thyroid function tests, and glycosylated hemoglobin. The company also leverages government-subsidized screenings for four major cancers, aiming for early detection and treatment. Subsequently, health management is categorized based on the checkup results, with on-site physicians providing health education and referrals to medical services. The occupational health nurse enters the checkup results into a "health management system" for analysis.

Based on the results of environmental testing conducted by occupational safety and health personnel for different special work areas, annual special health checkups are arranged for employees in hazardous occupations. A board-certified occupational medicine physician assesses the results and categorizes employees accordingly. Employees in Level 2 and above receive personalized health guidance, and occupational medicine physicians provide consultations and preventive education on occupational diseases.

In 2023, Nan Pao Taiwan conducted its annual health check-up program, with all 573 eligible employees (out of a total of 695 full-time employees with at least one year of service) participating. The program included general check-up items as well as specialized examinations tailored to specific job functions and work environments. A subsequent satisfaction survey covering aspects such as staff service, venue, and flow was conducted, and 525 employees (91.7%) expressed satisfaction with the health check-up event. Nan Pao Resins remains committed to continuous improvement, actively addressing any areas identified for enhancement in the health check-up program.

Maternity Protection Measures

To ensure the health of female employees who are pregnant, postpartum within one year, or breastfeeding, and their unborn children, occupational safety personnel, nurses, and department managers assist in arranging environmental testing, hazard assessments, and controls for jobs that may pose risks to maternal health. Occupational medicine physicians and occupational health nurses manage these cases through a registration system, providing counseling, health risk assessments, risk classification, and recommendations for job placement. Occupational health nurses also provide periodic follow-up care. After confirming that the employee's health is not at risk, the occupational medicine physician will inform the employee of relevant information and respect their decision regarding work arrangements. This approach promotes both employment equality and maternal protection. In 2023, Nan Pao Taiwan completed maternity protection assessments for 11 employees.

To strengthen protection for pregnant women in the early stages of pregnancy, the company issues pink uniforms upon notification of pregnancy to prevent accidents such as collisions or taps. Designated parking spaces for pregnant women are also provided, and security personnel assist with traffic control upon arrival.



07

COMMUNITY ENGAGEMENT



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7.1 Community Engagement

As a chemical manufacturing company, Nan Pao has implemented comprehensive measures to protect the neighboring community from the potential hazards of chemical leaks and emissions. Given the numerous chemicals handled on site and the associated risk of chemical odor emissions, we have taken several steps to mitigate these issues. For instance, to address the odor associated with the EA process, we have modified the charging method of the reaction tank by introducing a diaphragm pump, minimizing contact with air and consequently reducing odor emissions and employee exposure. Additionally, we have undertaken improvements to aging equipment components, such as replacing shaftless motors and blind flanges, and implementing autonomous inspection systems. These measures have further reduced odor issues within the plant.

Furthermore, we are committed to reducing VOCs (Volatile Organic Compounds) in our products and production processes from the outset. This proactive approach helps minimize VOC emissions into the air and their impact on the surrounding community.

Nan Pao has established robust measures to prevent and respond to various disasters, including natural disasters, general accidents, and chemical spills. Annual safety drills are conducted to minimize the potential environmental impact on the community in the event of a disaster. In 2023, there were no reported complaints or grievances from the local community regarding any significant negative impacts.

We also regularly invite community members to participate in environmental protection exchange activities. As a responsible member of the community, Nan Pao is dedicated to being a good neighbor and fostering a collaborative spirit. We share our commitment to reducing pollution at the source and protecting the environment with our community partners, demonstrating that chemical plants can be environmentally friendly and beneficial to the community. Additionally, to contribute to local employment, we prioritize hiring qualified residents from neighboring communities when vacancies arise within the company.



2023 Nan Pao Resin Community Outreach Program



Nan Pao implements general safety and health training for new employees, job transfers, and foreign workers. Twice a year, we conduct self-rescue firefighting drills and hazardous substance disaster drills to ensure employees can respond effectively in emergencies. We also provide specialized safety and health training to individuals in positions such as occupational safety and health officers, high-pressure gas operation supervisors, operators of hazardous machinery or equipment, special operations personnel, and first responders.

All hazardous chemicals in our plants are labeled, listed, and have safety data sheets available. We also provide necessary general training to ensure proper chemical management. For workplaces involving organic solvents, dust, and noise, we have established environmental monitoring plans, and the monitoring plans and results are reported to the central government authority.

Nan Pao has implemented comprehensive measures to prevent and respond to various disasters, including natural disasters, general accidents, and chemical spills. Annual safety drills are conducted to minimize the potential environmental impact on the community in the event of a disaster. We strive to ensure that our production activities do not adversely affect the surrounding community and residents. We continuously monitor community dynamics and adapt to changes in community culture and values as part of our corporate social responsibility.

Community Care

1. Blood Donation Campaign

Nan Pao actively participates in community blood donation campaigns. In 2023, we partnered with the Tainan Blood Center to organize a blood drive in Xigang District, offering incentives to encourage local residents to donate blood. The campaign successfully collected 515 units (128,750 cc) of blood, contributing significantly to addressing blood shortages and promoting community giving.



Blood Donation Day in Nan Pao

2. Community Development

Nan Pao is dedicated to contributing to the development of our local communities. In Xigang District, Tainan City, we have focused on improving community infrastructure by providing essential equipment such as patrol cars, ambulances, and service vehicles. Additionally, we have donated our group's adhesives, coatings, and building materials to support underprivileged medical institutions and educational facilities, and have provided technical assistance for installation. Through these initiatives, we aim to enhance the quality of life for our community members.



Ambulance Donation



Supporting education with donated paint



Celebrating spring with the community at the Tabeuia festival



Nan Pao hosts a community group visit.

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 social responsibility via engaging in three main aspects, namely "Talent Cultivation," "Care for Elderly" and "Care for the Underprivileged."

7.2 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. Xigang 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, NANPAO Foundation collaborates with Xigang Elementary School, Gangdong Elementary School, Houying Elementary School, Songlin Elementary School and Cheng Kung Elementary School in Xigang 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.

2023 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.



Supporting education through after-school tutoring

7.3 Elderly Care

Huashan Foundation:

As Taiwan's population ages, the needs and challenges faced by the elderly have become increasingly pressing. Recognizing the growing demand for elderly care, Nan Pao Resins Social Welfare and Charity Foundation partnered with the Huashan Foundation, a long-standing organization dedicated to elderly welfare in Taiwan. Together, we realized that the current care provided to the elderly was insufficient. Consequently, we collaborated with the Huashan Foundation's Xigang Angel Station to organize the distribution of festive gift boxes to elderly individuals during the Dragon Boat Festival, Mid-Autumn Festival, and Lunar New Year. These gifts were personally delivered by professional social workers to the homes of homebound or elderly living alone, offering comfort and care. To provide more comprehensive care, we also purchased a dedicated home visit vehicle for Xigang District and sponsored the costs of home care services for the elderly living alone. Huashan Foundation's social workers would visit these elderly individuals daily to provide medical assistance, bed baths, and nutritional supplements. In addition to meeting their physical needs, the social workers would also accompany the elderly to alleviate loneliness and help them regain confidence and purpose in life.

Senior Welfare Association and Community Activities:

While the proportion of elderly residents in Xigang District, Tainan City, is not particularly high, the area experiences a significant outflow of young adults. These elderly individuals may not necessarily lack material resources but often feel lonely due to living alone. To encourage social interaction and promote physical and mental well-being among the elderly in Xigang, Nan Pao Resins Foundation collaborates with the Xigang Senior Welfare Association to organize recreational activities and meals during the Double Ninth Festival. Additionally, during the Dragon Boat Festival, we provide funding to the Qing'an Community in Xigang to make zongzi (rice dumplings) and distribute them to homebound, frail, and disadvantaged elderly residents, creating a warm and festive atmosphere in the community. We also partnered with the Shulin Community Development Association in Qigu District to establish the Shulin Community Daycare Center for the Elderly. This center provides classes for elderly individuals who live alone, enriching their lives and boosting their self-confidence through participation in competitions.

2023 Elderly Welfare Activities (Only Main Activities are Listed)

Participants	Content
Huashan Social Welfare Foundation	Home services, festival gift sets, social worker visits
Xigang 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
Xigang District Senior Citizen's Welfare Association	Double Ninth Festival activity



Nan Pao cares for the elderly in our community



7.4 Care for the Underprivileged

Taiwan's income inequality has worsened significantly over the past decade, with wealth and resources concentrated in the hands of a few. Especially in rural areas, Nan Pao Resins has a deep understanding of the difficulties faced by many. The Nan Pao Resins Foundation has therefore provided emergency assistance to help disadvantaged families overcome hardships. Since its establishment in 2007, the foundation has provided financial aid for medical expenses, funeral costs, living difficulties, and tuition fees for low-income students.

Additionally, we have subsidized part of the funding gap for several foundations in the vicinity of Tainan, extending Nan Pao Resins' love and care to a wider community. These foundations include the Creation Foundation, the Mercy Foundation, the Chao Hsing Foundation, the Le Fu Foundation, the Eden Foundation, and the Tainan Association for the Welfare of the Deaf.

In 2023, Nan Pao Resins invited students from the Tzu Guang Association for the Intellectually Disabled, a neighboring community organization, to write down their most desired Christmas gifts. Nan Pao employees then prepared these gifts to fulfill the students' wishes. The event not only gave the students the opportunity to visit our new building and receive their dream gifts but also allowed Nan Pao employees to give back to the community and experience the warmth of helping others.

2023 Care for the Underprivileged (Only Main Activities are Listed)

Participants	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
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.



Supporting individuals with intellectual disabilities through shoe donations



Serving the community with Eden's mobile services.



Bringing joy to children with intellectual disabilities at Christmas.

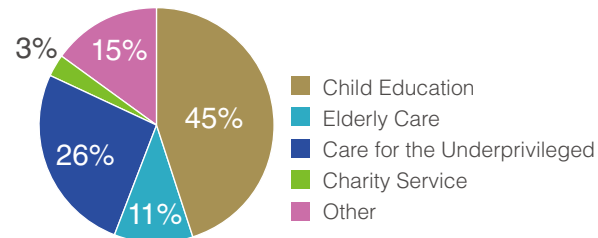


7.5 Charity Service

For many years, Nan Pao Resins Group's charitable foundation has been deeply committed to community environmental improvement, assistance to the underprivileged, and disaster relief. The company encourages employees to participate in community service by arranging volunteer activities and offering volunteer hours. Whether it's chemistry classes in rural areas, beach cleanups, tree planting, blood donation, providing warmth to the elderly living alone, or spreading love in remote areas, Nan Pao volunteers are always present. For employees, participating in volunteer activities firsthand can increase interactions with colleagues and provide psychological satisfaction through exploring social values. For Nan Pao, when corporate citizens can take the initiative and recognize the responsibility and value of giving back to the community, the company is more likely to achieve "sustainable development."

Nan Pao continues to invest funds, resources, and manpower to participate in charity activities, long-term community events, and work participation in corporate operational activities, in order to create more positive social impact

Social Investment Expenditure Statistics in 2023



Joining forces for a beach cleanup

The donation categories and amounts of the NANPAO Social Welfare and Charity Foundation are summarized as follows:

Social Investment Expenditure Statistics in 2023 (Unit: NT\$)						
Year/Category	Child Education	Elderly Care	Care for the Underprivileged	Charity Service	Other	Total
2019	2,133,233	600,000	1,186,040	-	1,685,459	5,604,732
2020	2,257,181	730,000	800,340	-	1,202,390	4,989,911
2021	2,268,652	670,000	938,713	144,800	1,803,500	4,989,911
2022	2,429,600	730,000	1,583,113	109,400	1,245,030	6,097,143
2023	3,116,866	740,000	1,687,573	244,047	1,205,530	6,994,016



Improving our community one road at a time



Planting trees for a greener future



Bringing joy to children at the orphanage



Dedicated community volunteers fighting COVID-19

APPENDIX



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Appendix 1. SASB Index

Topic	Index	Chapter	Page	Type	SASB No.
Greenhouse Gas Emission	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	5 Green Manufacturing and Low Carbon Transformation	72	Quantitative	RT-CH-110a.1
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets		71	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)		81	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)		75	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		79	Quantitative	RT-CH-140a.1
	Number of incidents of non-compliance associated with water quality permits, standards, and regulations		80		
	Description of water management risks and discussion of strategies and practices to mitigate those risks		68	Quantitative	RT-CH-140a.2
			79	Discussion and Analysis	RT-CH-140a.3
Hazardous Waste Management	Amount of hazardous waste generated, percentage recycled		83	Quantitative	RT-CH-150a.1
Community Relations	Discussion of engagement processes to manage risks and opportunities associated with community interests	7. Community Engagement	106	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	6.Shared Value Creation	101	Quantitative	RT-CH-320a.1
	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks		103	Discussion and Analysis	RT-CH-320a.2
Product Design for Use-phase Efficiency	Revenue from products designed for use-phase resource efficiency		58	Quantitative	RT-CH-410a.1
Safety & Environmental Stewardship of Chemicals	(1) Percentage of products that contain Globally Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances, (2) percentage of such products that have undergone a hazard assessment	4.Sustainable Supply Chain	60	Quantitative	RT-CH-410b.1
	Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human and/or environmental impact		61	Discussion and Analysis	RT-CH-410b.2
Genetically Modified Organisms	Percentage of products by revenue that contain genetically modified organisms (GMOs)	No GMOs materials	-	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	2.Corporate Governance	16	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)	6.Shared Value Creation	101	Quantitative	RT-CH-540a.1
	Number of transport incidents		-	Quantitative	RT-CH-540a.2
Community Relations	Operations with a significant actual or potential negative impact on the local community.	7. Community Engagement	105	Qualitative	
	Specific, effective mechanisms and actions taken by the company itself and its suppliers to reduce negative impacts on the environment or society.	6.Shared Value Creation	65	Qualitative	
Product Output	Product output by product category.		Annual 99	Quantitative	

Appendix2. GRI Index

Statement of Use	The reporting organization, Nan Pao, has reported the content from January 1, 2023 to December 31, 2023 in accordance with the GRI Standards.
GRI 1 standard	GRI 1 : Basic 2021

GRI Standard	Disclosure Items	Page	Note
GRI 2 General Disclosures 2021			
THE ORGANIZATION AND ITS REPORTING PRACTICES			
2-1	Organizational details	7	
2-2	Entities included in the organization's sustainability reporting	7	
2-3	Reporting period, frequency and contact point	7	
2-4	Restatements of information	7	
2-5	External assurance	7	
ACTIVITIES AND WORKERS			
2-6	Activities, value chain and other business relationships	8	
2-7	Employees	90	
2-8	Workers who are not employees	100	
GOVERNANCE			
2-9	Governance structure and composition	29	
2-10	Nomination and selection of the highest governance body	29	
2-11	Chair of the highest governance body	29	
2-12	Role of the highest governance body in overseeing the management of impacts	29	
2-13	Delegation of responsibility for managing impacts	29	

GRI Standard	Disclosure Items	Page	Note
2-14	Role of the highest governance body in sustainability reporting	16	
2-15	Conflicts of interest	42	
2-16	Communication of critical concerns	21	
2-17	Collective knowledge of the highest governance body	34	
2-18	Evaluation of the performance of the highest governance body	35	
2-19	Remuneration policies	36, 94	
2-20	Process to determine remuneration	36, 94	
2-21	Annual total compensation ratio	93	
STRATEGY, POLICIES AND PRACTICES			
2-22	Statement on sustainable development strategy	16-17	
2-23	Policy commitments	16-17	
2-24	Embedding policy commitments	16-17	
2-25	Processes to remediate negative impacts	42	
2-26	Mechanisms for seeking advice and raising concerns	42	
2-27	Compliance with laws and regulations	42	
2-28	Membership associations	10	
2-29	Approach to stakeholder engagement	18	

GRI Standard	Disclosure Items	Page	Note
2-30	Collective bargaining agreements	92	
GRI 3: MATERIAL TOPICS 2021			
3-1	Process to determine material topics	22	
3-2	List of material topics	24	
3-3	Management of material topics	25	
GRI 201 : ECONOMIC PERFORMANCE 2016			
201-1	Direct economic value generated and distributed	9	
201-2	Financial implications and other risks and opportunities due to climate change	71	
GRI 202 : MARKET PRESENCE 2016			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	94	
202-2	Proportion of senior management hired from the local community	90	
GRI 204 : PROCUREMENT PRACTICES 2016			
204-1	Proportion of spending on local suppliers	65	
GRI 205 : ANTI-CORRUPTION 2016			
205-1	Operations assessed for risks related to corruption	42	
205-2	Communication and training about anti-corruption policies and procedures	41	
205-3	Confirmed incidents of corruption and actions taken	41	
GRI 302: ENERGY 2016			
302-1	Energy consumption within the organization	76	
302-2	Energy consumption outside of the organization	76	

GRI Standard	Disclosure Items	Page	Note
302-3	Energy intensity	76	
302-4	Reduction of energy consumption	77	
GRI 303: WATER AND EFFLUENTS 2018			
303-1	Interactions with water as a shared resource	79	
303-2	Management of water discharge-related impacts	80	
303-3	Water withdrawal	79	
303-4	Water discharge	79	
303-5	Water consumption	79	
GRI 305 : EMISSIONS 2016			
305-1	Direct (Scope 1) GHG emissions	72	
305-2	Energy indirect (Scope 2) GHG emissions	72	
305-3	Other indirect (Scope 3) GHG emissions	73	
305-4	GHG emissions intensity	73	
305-5	Reduction of GHG emissions	77	
305-6	Emissions of ozone-depleting substances (ODS)	81	
305-7	Nitrogen oxides (NOX) , sulfur oxides (SOX) , and other significant air emissions	81	
GRI 306 : WASTE 2020			
306-1	Waste generation and significant waste-related impacts	83	
306-2	Management of significant waste-related impacts	83	
306-3	Waste generated	83	

GRI Standard	Disclosure Items	Page	Note
306-4	Waste diverted from disposal	83	
306-5	Waste directed to disposal	83	
GRI 307 : ENVIRONMENTAL COMPLIANCE 2016			
307-1	Non-compliance with environmental laws and regulations	68, 85	
GRI 308 : SUPPLIER ENVIRONMENTAL ASSESSMENT 2016			
308-1	New suppliers that were screened using environmental criteria	65	
308-2	Negative environmental impacts in the supply chain and actions taken	65	
GRI 401: EMPLOYMENT 2016			
401-1	New employee hires and employee turnover	91	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	94	
401-3	Parental leave	95	
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018			
403-1	Occupational health and safety management system	98	
403-2	Hazard identification, risk assessment, and incident investigation	101	
403-3	Occupational health services	103	
403-5	Worker training on occupational health and safety	100	
403-6	Promotion of worker health	103	
403-9	Work-related injuries	101	
GRI 404: TRAINING AND EDUCATION 2016			
404-1	Average hours of training per year per employee	97	

GRI Standard	Disclosure Items	Page	Note
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016			
405-1	Diversity of governance bodies and employees	33, 90	
405-2	Ratio of basic salary and remuneration of women to men	94	
GRI 412: HUMAN RIGHTS ASSESSMENT 2016			
412-1	Operations that have been subject to human rights reviews or impact assessments	88	
412-2	Employee training on human rights policies or procedures	88	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-	
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016			
414-1	New suppliers that were screened using social criteria	65	

Appendix 3. Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies

No.	Metrics	Indicator type	Annual disclosure status	Units
1	Total energy consumption, percentage of purchased electricity, renewable energy utilization rate, and total self-generated energy ^(Note 1)	Quantitative	In 2023, Nan Pao Taiwan had a total energy consumption of 52,704,115.30 (kwh), with the percentage of purchased electricity being 39.14%. The self-generated energy accounted for 0.46% of the total purchased electricity.	(kwh), (%)
2	Total water intake, total water consumption, and legally required or voluntarily disclosed amount of wastewater (pollution) discharge.	Quantitative	The total water intake for Nan Pao Taiwan in 2023 was 87,896 (m³), with a total water consumption of 77,415 (m³) and a wastewater discharge of 10,481 (m³).	(m³), (%)
3	Total amount of hazardous waste generated and percentage of recycling in the product manufacturing process, as required by law or voluntarily disclosed.	Quantitative	In 2023, Nan Pao Taiwan generated a total of 692 metric tons of hazardous waste during its production processes, with a recycling rate of 88.8%.	Metric tonne (t), (%)
4	Number and ratio of occupational accidents	Quantitative	In 2023, there were 7 occupational accidents (excluding commuting accidents) in Nan Pao Taiwan, with a Total Recordable Incident Rate (TRIR) of 0.29 for direct and indirect employees.	(%), amount
5	Operational activities that have significant actual or potential negative impacts on the local community.	"Discussion and Analysis"	To reduce the negative impacts on the community, NANPAO takes the following measures: 1. Conducting regular fire drills and emergency response drills at each plant site. 2. Inviting community residents to visit the plant site and understand its operations and safety management.	Not applicable
6	Specific and effective mechanisms and measures adopted by the company itself and its suppliers to reduce negative impacts on the environment or society.	"Discussion and Analysis"	97.7% of the suppliers have signed the "Nan Pao Supplier Code of Conduct," which includes environmental requirements and ethical guidelines for suppliers.	Not applicable
7	Product output by product category.	Quantitative	Please see P.116 of Nan Pao 2023 annual report	Varies by product type

Note 1: The total self-generated energy refers to the definition provided in the "Renewable Energy Development Act," "Implementation Regulations for Renewable Energy Certificates," or relevant subsidiary laws.

Appendix 4. Climate-related Information by TWSE Listed Companies

No.	Item	Execution (Pages)
1	Statement on the supervision and governance of climate-related risks and opportunities by the board of directors and management.	67
2	Explanation of how identified climate risks and opportunities affect the company's business, strategy, and finances (short-term, medium-term, long-term).	71
3	Description of the financial impacts of extreme weather events and transition actions.	71
4	Integration of the process for identifying, assessing, and managing climate risks into the overall risk management system.	69
5	If scenario analysis is used to assess resilience to climate change risks, provide information on the scenarios, parameters, assumptions, analysis factors, and major financial impacts used.	69
6	If there are transformation plans to manage climate-related risks, explain the content of the plans, indicators, and targets used to identify and manage physical risks and transition risks.	71
7	If internal carbon pricing is used, explain the basis for price determination.	-
8	If climate-related targets are set, provide information on the activities covered, greenhouse gas emission scopes, planning timelines, annual progress, etc. If carbon offsets or Renewable Energy Certificates (RECs) are used to achieve the targets, explain the sources and quantities of carbon offsets or the number of RECs used.	-
9	Inventory and assurance of greenhouse gas emissions.	74

Appendix 5. Assurance Report



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Independent practitioner's assurance report

To: Nan Pao Resins Co., Ltd.

Scope

We have been engaged by Nan Pao Resins Co., Ltd (the "Company") to perform a 'limited assurance engagement,' as defined by the Taiwan Accounting Research and Development Foundation, hereinafter referred to as the engagement, to report on selected sustainability performance indicators (the Subject Matter) contained in the Company's 2023 Sustainability Report (the "Report").

The Subject Matter selected by the Company and their applicable criteria

Regarding the Subject Matter selected by the Company and their applicable criteria, please refer to Appendix A.

The Company's responsibilities

The Company's management is responsible for the preparation of the Company's 2023 Sustainability Report in accordance with the adequate criteria, including referencing the Global Reporting Initiatives Standards ("GRI Standards") issued by the Global Reporting Initiative (GRI), and compiling in accordance with the Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies issued by the Taiwan Stock Exchange and the disclosure standards issued by the Sustainability Accounting Standards Board (SASB) for chemical industry, and for the design, execution and maintenance of internal controls in regard to report preparation to support the collection and presentation of the Company's 2023 Sustainability Report. The Company's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records, and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Statements on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", issued by the Taiwan Accounting Research and Development Foundation, and the terms of reference for this engagement as agreed with the Company. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

A member firm of Ernst & Young Global Limited



Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Norm of Professional Ethics for Certified Public Accountant in the Republic of China and have the required competencies and experience to conduct this assurance engagement.

EY also applies Standards on Quality Control No. 1 “Quality Control for Public Accounting Firms”, which requires that we design, implement, and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management’s internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Conducted interviews with personnel to understand the business of the Company, the overall implementation of sustainability development and the reporting process
- Conducted interviews with personnel and inspections of documents to understand how the Company communicates with and responds to main stakeholders, and to understand stakeholders’ expectations and needs
- Conducted interviews with key personnel of the Company to understand the process for collecting, collating and reporting the Subject Matter during the reporting period
- Checked that the calculation criteria have been correctly applied in accordance with the methodologies outlined in the Criteria
- Undertook analytical procedures on the Subject Matter; collected and evaluated the supporting documentation, obtained management’s assertions of the Subject Matter, and, if necessary, tested on a sample basis
- Identified and tested assumptions supporting calculations
- Tested, on a sample basis, the underlying source information to check the accuracy of the data
- Read the Report to ensure that the overall implementation of sustainability development is consistent with our understanding

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Inherent Limitation

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.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter for the year ended December 31, 2023, in order for it to be in accordance with the applicable Criteria.

Hung, Kuo-Sen

Hung, Kuo-Sen

Ernst & Young

August 15, 2024

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Appendix A:

No.	Page	Corresponding Chapter	Corresponding Report Contents	Applicable Criteria	Supplementary Explanation
1	75	5-3 Energy Management	The consumption of purchased electricity, the total energy consumed and the grid electricity usage ratio in 2023.	The Company calculates the energy consumption data of each plant based on natural gas bills, electricity bills, and renewable energy certificates.	According to Attachment 1.2 Sustainability Disclosure Indicators, Article 4 of "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" – (1) total energy consumed, (2) percentage grid electricity, (3) percentage renewable, (4) total self-generated energy (Note) ¹ . Refer to the accounting metrics of SASB RT-CH-130a.1.
2	79	5-4 Water Resources	The total tap water intake and total water consumption of Taiwan's water resources data in 2023.	The Company calculates the water intake and discharge data of each plant based on water bills and waste (sewage) discharge surface water declaration tables.	According to Attachment 1.2 Sustainability Disclosure Indicators, Article 4 of the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" - total water withdrawal, total water consumption and volume of effluent required to be disclosed under the law or to be disclosed voluntarily. Refer to the accounting metrics of SASB RT-CH-140a.1.
3	83	5-6 Waste Management	Total amount of hazardous industrial waste and the recycling percentage in Taiwan facilities in 2023.	Based on the details indicated in the three-part form of business waste entrusted to joint treatment control delivery declared by the Company.	According to Attachment 1.2 Sustainability Disclosure Indicators, 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 and recycling percentage during the production process of products required to be disclosed under the law or to be disclosed voluntarily. Refer to the accounting metrics of SASB RT-CH-150a.1.

Note: The total amount of self-generated and self-consumed energy is defined in the "Renewable Energy Development Act", "Implementation Regulations Governing Renewable Energy Certificates" or related sub-laws.

No.	Page	Corresponding Chapter	Corresponding Report Contents	Applicable Criteria	Supplementary Explanation
4	101	6-4 Safe Occupational Environment	Total injury statistics and fatality rate in 2023.	Based on the information declared by the Company in the occupational disaster statistical summary table.	According to Attachment 1.2 Sustainability Disclosure Indicators, Article 4 of the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" – illustrating the number of persons involved in and rate of occupational accidents. Refer to the accounting metrics of SASB RT-CH-320a.1.
5	101	6-4 Safe Occupational Environment	Process Safety Incident Count (PSIC), Process Safety Total Incident Rate (PSTIR) and Process Safety Incident Severity Rate (PSISR) in 2023.	The Company evaluates whether each incident recorded in the accidents summary report meets the definition of Process Safety incidents (PSI) in accordance with the Process Safety Leading and Lagging Metrics.	According to Attachment 1.2 Sustainability Disclosure Indicators, Article 4 of the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" - illustrating the number of persons involved in and rate of occupational accidents. Refer to the accounting metrics of SASB RT-CH-540a.1.
6	44-47 98-101	3-4 Enhancing Risk Culture Awareness 6-4 Safe Occupational Environment	Methods for evaluating operations that have significant and actual or potentially negative impact on the local communities.	According to GRI 3, the Company has identified actual and potential negative impacts on the economy, environment and people (including human rights).	According to Attachment 1.2 Sustainability Disclosure Indicators, Article 4 of the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" - operations that have significant and actual or potentially negative impacts on local communities.
7	60	4-3 Responsible Chemical Management	Responsible Chemical Management Strategy		
	85	5-7 Ecosystem Preservation	Nan Pao Group Biodiversity Policy		

No.	Page	Corresponding Chapter	Corresponding Report Contents	Applicable Criteria	Supplementary Explanation										
	87-88	6-1 Human Rights Policy 6-3 Employee Grievance Mechanisms Communication and Development	Human Rights Protection Measures of Nan Pao Employee Grievance Mechanisms	According to GRI 3, the Company has identified actual and potentially negative impact on the economy, environment and people (including human rights), related policies or commitments, and the actions taken regarding the aforementioned impacts.	According to Attachment 1.2 Sustainability Disclosure Indicators, Article 4 of the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" – the specific and effective actions taken by the enterprise and suppliers to reduce negative impact on the environment and society.										
	98-101 105	6-4 Safe Occupational Environment 7-1 Community Safety and Health	In order to impose the protective measures against general disasters, natural disasters and chemical leakage disasters, various safety drills are regularly carried out every year to minimize the environmental impact on the communities if a disaster takes place.												
	40 63-65 88	3-2 Anti-Corruption and Ethical Business Conduct Management 4-5 Supply Chain Management 6-1 Human Rights Policy	Suppliers are committed to social and environmental responsibility by signing the Supplier Code of Conduct												
8	99 Annual report	Annual report	<table><tr><td></td><td>Production (Metric Tons)</td></tr><tr><td>Adhesives</td><td>205,868</td></tr><tr><td>Coating</td><td>14,609</td></tr><tr><td>Others</td><td>-</td></tr><tr><td>Total</td><td>220,477</td></tr></table>		Production (Metric Tons)	Adhesives	205,868	Coating	14,609	Others	-	Total	220,477	Based on the tonnage recorded in the production and sales table as well as the product output statistics table.	According to Attachment 1.2 Sustainability Disclosure Indicators, Article 4 of the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" - production by reportable segments. Refer to the accounting metrics of SASB RT-CH-000. A.
	Production (Metric Tons)														
Adhesives	205,868														
Coating	14,609														
Others	-														
Total	220,477														

Appendix 6. Report Issued Information

Report Issued Information:

2023 Sustainability Report : Issued in August, 2024.

Feedback

We would appreciate any feedback you have on the contents or activities of this report. Please do not hesitate to contact us if you have any questions or suggestions.

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