



sheh fung  
screws company

2023

ESG 永續報告書

Sustainability Report



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# About this Report

This is the eighth year this Report has been issued by Sheh Fung Screws Co., Ltd. (hereinafter referred to as "Sheh Fung Screws" , or "the Company" ) in order to let stakeholders understand the Company' s actions and performance in the four key aspects of corporate governance, economy, environment and society (human rights). By disclosing performance information on various ESG management policies, as well as responses to key issues and actions, all stakeholders who are concerned about Sheh Fung Screws can have a deeper understanding and trust in the Company.

## ➤ **Boundary and Scope of this Report**

The disclosure scope of this Report covers ESG-related performance achievements from January 1 through December 31, 2023, and presents the sustainable development issues of most concern to stakeholders. The boundary of this report primarily focuses on the operational performance of Sheh Fung Screws Co., Ltd.'s Taiwan factories (Qiaotou and Mituo). It excludes the subsidiary Sheh Fung Screws Viet Nam Co., Ltd., unless otherwise specified.

This Report is issued in Chinese and English. The restated information is noted below the text (table). Furthermore, in addition to taking into account GRI material disclosure principles, the Company has also compiled data to more rigorous standards. Through continuous improvement, the Company reviews the data collection process and scope, and improves the quality of the various data year by year.

The statistical data disclosed in this Report come from the Company's own statistics and investigation results. The source of the relevant financial data is the annual Financial Report data certified by the accountants (KPMG Taiwan), and are represented in New Taiwan dollars. In addition, environmental protection, safety and health-related performance is presented using internationally accepted indicators. Some data are quoted from publicly released information on government agency websites and are presented in commonly used numerical descriptions. If there are any estimates, they will be noted in each relevant chapter.

## ➤ **Basis and Structure of the Report**

The structure of this Report refers to the GRI - Universal Standards 2021, which serves as the reference basis for information disclosure in the Report, and echoes the *Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies*, the Task Force on

Climate-related Financial Disclosures (TCFD), and Sustainability Accounting Standards Board (SASB).

### ➤ Issue Date of the Report

In response to international trends and customer expectations, the Company has published ESG Sustainability Reports every year.

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# Message from the Chairman

In 2023, global end-product demand weakened due to high inflation, high interest rates, and geopolitical tensions, slowing manufacturing activities worldwide. Economic sanctions between the US and China, the Russia-Ukraine war, Gaza conflict, and Red Sea crisis further adversely affected global economic development and social stability. With the release of IFRS S1/S2, EU's CBAM, and the US CCA Act's second reading, carbon regulations will force companies to strengthen sustainability governance. Integrating sustainability and carbon management into operations and supply chains is essential for regulatory compliance, risk, and cost management, and competitiveness.

Currently, carbon management requirements from domestic and international regulations and markets are becoming more detailed. The EU CBAM started its transition period in October 2023, requiring affected industries to calculate carbon emissions from their processes and raw materials. Taiwan's Financial Supervisory Commission plans to align with IFRS S1/S2 by 2026, mandating scope 3 emissions audits. In the face of rigorous ESG and policy scrutiny, companies must not only focus on traditional financial metrics and risk management but also adopt new technologies for "transformation and monitoring." Early adoption of sustainable supply chain management and digital transformation is crucial to meet international sustainability regulations and market changes.

At the social level, we continue to focus on our employees, customers and communities. Including providing employees with regular annual health examinations. Occupational doctors and nurses regularly help pay attention to employees' health conditions, and provide aerobic courses, cycling activities, and group recreation activities so that employees can lead a diverse and friendly life. We also continue to care about the community, including donating fire trucks, residential alarms and important intersection monitors to maintain a safe and healthy community.

In terms of corporate governance, we adhere to high ethical standards and transparency to ensure that the Company's operations are fair and accountable. We are committed to protecting shareholder rights and working closely with regulators. We will continuously improve the Company's risk management and compliance to ensure that our business operates within legal and ethical norms.







This ESG Report is not just a report, but also a commitment, in accordance with which we will actively pursue our ESG goals and continuously improve our operating performance.





Tu Tai-yuan, Chairman  
Chen Chun-yen, General Manager


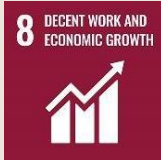



# ESG Performance and Goals in 2023

<div>  <div>Environment</div> <div>(E)</div> </div>	Business Objectives in 2023	Executive Performance in 2023
	Resource efficiency, energy conservation, environmental protection, and actively cooperate with the development of the national greenhouse gas reduction strategy to ensure the achievement of sustainable environmental goals.	
	Major Issues in 2023	
	Waste Emissions Energy	
	Corresponding SDGs	
	<div> <div>3</div> <div>GOOD HEALTH AND WELL-BEING</div>  </div> <div> <div>6</div> <div>CLEAN WATER AND SANITATION</div>  </div> <div> <div>12</div> <div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div>  </div>	
	<ul style="list-style-type: none"> <li>A total of 61,440 kWh of electricity was saved in 2023.</li> <li>Average emission monitoring values in 2023 met local air pollution emission standards.</li> <li>Wastewater discharge in 2023 complied with local discharge standards.</li> </ul>	



 Social (S)	Business Objectives in 2023	Executive Performance in 2023
	1. Efficient production momentum maintenance and supplier management. 2. Continuous product certification. 3. Development and promotion of new products. 4. Multi-functional training for employees. 5. Improvement of employees' physical and mental health.	<ul style="list-style-type: none"> <li>• In 2023, there were no human rights-related complaints.</li> <li>• No transportation-related accidents occurred in 2023.</li> <li>• The total new hire rate for 2023 was 17.832%, an increase of 3.252% compared to 2022.</li> <li>• Regular labor-management meetings were held to facilitate communication.</li> <li>• Three labor safety education training sessions were conducted in 2023, with 85 participants.</li> <li>• The overall customer satisfaction score for 2023 was 8.43, with fastener customers scoring 8.45 and OEM customers scoring 8.38. All satisfaction surveys scored above 8.</li> <li>• No incidents of violating customer privacy occurred in 2023.</li> <li>• Domestic supplier procurement ratio was 99.8% in 2023.</li> </ul>
	Major issues in 2023	
	Occupational safety and health Health and safety of customers	
	Corresponding SDGs	
	  	

 Governance (G)	Business Objectives in 2023	Executive Performance in 2023
	1. Continuously conduct product gross profit analysis and cost improvement. 2. Encourage employees to participate in the implementation of Corporate Governance.	<ul style="list-style-type: none"> <li>• Consolidated operating net profit increased by 19.63% in 2023 compared with 2022.</li> <li>• Consolidated net operating income in 2023 was NT\$2,323,605.</li> <li>• A total of 4 people received education and training on integrity management issues in 2023, totaling 57 hours.</li> <li>• There were no corruption cases in 2023, and internal employees underwent a total of 164 hours of anti-corruption education and training with 109 people.</li> <li>• There were no losses due to major information security incidents in 2023.</li> </ul>
	Major Issues in 2023	
	Economic performance	
	Corresponding SDGs	
	 	



# 1 Stakeholder Communication

## 1.1 Identification and Communication of Stakeholders

Sheh Fung Screws aims for sustainable business practices by identifying stakeholders and understanding their impact on the company. The company values stakeholder feedback to grasp their needs and expectations.

According to GRI Standards, potential stakeholders include business partners, social welfare organizations, consumers, customers, employees and other workers, government, local communities, NGOs, shareholders and investors, suppliers, trade associations, vulnerable groups, financial institutions, and academic units. Discussions involve external experts evaluating actual and potential impacts. In 2023, key stakeholders were employees, customers, shareholders, suppliers/contractors/subcontractors, government/regulatory bodies, and community residents, totaling six groups.

Communication path and frequency of stakeholders

Stakeholders	The significance of stakeholders to the Company	Concerned issues	Communication platform and frequency
Employees	Employees are the cornerstone of Sheh Fung's sustainable operations and the driving force behind our continuous growth.	Labor-management Relations Economic Performance Occupational Health and Safety	<ol style="list-style-type: none"><li>1. Intranet information system (real-time): make announcements and make inquiries through the intranet.</li><li>2. Management meeting (once every two weeks): communication meeting between supervisors above manager level and senior management.</li><li>3. Production and marketing meeting (once every two weeks): communication meeting between production and business related personnel.</li><li>4. Complaint hotline (at any time): for employees to reflect the problem status. Once notified, a special person will immediately file a case for handling.</li></ol>

			<p>5. Labor-management meeting (quarterly) and welfare committee meeting (quarterly): make suggestions and negotiate with the company.</p> <p>6. Employees' feedback (at any time) and setting up suggestion boxes.</p> <p>7. Quality monthly meeting (once a month): Quality control communicates with the production supervisor on quality issues.</p>
Shareholders	Shareholders/investors are shareholders of Shifeng, and we must be responsible for them.	<p>Economic performance</p> <p>Compliance with social and economic laws and regulations</p> <p>Compliance with environmental laws and regulations</p>	<p>1. Regularly publish the general information of operation (monthly) and financial reports.</p> <p>2. General meeting of shareholders (year): prepare the annual financial report as required.</p> <p>3. The official website has set up an investor zone (instantly): shareholders can click on the columns of operation, finance, borrowing and shareholders (revealing dividends, stock prices and stock affairs).</p> <p>4. Set the contact window and mailbox for shareholders (at any time).</p> <p>5. A spokesman contact window is available (at any time).</p> <p>6. Legal person briefing: held regularly.</p>
Customers	Customers like our products and services, which is the key marketing and marking for business development.	<p>Marketing and labeling</p> <p>Customer health and safety</p> <p>Compliance with social and economic laws and regulations</p> <p>Compliance with environmental laws and regulations</p>	<p>1. Customer service network mailbox (at any time).</p> <p>2. Customer satisfaction survey (year).</p> <p>3. Participate in related product exhibitions, and directly understand the customer and market development direction (instantly).</p> <p>4. Business center colleagues visit customers (instantly).</p> <p>5. Video conference with customers from time to time.</p>
Supplier/ Outsourcer/	Our huge product and service chain depends	Customer health and safety	<p>1. Supplier meeting (once a year).</p> <p>2. Supplier evaluation (quarterly).</p>

Contractors	on the stable support of many suppliers.	Marketing and labeling Economic performance	3. Supplier receiving platform (instantly).
<b>Government/ the authorities concerned</b>	Our products, services and related marketing activities are subject to inspection and supervision by the competent authorities.	Compliance with environmental laws and regulations Compliance with social and economic laws and regulations Occupational health and safety	1. Maintain good interaction with the competent authorities and actively participate in the forums and seminars organized by the competent authorities (instantly). 2. Identification of management system regulations (instantly). 3. Official correspondence, seminars, and public information (instantly).
Community residents	As a big neighbor of the local community, we expect to live in peace with the local residents by giving back to the community and creating a better future.	Waste Water and discharge water Discharge	1. Daily interviews and telephone communication (instantly). 2. The official website of the company (at any time). 3. ESG report (year). 4. Donate to local schools and organizations (from time to time).

## 1.2 Identification of Material Issues

The Company listened to and responded to the concerns of stakeholders, and introduced substantive analysis in the preparation of the report, hoping to identify the sustainable issues of concern to stakeholders through a systematic analysis model, which will serve as a reference basis for the disclosure of information in this report, so as to facilitate effective communication among stakeholders. The major theme analysis of this report is divided into the following four steps:

<b>STEP 1</b> Understand the organizational context	In order to understand the organizational context and search for sustainability issues, Sheh Fung Screws refers to the theme of the latest edition of GRI Standards (GRI Standards 2021 Edition) and the Sustainability Accounting Standards Board (SASB) published by GRI, and collects 38 sustainability issues, including four sustainable aspects, corporate governance, economy, environment and society.
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<b>STEP 2</b> Identify the actual and potential impacts of sustainability issues	The actual or potential negative impacts and positive impacts of economy, environment and society (people and human rights) are discussed according to Sheh Fung's sustainable topic, and the topics are ranked according to their actual negative impacts, potential negative impacts, actual positive impacts and potential positive impacts on economy, environment and society (people and human rights). However, the topics listed in SASB are prioritized as major topics after scoring.
<b>STEP 3</b> Assess the significance of impact	The scoring results were approved after the meeting between external consultants and the company. Based on the past operating experience, the significance and possibility of the impact of the issues were discussed, and six major sustainable issues of Sheh Fung Screws were determined after analysis.
<b>STEP 4</b> Disclosure report on sustainable issues	Comprehensively evaluate the discussion results of major sustainability issues with all departments of the company, and finally list four major theme management contents for these six major sustainability issues, and communicate and respond to stakeholders through the sustainability report.

## Major issues identification results

In 2023, Sheh Fung screened out six issues that are highly concerned by stakeholders and have a high impact on enterprises. Please refer to the matrix below, namely 「economic performance」 、 「customer health and safety」 、 「waste」 、 「emissions」 、 「energy」 、 「local-communities」 、 「occupational health and safety」 、 「water and effluents」 、 「supply chain management」 。

Sheh Fung's major issues ranking		
E(Environment)	S(Society)	G(Governance)
3. waste	2. customer health and safety	1. economic performance
4. emissions	6. occupational health and safety (Employee Health & Safety)	
5. energy		



### Sheh Fung's secondary issues ranking

7.local communities	8.water and effluents	9.supply chain management (supplier-social-assessment 、supplier environmental assessment)	10.market presence	11.indirect economic impacts
12. procurement practices	13. anti-corruption	14.anti competitive behavior	15. tax	16. materials
17. biodiversity	18. marketing and labeling	19. employment	20. training and education	21. diversity and equal opportunity
22.non discrimination	23.freedom of association and collective bargaining	24. child-labor	25. forced or compulsory labor	26.security practices
27.rights of indigenous peoples	28.local-communities	29.public-policy	30. marketing and labeling	31.customer privacy



## Impact of value chain

After analysis and discussion in 2023, six major issues were identified. This report takes the value chain as the boundary analysis element for major themes, regularly discusses major economic, social and environmental issues, draws up the goals of each unit and the future direction, compiles relevant achievement data, and exposes relevant information in the sustainability report, and will continue to strengthen management in the future.

The ranking of major sustainable issues and the impact of value chain in 2023				
Major issues	GRI specific topic SASB topic	Upstream (supplier)	Sheh Fung	Downstream (customer/distributor )
economic performance	GRI 201	○	●	○
customer health and safety	GRI 417	○	●	□
waste	GRI 306 SASB Waste Management	□	●	-
emissions	GRI 305 SASB Greenhouse gas emissions SASB Air quality	○	●	□
energy	GRI 302 SASB Energy Management	○	●	-
occupational health and safety	SASB Employee Health & Safety	○	●	-



## 1.3 Management Policy

Major topic	Importance to enterprise operation	Management objective	Execution effectiveness	Future goals
Waste Emission Energy	Only with sustainable energy and environment can sustainable development be achieved. We attach importance to resource efficiency, energy conservation and environmental protection, and actively cooperate with the development of national greenhouse gas reduction strategy to ensure the achievement of sustainable environmental goals.	<ol style="list-style-type: none"> <li>1. According to the resource demand of the energy-saving scheme, handle relevant environmental protection work.</li> <li>2 Maintain pollution prevention equipment and conduct regular inspections.</li> <li>3. Reduce pollution emissions.</li> <li>4. Take measures to save energy and reduce carbon.</li> </ol>	<ol style="list-style-type: none"> <li>1. Wastes are classified according to business wastes and resource recyclables.</li> <li>2. Reduce the amount at the source and decrease unnecessary packaging during product design.</li> <li>3. Obtain the operation license of stationary pollution source approved by the competent authority.</li> <li>4. Inspect regularly to ensure compliance with laws and regulations.</li> <li>5. Replace energy-saving equipment.</li> </ol>	<ol style="list-style-type: none"> <li>1. Continue to promote the improvement of raw materials and reduce pollution emissions.</li> <li>2. Implement waste classification and strengthen resource recovery.</li> <li>3. Continue to abide by the laws and regulations.</li> <li>4. Implement the environmental management system and promote various environmental improvement work.</li> </ol>
Occupational safety and health	Sheh Fung Screws adheres to the principle that "employees are the most important assets of the company" and provides competitive salaries and a safe and healthy workplace environment for colleagues to attract and retain the best talents.	<ol style="list-style-type: none"> <li>1. Create a safe working environment.</li> <li>2. Harmonious labor relations.</li> <li>3. Handle education and training to improve the safety and professional ability of employees.</li> </ol>	<ol style="list-style-type: none"> <li>1. Handle health promotion activities for employees and community activities.</li> <li>2. Employee health care plan and occupational medical health diagnosis.</li> <li>3. No cases of occupational diseases occurred in 2023.</li> </ol>	<ol style="list-style-type: none"> <li>1. Provide a good working environment and maintain the health and safety of employees.</li> <li>2. Establish reasonable working conditions and abide by relevant provisions of labor laws and regulations.</li> </ol>
Economic performance	It is the basic mission of enterprise management to strengthen the	Create the best interests of employees,	1. The net decline of consolidated business in 2023 was	Continue to pursue the balance between

	competitiveness of enterprises to face the changes and challenges of external environment and maintain long-term profitability. Improving profitability is the foundation of enterprise operation and creating long-term stable and sustainable development performance.	shareholders and customers.	19.63% compared with that in 2022. 2. The net consolidated operating income in 2023 is NT\$ 2,323,605,000.	shareholders' rights and interests and the sustainable growth of enterprises and maintain operating profits.
Health and safety of customers	Providing customers with high-quality, safe and reliable products and services is a necessary condition for corporate competition and sustainable operations.	1. Improve customer satisfaction. 2. Strengthen customized service capabilities. 3. Enhance the added value of products.	1. No customer information is leaked. 2. All products comply with international safety standards and environmental protection regulations.	1. Continuously improve satisfaction. 2. Continuously innovate and develop, and strictly monitor quality.



## 1.4 Communication Channels



Our company attaches importance to the opinions of stakeholders, therefore, in order to effectively listen to the suggestions of stakeholders. Internally, there is an employee opinion mailbox to provide an employee complaint mechanism and channel to ensure that the problem can be handled as soon as possible. Externally, there is a contact mailbox, contact telephone number and fax number on the company official website.

The link content is: "Contact us"




## 2 Sustainable Management

### 2.1 Organizational Status

#### 2.1.1 Company Overview

Founded by president Lucky Tu in 1973, Sheh Fung Screws Co., Ltd. specializes in manufacturing various types of screws. With fifty years of continuous innovation and development, the company has accumulated extensive experience and technology in screw manufacturing. Each production process, from wire material intake, heading, forming, threading, heat treatment, plating, painting, to packaging, undergoes strict quality inspection before proceeding to the next stage. To meet customers' special specifications, Sheh Fung offers excellent design and manufacturing technology to gain their trust and recognition.

#### About Sheh Fung Screws

Company name	Sheh Fung Screws Co., Ltd.
Company website	<a href="http://www.shehfung.com/">http://www.shehfung.com/</a>
Date of establishment	1973/8/9
Chairman of the board	TU TAI YUAN
General manager	CHEN CHUN YEN
Number of employees	286
Main products or services	Manufacturing of screws, nuts, bolts, and rivets; machinery equipment manufacturing
Location of the company headquarters	No. 810, Fuxing West Road, Dingyan Village, Qiaotou District, Kaohsiung City
Business scope of the company	Mituo Factory: No. 180, E. Sec., Wen-an Road, Mituo District, Kaohsiung City
Paid-in capital	568,838 NT\$ thousand
Turnover	2,323,605 NT\$ thousand
Company official website	



## ➤ Shareholder structure

Shareholder structure		
Deadline : 2024.03.26		
Shareholders	Shares held	shareholding ratio
Government organization	0	0.00
Financial institution	0	0.00
Other legal persons	21,826,870	38.37
Individual	33,775,562	59.38
Foreign institutions and foreigners	1,281,405	2.25

## ➤ Manufacturing bases



### Mituo Factory:

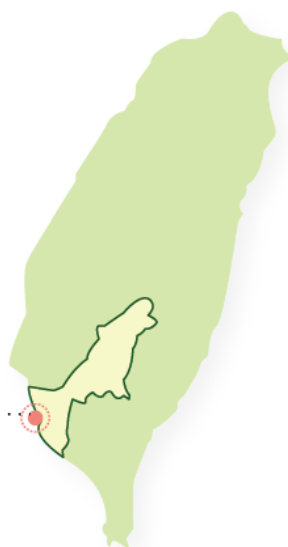
No. 180, E. Sec., Wen-an Road, Mituo District, Kaohsiung City



### Qiaotou Factory:

No. 810, Fuxing West Road, Qiaotou District, Kaohsiung City

Factory	Address
Qiaotou Factory	No. 810, Fuxing West Road, Qiaotou District, Kaohsiung City
Mituo Factory	No. 180, E. Sec., Wen-an Road, Mituo District, Kaohsiung City



## 2.1.2 Business philosophy



Sheh Fung Screws values talent development, encourages innovation, and strives for lean organization to create a highly efficient team that achieves perfect quality. The company aims to be a mutually beneficial and happy workplace for employees and a trustworthy partner for customers, fostering a win-win-win situation and pursuing sustainable operations. Sheh Fung Screws aspires to be a leading and reliable global screw supplier. The company's spirit is encapsulated in the values of "Creditable Integrity, Effective Teamwork, Creative Innovation, and Quality Excellence," striving to create excellent corporate culture and value.

經營團隊及大多數員工於螺絲產業經驗豐富，對產品製程掌控及市場策略與定位具有高度敏感性，且能與協力廠商有效合作。此外，在產銷管理方面亦相當駕輕就熟，能滿足提供客戶之需求，並建立完善的制度與優良的企業文化，進而吸引優秀之專業人才。

在技術創新與新產品開發擁有優秀團隊，在產品功能性及實用性研發獲得客戶認同，同時亦能及時解決客戶的產品使用問題，進而提升客戶滿意度。

專業的經營  
管理團隊

堅實的  
研發能力

深厚產業與  
產品關係

忠誠可靠的  
夥伴關係

本公司除堅實的研發實力，一直以來持續專注並深耕於螺絲產業發展，對產業及產品發展趨勢有深層的瞭解，透過不斷創新，能幫助客戶產生更多的附加價值。

擁有樸實可靠的企業文化，不論在公司、客戶及供應鏈均維持可靠緊密的關係，面對問題本著誠信信念，幫助客戶解決問題，因此與客戶及供應商都能維持長遠的合作關係。



## 2.1.3 Operational Performance

In 2023, as the global economy gradually recovered from the pandemic-induced downturn over the past three years, various disruptions like severe inflation, regional geopolitical risks (Russia-Ukraine war, Israel-Palestine conflict), and extreme weather continued to hinder economic development. Despite these challenges, Sheh Fung Screws faced a decline in performance but still achieved commendable profitability. The company's consolidated net operating revenue for 2023 was NT\$2,323,605 thousand, a decrease of 10.32% from 2022, and consolidated net operating profit was NT\$317,162 thousand, a decrease of 19.63% from 2022.

### Sheh Fung's operation in the past three years

Unit: NT\$ thousand

Item	Year	Financial information for the past three years		
		2021	2022	2023
Operating income		2,859,385	2,591,122	2,323,605
Operating costs		2,290,145	1,999,382	1,828,338
Gross operating profit		569,240	591,740	495,267
Net operating profit		348,896	394,610	317,162
Non-operating income and expenses		(5,981)	66,570	14,681
Net profit before tax		342,915	461,180	331,843
Net profit (loss) for the current period		275,900	370,177	266,683
Total comprehensive profit and loss for the period		400,724	252,140	304,883
Earnings per share		5.42	6.95	5.12
Employee benefit amount		35,541	14,960	13,427
Dividend		279,323	282,575	241,454
Employee salaries (including employee benefits)		242,432	270,403	249,467
Payment to investors (NT\$ thousand)		279,323	282,575	241,454
Payment to the government (NT\$ thousand)		67,015	91,246	71,721
Community investment (NT\$ thousand)		5,909	6,870	5,085
Notes:				



1. Payments to investors refer to dividends paid to all shareholders plus interest paid to lenders (including any form of debt and interest on loans) and unpaid dividends due to preferred shareholders.
2. Payments to the government refer to all taxes (including sales tax, income tax, and property tax) and fines.
3. "Employee salaries (including employee benefits)" include labor insurance, health insurance, pension expenses, and the total amount of monetary benefits provided to employees (excluding costs directly related to job duties). "Employee benefits amount" refers to funds allocated by the company to the employee welfare committee for non-monetary benefits, such as employee travel, health check-ups, and holiday gifts.
4. Community investment refers to donations and contributions.

### ➤ Government Subsidies

The company's relationship with the government is very close, receiving financial assistance and support when needed. During the reporting period, the company received financial subsidies from the government to navigate social impacts and changes effectively. The financial assistance items and amounts are as follows:

Items	Subsidy Units	Subsidy Amount (NT\$)
Subsidy for Power and Utility Equipment	Industrial Technology Research Institute	244,200
Takeoff Charging Project	Workforce Development Agency, Ministry of Labor	234,000
Youth Internship Program at Dagang	Youth Bureau, Kaohsiung City Government	65,000
Work-Life Balance Subsidy Program	Ministry of Labor	40,000
Stuttgart Screw Exhibition Subsidy	Ministry of Economic Affairs	35,000
Overseas International	Taipei Importers and Exporters Association	30,000
Total		648,200
Note: Tax reductions, subsidy programs, and pandemic relief all count as government financial assistance.		

### ➤ Tax policy

In response to the international trend of tax governance, the Company abides by tax laws and regulations, strictly abides by relevant tax laws such as securities transaction tax, futures transaction tax, business tax, etc., and implements the sustainable development of enterprises and enhances the value of enterprises. The Finance Department controls and acts as the tax management unit, and will explain it when acknowledging the financial report every quarter.

The Company formulates tax policies:

- The following principles of laws and regulations: follow the tax laws and regulations and the legislative spirit, correctly declare and pay the tax burden and prepare the supporting documents.



- The comprehensive principle of decision-making: pay attention to the changes of local and international tax laws, comprehensively evaluate their impact and formulate countermeasures.
- Principle of information transparency: regularly disclose tax information in public channels such as financial reports and annual reports to ensure information transparency.
- Positive communication principle: keep open and honest communication with tax collection authorities to help improve the tax environment and system.
- Principle of reasonable tax saving-use legal and transparent tax incentives, and do not save taxes in a way that violates the spirit of the law.
- Principle of reasonable structure-the enterprise structure and transaction arrangements are in line with economic essence, and no special arrangements are used for tax avoidance.
- Risk control principle-when making and implementing tax decisions, evaluate relevant risks and adopt appropriate strategies.
- Principles of commercial substance-related party transactions are in line with economic substance, and decision makers take risks and get reasonable remuneration.
- Conventional trading principle-the price and terms of related party transactions should be similar to those of non-related parties in similar transactions.

For relevant information, interested parties can go directly to the corporate governance area of the company's official website for review.

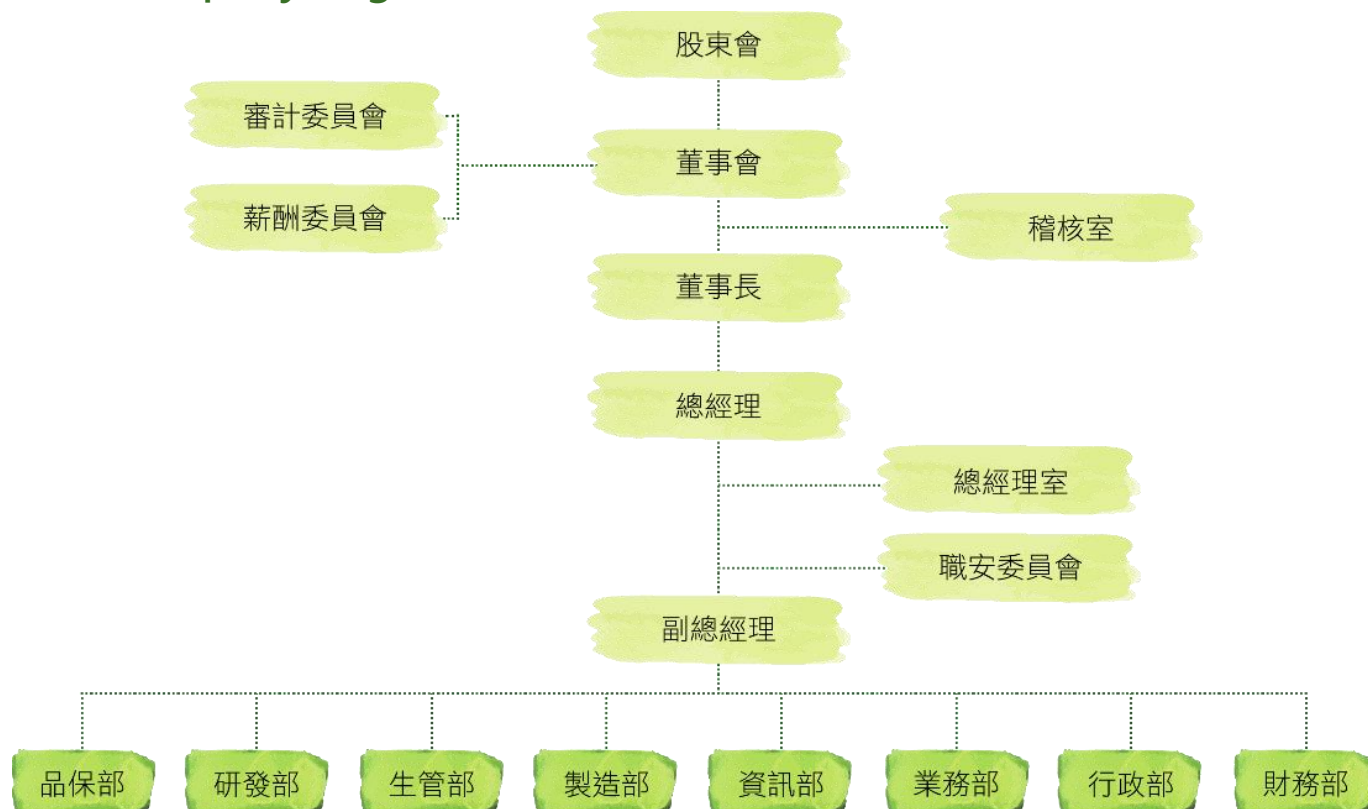
Annual Report



Financial Report



## 2.1.4 Company Organizational Structure



### ◆ Explanation of Departmental Responsibilities

Departments	Main business
<b>Audit Office</b>	(1) Evaluate the soundness and reasonableness of the company's various management systems. (2) Audit, improve, and assist in solving issues related to the company's internal control system.
<b>General Manager's Office</b>	Establish operational policies, oversee planning, control, execution, and internal coordination and management.
<b>Occupational Safety and Health Committee</b>	(1) Develop, plan, promote, and supervise occupational safety and health matters, establishing a safety management system. (2) Plan and promote emergency response measures. (3) Plan and implement employee safety and health training. (4) Conduct occupational accident investigations, statistics, and monthly reports.
<b>Quality Assurance Department</b>	(1) Inspect the quality of raw materials. (2) Control product quality during the manufacturing process. (3) Control the quality of finished products before shipment.
<b>Research and Development Department</b>	(1) Supervise the improvement and development of molds for process operations. (2) Oversee proposals, reviews, improvements, and development of operational equipment and various processes.



Departments	Main business
	(3) Supervise the execution of new product research and development and improvement of existing products.
<b>Production Management Department</b>	(1) Plan and execute outsourced processing. (2) Plan production schedules. (3) Track and manage product manufacturing progress. (4) Handle product shipment operations.
<b>Manufacturing Department</b>	(1) Responsible for product manufacturing. (2) Manage production-related operations.
<b>Information Department</b>	(1) Provide office automation support, troubleshooting, and recommendations for information software and hardware evaluation and procurement. (2) Plan, maintain, and manage the company's IT environment.
<b>Sales Department</b>	(1) Conduct domestic and international market research and collect data on new products. (2) Formulate and execute overall marketing strategies. (3) Promote business, handle orders, and process them. (4) Lead customer feedback handling, satisfaction surveys, and improvement.
<b>Administration Department</b>	(1) Plan and execute the procurement of raw materials for production. (2) Plan and manage human resources. (3) Plan and execute procurement and general affairs systems. (4) Maintain and manage factory environmental protection and safety.
<b>Finance Department</b>	(1) Plan and manage finance, accounting, and taxation. (2) Handle board of directors and shareholders meetings, as well as stock-related affairs. (3) Manage company fund allocation and derivative transactions.

## 2.1.5 Participation in External Organizations

To achieve sustainable development in the industry and environment and improve product quality, Sheh Fung Screws actively participates in relevant industry associations. By engaging in various activities, the company aims to facilitate mutual exchange and collective growth within the industry.

Organization Names	Management Position	Member
Taiwan Fastener Trading Association		●
Taipei Importers and Exporters Association		●
Kaohsiung Industrial Association		●



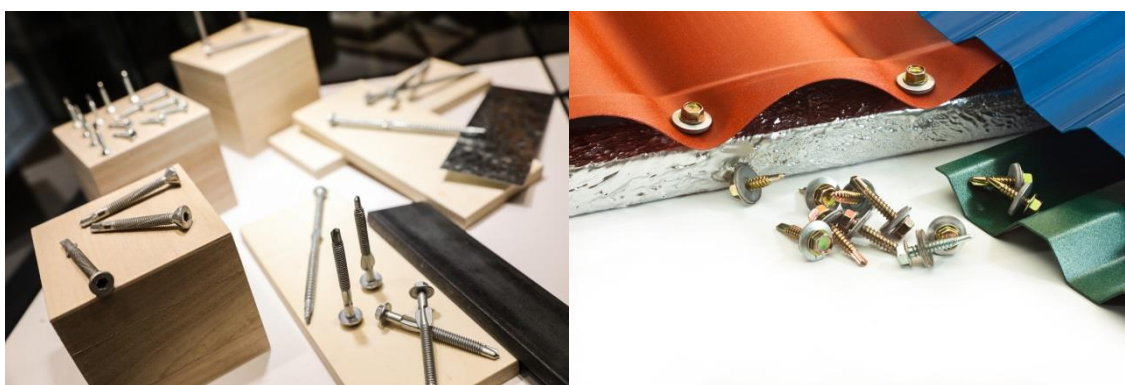
## 2.2 Business Development

Sheh Fung Screws, founded in 1973, has pursued localized development alongside Taiwan. The company is dedicated to developing and manufacturing high-quality, high-value, and competitive products for global markets, establishing itself as a leading screw manufacturer.

### 2.2.1 Company Products and Sales Markets

Sheh Fung's screw products are primarily exported to over 100 countries/regions, including the Americas, Europe, Asia, Oceania, and Taiwan. The products are mainly used in construction and home DIY repairs. With rising competition from China and Southeast Asia, the company has adjusted its market positioning by enhancing product value through quality control and production automation. The sales statistics by region are as follows:

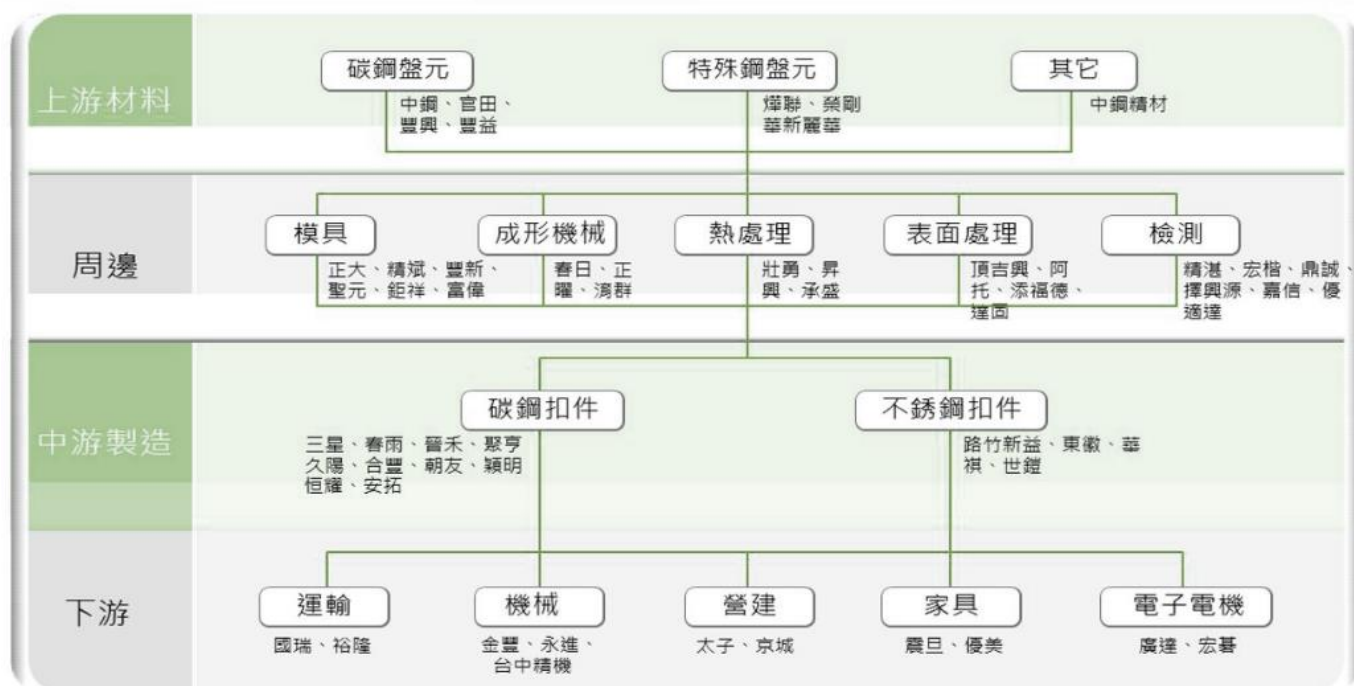
Product or Service Items				
Products or Service Items	Sales Regions	Customer Types	Sales Volume	Sales Volume Units
Screws/Hardware Fasteners	Americas	Builders/Contractors/Distributors/ Traders/Brand Owners	12,360	Tons
	Europe		2,246	Tons
	Oceania		1,815	Tons
	Asia		4,053	Tons
	Taiwan		2,058	Tons



## 2.2.2 Upstream, Midstream, and Downstream Industry Relationships

Screws are fastening components of industrial products. The industry chain mainly includes upstream wire rods. Screw factories purchase wire rods, which are processed by professional wire processing plants. The screw factories then perform initial processing such as heading, threading, and rolling. Subsequent processing includes heat treatment for high hardness screws or electroplating for anti-rust and anti-corrosion. Surface treatment involves painting or spraying. Thus, related upstream industries include the steel wire products industry. Related industries are screw threading machine manufacturing, heat treatment, and electroplating processing. The downstream application industries are broad, including industrial machinery, metal products, aerospace, transportation, and construction. As the economy develops and industrialization increases, the demand for products and their upstream industries grows.

The supply chain system of this industry is as follows:



Source: Metal Center ITIS Plan

## 2.2.3 Industrial Status and Development

Screw and nut products are collectively referred to as tight fasteners or fasteners, which are made of carbon steel discs. Screws and nuts can be divided into two categories: one is threaded fasteners, including screws, bolts, studs and nuts; One is non-threaded fasteners, including rivets, washers, pins and retaining rings. Screw refers to threaded products with small circular diameter, such as screws, decking screws, self-tapping screws, etc. Bolt refers to threaded products with large circular diameter, such as hexagonal bolts, quadrangular bolts, foundation bolts, T-bolts, etc. Nuts are mostly female threads, which are mainly matched with



screws or bolts. As fixing or locking screws, the strength of nuts needs to be matched with the screws or bolts used together. Generally, high-tension screws or bolts are used with hard nuts. The processing and manufacturing process of screws and nuts is as shown in the following figure, from disc element, wire drawing, front-end processing, back-end processing, testing to packaging and export, which drives the development of domestic related industrial chains.

The development of the screw, nut and rivet manufacturing industry in Taiwan began after the Second World War, and experienced more than 70 years of growth and development. According to the "2023 Metal Products Industry Yearbook-Fasteners" published by the Department of Industrial Technology, MOEA, ITIS, the fastener manufacturers in Taiwan are mainly small and medium-sized enterprises, with a total of 1,893. There are about 40,000 people employed. In 2022, the output value was NT\$ 202.56 billion, the export value was NT\$ 188.38 billion, and the average export unit price was NT\$ 112.1 per kilogram, a record high. Since the material cost is the most important cost of the fastener industry, the development of the fastener industry has been concentrated in the southern part of Taiwan, an important steel and transportation town, with the area from Kaohsiung (Okayama, Luzhu) to Tainan (Rende, Guanmiao) as the main cluster. Tainan City and Kaohsiung City account for the highest proportion of factories, among which the Great Gangshan area in the southern part of Taiwan is the most important because of the geographical relationship of Sinosteel, a domestic raw material supplier of screws.

## 2.2.4 Technology and R&D Overview

The company has the self-control ability of the whole process, which can not only meet the diverse needs of customers, but also provide integrated manufacturing services. The R&D department is divided into drawing design group, which is mainly responsible for designing and drawing new products, customized samples and self-developed projects in the factory, arranging sample planning and final quality inspection, assisting standard specifications or quantity products to make process drawings, and constructing quality parameters for production line inspection; The sample and process improvement team is mainly responsible for pre-evaluation of samples, mold opening and contracting, sample preparation, recording sample preparation process parameters and problems, and assisting in the analysis and elimination of abnormal production lines. By 2023, there were 15 valid patents.

Continue to develop new related derivative functions and process technologies based on existing products, including: high-performance coating process development, environmental protection electroplating process development, low hydrogen embrittlement heat treatment



process development, etc. The funds invested in research and investment in recent years are as follows:

Unit: NT\$ thousand

Year/Item	2021	2022	2023
R&D expenses	9,602	11,247	10,600
Net operating income	2,859,385	2,591,122	2,323,605
Proportion	0.34%	0.43%	0.46%



### ◆Successfully developed technology or product

Year	R&D achievements	Functions and effectiveness
2014	1. improved Drywall screws 2.M472125 compound needle screws.	1. Improved drywall screws design to enter the US market. 2. Versatile needle-type screws enhance convenience and versatility.
2015	High corrosion-resistant baking paint process	Enhanced corrosion resistance of screws to meet AC257 standards, expanding the US market.
2016	1.M516106 waterproof screw 2. High-performance gypsum board screw	1. Improved waterproofing of roofing screws increases durability, beneficial for snowy, high-latitude regions. 2. Designed high-performance gypsum board screws with unique shapes to stabilize the US market.
2017	Development of Composite Screws	Enhanced locking strength and smoothness in composite materials.
2018	Development of Decking screws	Improved locking strength in both soft and hard woods.
2019	Development of multifunctional screws	Enhanced application in composite materials.
2020	Development of high-strength building wood screws	Developed high-strength construction wood screws meeting ETA certification and market demands.
2021	Multidirectional design and development of new products	1. Designed and applied oval teeth for European hardwood. 2. Developed screws for American composite boards. 3. Designed and developed composite screw needles. 4. Developed special self-drilling screws
2022	R1 Self-Drilling Screws M626081	1. Special self-drilling tip can quickly drill through 20mm thick iron plates. 2. More stable and faster than competitors.
	Anti-Slip Decking Screws M630005	1. Developed special threaded decking screws to improve grip. 2. Increased pull-out strength and safety testing.
2023	Compound pinhole development project	Developed a product suitable for various BITs.



## 2.3 Corporate Governance

The Company attaches great importance to the integrity, timeliness, fairness and transparency of information disclosure. In addition to announcing various financial information, financial reports, annual reports and major information on the public information observation station, relevant information can also be found on the Sheh Fung Screws website for the reference of domestic and foreign investors. Sheh Fung Screws will continue to pursue the transparency, timeliness and fairness of corporate governance and financial information.



Sheh Fung Screws  
official website



### 2.3.1 Sustainable Development Strategy

Although Sheh Fung Screws has not yet established a sustainable development committee, it adheres to the principle of integrity management and formulates a human rights policy, a code of integrity management, a code of ethical conduct, and a code of practice for sustainable development to prevent any fraud. The company believes that human rights issues are an indispensable part of all business activities, so it makes a commitment to fulfill corporate social responsibility and protect the basic human rights of all colleagues by formulating a human rights policy. We recognize the internationally recognized spirit and basic principles of human rights protection, such as the United Nations Universal Declaration of Human Rights, the United Nations Global Covenant, and the United Nations Declaration on the Basic Principles and Rights of the International Labor Organization, put an end to any violation and violation of human rights, and treat and respect all colleagues with dignity, including contracts and temporary workers and interns. The human rights policy is applicable to all operating bases of the Company and its subsidiaries. We shall abide by the relevant laws and regulations on labor and gender equality in the place where we operate, formulate relevant human rights protection and labor policies and implement relevant measures, implement diversity in the workplace, uphold the principles of openness and fairness, and prohibit child labor, all forms of forced labor and acts that infringe on the rights of indigenous people, so as to eliminate employment and employment discrimination in the workplace. Suppliers also abide by the above specifications, and if the company finds that the supplier has violated the rules of employing child labor, it will immediately terminate the cooperation relationship between the two parties.

Our company abides by relevant labor laws and regulations, and abides by international human rights conventions, such as gender equality, the right to work and the right to prohibit discrimination. It also abides by internationally recognized labor human rights, such as freedom of association, collective bargaining right, caring for vulnerable groups, prohibiting child labor, eliminating all forms of forced labor, and eliminating discrimination in employment and employment, and confirms that its human resources utilization policy has no differential treatment such as gender, race, socio-economic class, age, marriage and family status, so as to ensure equality and fairness in employment, employment conditions, salary, welfare, training, evaluation and promotion opportunities. The Company provides an effective and appropriate complaint mechanism to ensure the equality and transparency of the complaint process.



Reporting Channels	
Accepting unit	Administration Department
Mailing address	No. 810, Fuxing West Road, Qiaotou District, Kaohsiung City
Telephone	07-6116116#101
E-mail	yen_tzu@shehfunc.com
Note: In addition to the above reporting channels, QR codes in three languages and suggestion boxes are available for employees to report or file complaints.	

## 2.3.2 Governance structure

Sheh Fung Screws is an OTC company in Taiwan, with the board of directors as the highest governance unit. It has established a sound corporate governance system, followed the principles of relevant laws and regulations and corporate governance policies, formulated a suitable corporate governance structure and implementation practices, continuously improved management performance, and protected the rights and interests of investors and other stakeholders. The members of the board of directors are highly professional, and can effectively supervise and adjust the business direction to meet the long-term and short-term needs of the target market, so as to ensure the company's operating results and sustainable operation. All directors of the Company adopt the candidate nomination system in accordance with the Articles of Association.

### ➤ Board members

The main duties of the board of directors include formulating the operation direction, supervising the operation performance, preventing conflicts and ensuring that the company abides by various laws. In the board meeting, if the director's own relationship is related to the company, he should abstain from participating in the discussion and voting, and exercise the right to vote on behalf of other directors to prevent conflicts of interest.

The board of directors was convened six times in 2021, eight times in 2022 and seven times in 2023, and the Code of Practice for Corporate Governance and the Code of Practice for Corporate Social Responsibility were formulated. The operation of corporate governance, the fulfillment of social responsibilities and the honest operation of the company were all implemented in accordance with the Code, and the implementation was reported to the board of directors.

The independent directors of the Company are all in compliance with the Measures for the Establishment of Independent Directors of Public Companies and the Matters to Be Followed,



and the directors and independent directors are in compliance with the provisions of the Securities Exchange Law, and the board of directors is independent. The professional qualifications and experience of directors and the independence of independent directors are as follows:

Title	Name	Gender	Age	Date of first appointment (election)	Main academic experience	Concurrently holds positions in the company and other companies
Chairman of the board	TU TAI YUAN	M	Over 50 years old	2016.06.22	Kaohsiung University EMBA	Concurrently serving as the Chairman of SHEH KAI PRECISION CO., LTD., Director of SHEH KAI Trading (Shanghai) Co., Ltd., Chairman of BYMIT INC., Chairman of CHAMPION ESSENCE INVESTMENTS LIMITED, Chairman of Long Yuan Investment Co., Ltd., Chairman of Lifestyles Co., Ltd., Chairman of HYE TECHNOLOGY CO., LTD., and Chairman of BI-METAL Ltd.
Director	CHEN CHUN YEN	M	Over 40 years old	2023.03.06	National Sun Yat-sen University EMBA RMIT University, Department of Mechanical Engineering	Concurrently serving as the Chairman of Sheh Fung Investment Co., Ltd., General Manager of Sheh Fung Screws Co., Ltd., Corporate Director Representative and General Manager of SHEH KAI PRECISION CO., LTD., and Director of CHAMPION ESSENCE INVESTMENTS LIMITED.
Director	DU KING LING	M	Over 70 years old	2010.06.26	*Master's in Mechanical Engineering, University of Mississippi, USA *Financial Management, New York University, USA	Concurrently serving as the Corporate Director Representative of Green River Holding Co. Ltd.
Director	TU PO	M	Under 30 years old	2022.06.09	Tunghai University,	-



	HAN				Department of Architecture	
Independent director	FANG HUI LING	F	Over 61 years old	2019.06.18	National Cheng Kung University, Department of Accounting	Concurrently serving as an Independent Director of Jung Shing Wire Industrial Co., Ltd., an Independent Director of Sentien Printing Factory Co., Ltd., and an Independent Director of TOPOWER CO.,LTD.
Independent director	HUNG CHUN YUNG	M	31~40 years old	2022.06.09	*Master's in Environmental Engineering, National Sun Yat-sen University *Master's in Tax Law, National Chung Cheng University	Concurrently serving as an Independent Director of HONOR SEIKI CO., LTD.
Independent director	TAI CHIU HUA	F	50~60 years old	2022.06.09	University of Manchester M.S in Finance and Accounting	--
<p>Note:</p> <p>1.The current term of the board of directors is from June 9, 2022, to June 8, 2025. New directors will be elected on June 9, 2025.</p>						

According to Article 20 of the Company's Code of Practice on Corporate Governance and Articles 2 and 4 of the Measures for the Election of Directors, the selection of directors shall consider the overall allocation of the board of directors. The composition of the board of directors should consider diversification, and formulate appropriate diversification policies according to their own operations, operation types and development needs. Directors should have the following abilities:

- A. operational judgment.
- B. accounting and financial analysis skills.
- C. management ability.
- D. crisis management ability.
- E. industrial knowledge.
- F. international market outlook.
- G. leadership.
- H. decision-making ability.



Board Diversity and Independence								
Title	Name	Industry Experience				Professional Competence		
		Banking /Finance	Business Management	Sales and Marketing	Research and Development	Accounting and Financial Analysis	Information Technology	Risk Management
Chairman of the board	TU TAI YUAN		✓	✓	✓		✓	✓
Director	CHEN CHUN YEN	✓	✓	✓	✓	✓	✓	✓
Director	DU KING LING	✓	✓	✓	✓	✓	✓	✓
Director	TU PO HAN		✓		✓		✓	✓
Independent director	FANG HUI LING	✓	✓			✓	✓	✓
Independent director	HUNG CHUN YUNG	✓	✓			✓		✓
Independent director	TAI CHIU HUA	✓	✓			✓	✓	✓
Note:								
1. On March 6, 2023, Director Hou Rong-xian was dismissed, and Chen Chun Yen was appointed.								

### ➤ Board members' training hours

In order to enhance the functions of board members, board members are arranged to participate in refresher courses from time to time, so as to continuously strengthen their professional knowledge. In 2023, the number of refresher courses for directors of the Company was 41 hours, and all directors met the requirements of laws and regulations. The participation of directors in refresher training is as follows:

Title	Name	Training date	Course	Hours
Chairman of the board	TU TAI YUAN	2023.08.03	Board Governance under ESG	3
		2023.08.03	Scope, Restrictions, and Risk Analysis of Insider Equity Trading	3
Director	CHEN CHUN YEN	2023.08.03	Board Governance under ESG	3
		2023.08.03	Scope, Restrictions, and Risk Analysis of Insider Equity Trading	3
Director		2023.08.03	Board Governance under ESG	3



Title	Name	Training date	Course	Hours
	DU KING LING	2023.08.03	Scope, Restrictions, and Risk Analysis of Insider Equity Trading	3
Director	TU PO HAN	2023.12.01	How to Apply "Robotic Process Automation" (RPA) to Enhance Internal Control Efficiency	6
Independent director	FANG HUI LING	2023.04.10	Opportunities and Challenges in the Net Zero Trend	3
		2023.08.07	How Directors and Supervisors Oversee Risk and Crisis Management to Strengthen Corporate Governance	3
Independent director	HUNG CHUN YUNG	2023.12.12	Latest Policy Developments and Practical Internal Control Management in "ESG Sustainability" and "Financial Reporting"	6
Independent director	TAI CHIU HUA	2023.12.01	New Trends in International Sustainability Disclosure Standards	3
		2023.12.16	Legal Responsibilities and Case Analysis of Corporate "Control Battles"	3

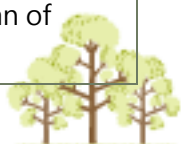
### ➤ Avoidance of board interests

Directors who are interested in the meeting matters with themselves or the legal persons they represent shall explain the important contents of their interests at the current board meeting. If it is harmful to the interests of the company, according to the interest avoidance system of directors in Article 16 of the rules of procedure of the board of directors, they shall not participate in the discussion and vote, and shall abstain from the discussion and vote, and shall not exercise their voting rights on behalf of other directors.

A director's spouse, second-degree consanguineous relative, or a company that has a controlling subordinate relationship with the director is deemed to have an interest in the matters mentioned in the preceding paragraph.

The resolution of the board of directors shall be handled by applying mutatis mutandis the provisions of paragraph 2 of Article 180 in accordance with paragraph 2 of Article 206 of the Company Law.

Item	Stakeholders	Description
(1) 2023 Sixth Board Meeting	Director' s names : TU TAI YUAN 、	Proposal Content: Proposal to participate in the 2023 cash capital increase plan of Green River (8444). Please decide on this resolution.



	DU KING LING 、 TU PO HAN	Reason for Conflict of Interest: According to Article 16 of the Company's Board Meeting Regulations, Director DU KING LING, representing Green River (8444), is the Chairman of Green River and a second-degree relative of the Chairman. Additionally, Director TU PO HAN is a first-degree relative of the Chairman TU (a stakeholder). Therefore, the aforementioned three must recuse themselves from discussion and voting due to a conflict of interest.
(2) 2023 Seventh Board Meeting	Director' s names : TU TAI YUAN 、 CHEN CHUN YEN 、 TU PO HAN	Proposal Content: * Discuss the distribution of year-end bonuses for managers for 2023, and submit for resolution. * Review the various salary and remuneration items proposed for managers for 2024, and submit for resolution.
Reason for Conflict of Interest: The above two proposals are related to the interests of the Chairman and General Manager. Additionally, Director TU PO HAN is a first-degree relative of the Chairman TU (a stakeholder). Therefore, the three mentioned individuals must recuse themselves from discussion and voting due to a conflict of interest.		

### ➤ Performance evaluation of board of directors

The Company has formulated the Management Measures for Performance Appraisal of the Board of Directors to regularly evaluate the performance of the Board of Directors, which can strengthen the functions of the Board of Directors. The evaluation of the performance of the board of directors in 2023 was completed before December 31st, 2023, and the evaluation result was that the board of directors operated well in 2023 and there was no need for improvement, and this evaluation result was reported to the first board of directors in 2024. In addition, the performance evaluation results of the board of directors in 2023 are all competent and submitted to the board of directors as a reference for selecting or nominating directors in the future.

Evaluation of the objectives and implementation of strengthening the functions of the board of directors in 2023 and recent years:

(A) Implementing corporate governance	The operation of the board of directors of the Company follows the rules of procedure of the board of directors. The board of directors has set up three independent directors with financial background or experts specializing in the industry of the Company, and set up an audit committee and a remuneration committee to assist the board to perform its supervisory duties. Members also attend corporate governance-related courses according to the requirements of the key points of further education for directors and supervisors.
(B) Deepening the performance	<ul style="list-style-type: none"> <li>In order to implement corporate governance and improve the operational efficiency of the Board of Directors, the Company has formulated the</li> </ul>



evaluation of the board of directors	<p>Management Measures for Performance Appraisal of the Board of Directors. At the end of the year, the executive unit of the Board of Directors (Finance Department) will record the implementation of the evaluation indicators and issue self-assessment questionnaires to the directors, and then get the scores according to the weighted average of the scores, and then send the scores to the Board of Directors for report.</p> <ul style="list-style-type: none"> <li>Considering the company's situation and needs, the measurement items for the performance evaluation of the board of directors shall include at least the following five aspects: <ol style="list-style-type: none"> <li>Degree of participation in the operation of the company.</li> <li>Improvement of decision-making quality of the board of directors.</li> <li>Composition and structure of the board of directors.</li> <li>Selection and continuing education of directors.</li> <li>Internal control.</li> </ol> </li> </ul>
(C) Enhancing information transparency	Designate a person to be responsible for revealing information updates at the public information observatory or the company website.
(D) Strengthening risk management and control	The operation of corporate governance, the performance of social responsibility and the performance of the company's integrity management are all implemented in accordance with the code, and the implementation is reported to the board of directors, and the directors have been insured with liability insurance.

## Functional Committee setting

In order to give full play to the functions of the Board of Directors and improve the decision-making quality of the Board of Directors, an Audit Committee and a Remuneration Committee are set up under the Board of Directors according to their functions and powers, which are responsible for discussing important proposals and important issues such as economy, environment, society and risks. The Audit Committee and the Remuneration Committee are composed of 3 independent directors and 3 directors, and Director FANG HUI LING is the convener. According to the Company's Code of Practice on Corporate Governance, all affairs are currently carried out by colleagues in the administrative department and stock affairs unit.

Item	Description
Policy purpose	In order to improve corporate governance, strengthen the compensation management function of the board of directors, and protect the rights and interests of investors, the Company formulated and issued the Measures for the Establishment and Exercise of the Compensation Committee of Companies with Listed Shares or Trading in the Business Places of Securities Firms in accordance with Item 1 of Article 14-6 of the Securities Exchange Law and Order No.1000009747 of the Financial Supervision and Administration Commission of the Executive Yuan on March 18, 2011. In April 2012, the Board of Directors passed and formulated the Organizational Rules of the Compensation Committee of the Company.

Salary structure	The Company's remuneration policy for directors is in accordance with the Company Law and the Articles of Association of the Company: if the Company makes a profit in the current year's final accounts, no more than 6% of the directors' remuneration shall be paid.
Review process	In accordance with the Company's "Measures for Payment of Remuneration for Directors and Functional Committee Members", taking into account the Company's business strategy, profitability, future development and industrial environment, as well as the degree of individual directors' participation in the Company's operation and the value of their contributions (such as being a member of functional committees or being invited to attend important business meetings), reasonable remuneration will be given, which will be implemented after being reviewed by the Remuneration Committee and approved by the Board of Directors.
Risk connection	In order to ensure that managers' performance is closely related to the company's strategy, and the overall remuneration is competitive, the Company has formulated the Measures for the Administration of Managers' Remuneration, which includes salary and bonus. The salary is based on the company's business strategy and profitability, as well as factors such as managers' personal professional ability, scope of responsibilities and market competitiveness. The bonus will consider the results of personal performance evaluation, the company's operating performance and the rationality of future risks, etc. However, if there are major risk events that can affect the company's goodwill, improper internal management, personnel abuses and other risk events, the bonus will be reduced or not distributed.
Correlation between salary and performance	In order to ensure that managers' performance is closely related to the company's strategy, and the overall salary and remuneration are competitive, the Company has formulated the "Management Measures for Managers' Salary" as the basis for managers' performance appraisal and remuneration payment. The preceding measures include managers' performance appraisal and remuneration policies, systems, standards and structures, which are reviewed by the Remuneration Committee and implemented after being approved by the Board of Directors.

### ➤ Audit Committee

The Company shall set up an audit committee composed of all independent directors, with at least three members. Since the establishment of the Audit Committee, the members of the Audit Committee shall be responsible for implementing the functions and powers of supervisors as stipulated in the Company Law, the Securities Exchange Law and other laws and regulations. The work items of the Audit Committee are as follows:

1. Formulate or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Law.
2. Assessment of the effectiveness of the internal control system.
3. Formulating or amending the procedures for handling major financial business activities such as acquiring or disposing of assets, engaging in derivatives trading, lending funds to



others, endorsing or providing guarantees for others in accordance with Article 36-1 of the Securities and Exchange Law.

4. Matters involving the directors' own interests.
5. Significant transactions in assets or derivatives.
6. Major fund loans, endorsements or guarantees.
7. Offering, issuing or privately placing securities with equity nature.
8. Evaluation of the appointment, dismissal, remuneration, independence and competence of certified public accountants.
9. Appointment and removal of financial, accounting or internal audit supervisors.
10. Financial report signed or sealed by the chairman, manager and accounting supervisor.
11. Other important matters specified by this Corporation or the competent authority.

The operation mode of the Audit Committee of the Company is handled in accordance with the Organizational Rules of the Audit Committee of the Company, and the meeting is held at least once every quarter. In 2023, the Audit Committee was held six times, and the attendance of members was 100%.

### ➤ Remuneration Committee

Under the board of directors, there is a remuneration Committee, with three members with professional qualifications and independence, with independent director Ms. FANG HUI LING as convener, Mr. HUNG CHUN YUNG and Ms. TAI CHIU HUA as members; Draw up proposals by means of meeting resolutions and submit them to the board of directors for approval. The operation mode of the Remuneration Committee is handled in accordance with the Company's Organizational Rules of Remuneration Committee, with at least two regular meetings held every year and two meetings held in 2023, with 100% of the members present.

Title	Name	Identity	Expected Attendance	Actual Attendance	Actual Attendance Rate (%)	Remarks
Convener	FANG HUI LING	Independent director	2	2	100%	-
Member	HUNG CHUN YUNG	Independent director	2	2	100%	-
Member	TAI CHIU HUA	Independent director	2	2	100%	-

Remarks:

1. Actual Attendance Rate = Actual Attendance / Expected Attendance.

2. Current term of committee members: June 9, 2022, to June 8, 2025.



Members of this Committee shall faithfully perform the following functions and powers with the attention of good managers, and be responsible to the board of directors, and submit their suggestions to the board of directors for discussion:

- (1) Regularly review the organizational rules of the Remuneration Committee and propose amendments.
- (2) Formulate and regularly review the performance evaluation standards of directors and managers, annual performance targets and policies, systems, standards and structures of remuneration.
- (3) Regularly evaluate the achievement of the performance targets of the directors and managers of the Company, and determine the content and amount of their remuneration according to the evaluation results obtained by the performance evaluation criteria.

### 2.3.3 Moral values and honest management

In order to build a corporate culture of integrity management, sound development and smooth business operation, the Company has formulated a Code of Integrity Management to regulate the ethical behavior of directors, managers and employees, and the implementation of the disciplinary and appeal systems for violations. Establish relevant systems for business activities, in which the risk of dishonest behavior in business activities is strengthened, and explain the principles and policies of integrity management in various meetings (such as supervisor meetings and labor meetings) regularly or irregularly, and revise relevant policies with the trend of environmental changes.

In 2023, the Company participated in internal and external education and training (including relevant courses such as compliance with laws and regulations on honest business, ethics as the criterion, accounting system, prohibition of insider trading and internal control) for 4 times, totaling 57 hours.

#### ➤ Moral integrity norms

Although the Company has not conducted anti-corruption risk assessment, it has made relevant explanations and specifications on corruption in accordance with the code of good faith operation and employee reporting procedures, and regularly publicized them to relevant personnel in annual education and training to strengthen colleagues' policies and cognition on good faith operation.

The training courses for new employees include moral integrity, company regulations and discipline. In addition, the supervisor or human resources unit will publicize moral integrity, observe discipline and relevant company regulations in daily meetings or announcements



from time to time, so as to urge employees to be cautious and establish a clean atmosphere and achieve the goal of training all employees. Sheh Fung Screws did not have any corruption cases in 2023, and conducted 109 anti-corruption education and training for employees in the company for 164 hours.

### 2.3.4 Internal Audit System

The company has a sound accounting system and internal control system, the purpose of which is to investigate and evaluate the lack of implementation of the company's internal control system, measure the effectiveness and efficiency of operation, the reliability of financial reporting and the compliance with relevant laws and regulations, and provide timely improvement suggestions to ensure the continuous and effective implementation of the internal control system and assist the management to fulfill their responsibilities. In order to ensure the design and implementation of this system continue to be effective, the internal auditors of the Company have arranged various audit plans to be implemented and reported to the Board of Directors regularly.



## ➤ Internal Audit Process



### Internal Audit Plan

Based on risk assessment results, draft the "Internal Audit Plan"



### Internal Audit Notification

After the "Internal Audit Plan" is approved by the Board, schedule audit units and issue "Internal Audit Notifications"



### Internal Audit Workpapers

Collect, review, analyze, and record data



### Audit Unit Improvement Report

Identify issues or anomalies during the audit, communicate with the audit unit, and issue an "Audit Unit Improvement Report"



### Internal Audit Report

Submit the "Internal Audit Report" to the Board, follow up on anomalies quarterly until resolved, and complete the "Internal Audit Anomalies Improvement Tracking Form" to close the case.

## 2.4 Products and Customer Service

### 2.4.1 Sheh Fung Quality Assurance

In order to continuously improve the manufacturing quality of Sheh Fung Screws, our company has successively passed the relevant international quality certifications, such as ISO 9001, ISO 14001 and IATF 16949, and in April 2019, we have obtained the A2LA laboratory certification in the United States, and devoted ourselves to the research and development of screw surface treatment technology, so as to strengthen the customized service capability and enhance the added value of our products, so as to establish our niche position in the development of high-end products.



In addition, it has obtained other relevant certifications, such as CE-EN-14566, J-30-20181-12, J-30-20182-12 and J-30-20183-12 in the European Union. J-30-20184-12, J-30-20185-12, J-30-20186-12, Kaitex EU Intellectual Property Bureau registration certificate, Kaitex Republic of China trademark registration certificate, Kaitex American patent trademark registration certificate, etc., make quality control recognized at home and abroad and have more credibility in the increasingly competitive domestic and international markets.

Statistics of safety certification items for products or services.		
Name of Product or Service Item	Safety Standards Certification	Proportion of Evaluated Products or Services Provided to Customers
Screws	European Union Construction Product Regulation (CPR) No. 305/2011/EU, Standard EN 14566	1.66
Screws	European Union Construction Product Regulation (CPR) No. 305/2011/EU, Standard EN 14592	2.73
Screw inspection (laboratory certification)	A2LA Accredited Laboratory ISO/IE 17025:2017	100.000
Note: Percentage = (Total amount of evaluated products or services provided to customers / Total amount of products or services provided to customers) * 100.		

## 2.4.2 Customer Satisfaction Survey

The service quality of "LV of the Screw Industry" has always been one of the competitive advantages of Sheh Fung Screws. Sheh Fung Screws has a professional and enthusiastic business team, which provides instant service according to customers' daily needs. Every year, we also invite key customers to conduct a "customer satisfaction survey". The survey items include four major factors, including products, services, delivery and quality, with a total of 9 questions. In 2023, 93 questionnaires were sent to major customers, and 48 were effectively recovered, including 40 for fastener customers and 8 for OEM customers, with a recovery rate of 52%.

The overall customer satisfaction score this year is 8.43 points, 8.45 points for fastener customers and 8.38 points for OEM customers. All the satisfaction surveys have reached more than 8 points, and we will continue to monitor customer satisfaction in the future to see if there is still room for improvement and use it as a basis for continuous improvement to enhance customer satisfaction.



If the customer satisfaction is not up to the standard, we will immediately further communicate with customers and propose review and improvement for the missing parts to meet the needs of customers all over the world. The company has a "customer complaint handling procedure", which pays attention to communication with customers and can achieve rapid and effective handling of customer complaints.

Under the two major issues of post-epidemic era and digital global industry, the demand for fastener industry is still booming, and Taiwan manufacturers continue to move towards "high value" and "low carbon". Sheh Fung Screws participated in the "Taiwan International Fastener Exhibition" for the first time after the epidemic. This time, it was designed with the principle and concept of "Green" as the main axis, which attracted much attention. In addition, various activities of Sheh Fung cycling team led by General Manager CHEN CHUN YEN and other related pages showed the company's commitment to implementing corporate social responsibility, corporate governance, ESG sustainable development and other goals, with a view to bringing new feelings to customers and helping to enhance the exposure and popularity of the group.





### ➤ Customer privacy and confidentiality

We attach great importance to customers' privacy and intellectual property rights. Apart from signing confidentiality agreements with customers to protect customers' confidential information, there are also relevant standards in the company to ensure the implementation of business and protect customers' rights and interests. There will be no violation of customers' privacy rights in 2023.



## 2.5 Supply Chain Management

The company's main raw materials, such as coil, stainless steel wire and packaging materials, account for 90% of the procurement from domestic suppliers. It takes advantage of the geographical advantages of the Great Gangshan area to adopt the professional division of production between upstream and downstream, and adheres to the localization development spirit of Taiwan, in addition to establishing long-term and stable cooperative relations with domestic suppliers and outsourcers, and at the same time, through the vertical integration of upstream and downstream, cooperation replaces competition, and mutual development consensus is condensed to create a win-win situation.

Sheh Fung's Supplier Procurement Statistics for the Past Three Years						
Procurement Region	2021		2022		2023	
	Number of Suppliers	Proportion of Total Procurement Amount (%)	Number of Suppliers	Proportion of Total Procurement Amount (%)	Number of Suppliers	Proportion of Total Procurement Amount (%)
Domestic	71	94.00	64	97.00	64	99.8
International	6	6.00	4	3.00	3	0.2
Total	77	100%	68	100%	67	100%
Notes:						
1.Domestic refers to Taiwan; international refers to regions outside Taiwan.						
2.Starting from 2021, the presentation format was adjusted from procurement amount to the number of suppliers.						

Due to domestic procurement and outsourcing production, Sheh Fung Screws can fully grasp the product quality, price, delivery date and delivery quantity of suppliers and outsourcers, and it is relatively easier to obtain information on environmental protection, safety and health and human rights than foreign manufacturers, and the legal provisions are relatively consistent. Therefore, there is no special case of filtering or adding human rights clauses to the contract agreements with suppliers and outsourcers. And in 2023, there was no human rights-related complaint case in Sheh Fung Screws.

### ➤ Supplier management

Our company will carry out evaluation procedures for new suppliers, and only after strict evaluation in three aspects, such as production management, quality control and technology, can we become qualified suppliers. In the future, we will strengthen the record of whether suppliers have any impact on the environment and society as one of the conditions for selecting suppliers.



The Company has established "Procedures for Development and Evaluation of Cooperative Factory" to evaluate suppliers in advance and regularly. When signing contracts with major suppliers, suppliers are required to submit relevant legal documents as evidence. In the future, we will also consider whether suppliers attach importance to labor rights, workplace safety and health, pollution prevention and other items, and increase the number of violations.

The Company regularly evaluates suppliers, and signs a letter of commitment on social responsibility of suppliers, advocating that we should pay attention to labor rights and interests, workplace safety and health, pollution prevention and other projects.

### ➤ **Supplier audit**

The Company has formulated the Supplier Management Measures, in which the key risk level of corporate social responsibility is conducted for a supplier with internal contacts, and the results of the corporate social responsibility evaluation report are sent online for internal sign-off.

For the suppliers with transactions during the period from March 2023 to February 2024, the evaluation and integration results are shown in the following table:

<p><b>Evaluation questionnaire and explanation</b></p>	<p>Name of Evaluation Questionnaire: Supplier Corporate Social Responsibility Self-assessment Questionnaire</p> <p>Questionnaire description:</p> <ol style="list-style-type: none"> <li>1. The design carries out self-assessment on environment, labor practice, human rights, social impact and product liability impact.</li> <li>2. Each evaluation topic has 3 points, totaling 34 questions, which are filled in according to the supplier's situation, and the internal total score is added, and the score below 78 points is A high risk; A score of 81 or above is B low risk, and according to the key rating of the supplier's impact on the environment and society, it is (1 key or 2 non-key).</li> </ol>
<p><b>Questionnaire results</b></p>	<p>According to the two evaluations of suppliers with transactions from March 2023 to February 2024, the evaluation results are shown as follows.</p> <p>A1 level: 0 key high-risk suppliers. (Purchasing needs to conduct on-site audit with representatives of quality control department to A1-level key high-risk suppliers with high risk)</p> <p>A2 level: 0 non-critical high-risk suppliers.</p> <p>B1 level: 42 key low-risk suppliers.</p> <p>B2 level: 104 non-key low-risk suppliers</p>



### ➤ Green transportation

The transportation of raw materials and products of Sheh Fung Screws are carried out in accordance with the "Import and Export Management Procedure" of ISO 9001 management system; All vehicles entering our factory must pass the inspection before they can be released. Drivers must have perfect emergency response ability, and follow relevant laws and regulations. Road driving must abide by road traffic safety rules. No transportation-related accidents occurred in 2023, and there was no negative impact on the environment.

## 2.6 Risk management

The Company's risk management policy is established to identify and analyze the risks faced by the Company, set appropriate risk limits and controls, and supervise the risks and compliance with the risk limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's operation. The Company develops a disciplined and constructive control environment through training, management principles and operating procedures, so that all employees can understand their roles and obligations.

Industrial risk	<ol style="list-style-type: none"><li>1. The fluctuation of raw material prices affects the company's revenue and profit performance.</li><li>2. The electroplating process has strict environmental protection specifications, the overall market capacity is relatively insufficient, and the outsourcing scheduling is difficult to control.</li></ol>
Operating risk	<ol style="list-style-type: none"><li>1. The price competition between domestic and foreign peers is fierce.</li><li>2. Risk of outsourcing quality and delivery stability.</li></ol>
Credit risk	The company faces the risk of financial loss if customers or counterparties in financial instrument transactions fail to fulfill their contractual obligations.
Liquidity risk	The risk that the Company is unable to deliver cash or other financial assets to pay off its financial liabilities, which causes the Company to fail to fulfill its relevant obligations.
Market risk	This refers to the fair value risk of exchange rate changes and interest rate changes, which may cause the company to suffer losses due to related transactions.



➤ **Task Force on Climate-related Financial Disclosures (TCFD)**

The Company refers to the framework of TCFD (Task Force on Climate-Related Financial Disclosures) and signed it as TCFD Supporters in April 2022 to identify and clarify the impact of climate change risks as soon as possible. The related uncertain factors (including risks and opportunities) may have positive and negative impacts on enterprises, starting with revealing the information related to their own business fields, and by using existing schemes and policies, formulating adjustment and mitigation measures, and then shaping climate strategies to seize opportunities, even in the future, modular solutions can be made according to various simulated scenarios, strengthening organizational resilience and launching brand-new business opportunities, adhering to the sustainable goal of risk management and value creation, and moving steadily forward to the topic of sustainable management of natural resources.

Climate change affects the development of products and the operation of enterprises. We continue to pay attention to and practice the climate action objectives after the Paris Agreement and incorporate them into the sustainable development strategy.

Governance unit	As the top person in charge of the Group's sustainability issues, the Chairman promotes the management of climate action issues and objectives, including approving climate change response strategies. During the meeting, the Chairman reports the performance, impact assessment and progress in achieving the sustainability objectives of ESG and climate change-related issues.		
Risk category	Short term	Middle period	Long term
	Physical risk: 1. Changes in temperature and precipitation patterns lead to shortage of raw materials and price increase. 2. The supply uncertainty of water and energy is rising. 3. Extreme weather leads to the destruction of factories and equipment, resulting in a decline in productivity. Energy shortage and price increase:	Operational risk: 1. Because of the novel coronavirus's strong impact on the supply chain systems of various countries, the global supply is unstable. 2. The quality of outsourcing and the stability of delivery will affect whether the products finally sold by our company can be delivered on time and in good quality. 3. The screw industry moved to low-wage countries to expand	Supervision, management and legal risks: In order to adapt to climate change, the government has established a series of control tools to manage natural resources more effectively and reduce disaster risks. Energy shortage and price increase: Set up a solar energy system and plan to use renewable energy in the future.

	With the rapid development of the global economy, countries all over the world compete to consume oil, coal mines and other resources, and energy conservation and carbon reduction have become a global trend.	factories and deepen market price competition.	
Opportunity category	Short term	Middle period	Long term
	Market opportunities: Using low-emission energy, shifting to decentralized energy production, developing or expanding low-carbon products and services, R&D and innovation of new products and services, and supporting policy incentives.	Market opportunities: Moving towards a more efficient market/country, obtaining public sector incentives, new market partnerships.	Market opportunities: Use more efficient production mode and distribution process.
Strategy	The company has laid a solid foundation for long-term cultivation and sustainability, and has maintained a close trust relationship with customers for many years. It actively uses core technologies and invests in research and development with market demand. Therefore, when the wave of sustainability rises, it will have the priority to win customers' favor and increase revenue.		
Risk management	Incorporate climate change into major issues and key major risk projects for the sustainable development of enterprises, implement risk management plans in all factories, and plan countermeasures for operation, product and supply chain management.		
	Short term	Middle period	Long term
	Physical risk: 1. Improve the proportion of local procurement of raw materials and find alternative solutions for multiple suppliers. 2. The key auxiliary materials and spare parts needed for	Operational risk: 1. The purchasing strategy has been adjusted, which disperses the national risks and indirectly benefits Taiwan manufacturers. 2. Strengthen basic research, develop key	Supervision, management and legal risks: 1. Promote energy-saving and carbon-reducing measures in various factories, and monitor energy use and greenhouse gas emissions.

	<p>production shall be appropriately increased in inventory.</p> <p>3. The production and staff units do irregular drills on various disaster response measures.</p> <p>Energy shortage and price increase:</p> <p>1. Plan, supervise and manage, effectively promote the company's environmental protection, safety and health, energy saving, water saving and greenhouse gas management, so as to enhance the company's sustainable management plan.</p> <p>2. Introduce ISO 14064 greenhouse gas inventory and ISO 14067 product carbon footprint counseling.</p>	<p>process technologies, strengthen the commercialization ability of technologies and strengthen the link and communication efficiency of the supply chain system.</p> <p>3. The overseas investment plan has been adopted to produce and manufacture screws in the Vietnamese subsidiary, so as to take advantage of local cost advantages and reduce operational risks.</p>	<p>2. Regularly consult the Environmental Protection Agency's laws and regulations inquiry system, collect and identify the correlation with various departments of the company, and then report the countermeasures in internal meetings.</p>						
Indicators and goals	<ul style="list-style-type: none"><li>● In terms of climate change mitigation, the company takes greenhouse gas emissions per unit revenue as the main key indicator for quantitative evaluation, and sets indicators such as the proportion of renewable energy use, electricity consumption per unit revenue and water consumption per unit revenue.</li><li>● The Company has obtained the statement of external verification in 2023, and will conduct external verification every year thereafter. Greenhouse gas emissions (metric tons of CO2e) in 2023 are as follows:</li></ul> <table><tr><th>Category 1</th><th>Category 2</th><th>Category 3-6</th></tr><tr><td>1,709.7029</td><td>7,482.4007</td><td>55,165.0795</td></tr></table>			Category 1	Category 2	Category 3-6	1,709.7029	7,482.4007	55,165.0795
Category 1	Category 2	Category 3-6							
1,709.7029	7,482.4007	55,165.0795							
External guarantee or assurance	In 2023, the external audit of greenhouse gas inventory was completed from April 8 to April 10, 2024.								



### ➤ Information security management

In order to strengthen information security management, ensure data, system and network security, and correct personnel operation, etc., the Information Department is responsible for coordinating and implementing the company's information security policies and management measures, disseminating information security messages, enhancing employees' awareness and cognition of wage security, and reducing the risk of enterprise operation.

In order to improve the effectiveness of information security management and implementation, the Department carries out the following information security self-inspection items once a year, and the auditor is responsible for checking the internal information security implementation status and self-evaluation at the end of each year.

Information security self-inspection item	
(1) Organization and responsibility operation	(2) System development control operation
(3) System application document processing operations	(4) System usage management operation
(5) Data input and output management operations	(6) Data processing operations
(7) Safe operation of files and equipment	(8) Procurement, use and maintenance of hardware and software equipment
(9) System recovery plan operation	(10) Information Communication Safety Management Operation
(11) Online declaration of public information.	

In response to the challenges faced by information security, such as APT advanced persistent penetration attacks, intrusion detection, vulnerability monitoring, DDoS attacks, extortion of (malicious) software and theft of personal assets, the Company has continuously paid attention to the changing trend of the global information environment, and strengthened the awareness of information security crisis of its colleagues and the resilience of information security personnel, with a view to preventing in advance or effectively detecting and preventing the expansion of risks in case of information security crisis.

Every year, "Information Security Inspection" and "Self-assessment of Internal Control of Information System" were carried out, and the information management system was implemented. Every half year, information security education and training were carried out to enhance employees' awareness, including publicizing the importance of personal protection, with a total of 76 person-times and 117 hours of participation. In 2023, there were no internal leakage cases and complaints from external customers about imperfect data privacy.



## ➤ Human rights risk management

SMETA (Sedex members ethical trade audit) was introduced in 2022, and the human rights issues included in the company's human rights risk identification procedure were: free choice of occupation, respect for freedom of association and right to negotiate immediately, safe and hygienic working environment, no child labor, basic living wage, working hours, illegal infringement, proper labor relations, etc., and risk assessment was carried out, and risk mitigation measures were taken according to the assessment results, so as to fulfill corporate social responsibilities and let employees. On March 24th, 2023, the Company completed the external audit of SMETA-4P, which focused on four parts: labor standards, health and safety, environment and business reputation.

Category	Potentially Affected Group	Relevant Content	Risk Mitigation Measures
Freedom of Employment	All Employees	Forced labor, deposits, working conditions	<ol style="list-style-type: none"> <li>1. Adhere to labor laws for hiring, termination, and working conditions.</li> <li>2. Employ persons with disabilities as required by law.</li> <li>3. Comply with Employment Service Act, truthfully disclose job details in ads, do not hold employees' identification or property, and do not charge deposits.</li> <li>4. Clearly explain working conditions before hiring; do not use involuntary labor.</li> </ol>
Respect for Freedom of Association and Collective Bargaining Rights	All Employees	Labor-management meetings, freedom of association, right to speak	<ol style="list-style-type: none"> <li>1. Establish labor-management meetings for communication.</li> <li>2. Appoint employee representatives.</li> <li>3. Assign management representatives to address employee needs.</li> <li>4. Hold regular labor-management meetings to understand employee needs.</li> </ol>
Safe and Healthy Working Environment	All Employees	Health, safe working environment	<ol style="list-style-type: none"> <li>1. Provide a safe working environment as per regulations.</li> <li>2. Take reasonable measures to reduce workplace hazards.</li> <li>3. Hold quarterly occupational safety and health committee meetings to review workplace safety.</li> <li>4. Regularly inspect drinking water, CO2 levels, lighting, and fire equipment.</li> <li>5. Conduct regular safety and health training to raise awareness of hazards</li> </ol>
Prohibition of Child Labor	Workers under 16 years old	Employees under 16 years old	<ol style="list-style-type: none"> <li>1. Prohibit the employment of individuals under 16.</li> <li>2. Require applicants to state their birthdate during recruitment and verify documents to ensure accuracy, and recheck ID upon reporting to work.</li> </ol>



Basic Living Wage	All Employees	Salary, Working Conditions	<ol style="list-style-type: none"> <li>1. Employee rights such as salary and leave are in accordance with labor laws.</li> <li>2. Employees must receive written notice of employment terms regarding wages before starting and a written statement of wages for each pay period.</li> <li>3. Salary deductions as disciplinary action are prohibited unless legally justified and agreed upon by the employee.</li> </ol>
Working Hours Not Excessive	All Employees	Working Hours, Overtime	<ol style="list-style-type: none"> <li>1. Adhere to labor laws on working hours; regularly review and enforce company regulations.</li> <li>2. Use attendance management systems to record working hours.</li> <li>3. Review overtime regularly; pay overtime according to labor laws.</li> <li>4. Obtain employee consent before overtime.</li> </ol>
Non-Discrimination	All Employees	Discrimination, Sexual Harassment Prevention	<ol style="list-style-type: none"> <li>1. Employ persons with disabilities as required by law.</li> <li>2. Establish verbal and written complaint channels for timely feedback.</li> <li>3. Implement preventive, corrective, disciplinary, and handling measures to protect rights and privacy.</li> </ol>
Proper Labor Relations	All Employees	Contract Legitimacy	<ol style="list-style-type: none"> <li>1. Employee work based on legally recognized labor relations.</li> <li>2. Avoid purely labor contracts, subcontracting, home-based work, or improper apprenticeship schemes.</li> <li>3. Do not use expired fixed-term contracts to evade employer responsibilities under labor or social welfare laws.</li> </ol>
No Harsh or Inhumane Treatment	All Employees	Abuse, Assault	Establish complaint channels.



## 2.7 Compliance with Laws and Regulations

At present, the company's factories engaged in production include Qiaotou Factory and Mituo Factory. Sheh Fung Screws strictly abides by the relevant laws and regulations of the competent authorities, such as corporate governance and honest management, environmental protection and labor human rights, and implements the legal education within the organization. In 2023, Sheh Fung Screws did not violate the following laws and regulations:

Relevant laws and regulations on corporate governance	Laws and regulations related to labor rights and interests
<ul style="list-style-type: none"> <li>● No violation of company law</li> <li>● No violation of commercial law</li> <li>● No violation of securities and financial laws and regulations</li> <li>● No political contributions</li> <li>● No corruption incident</li> </ul>	<ul style="list-style-type: none"> <li>● No violation of the Gender Equality Act</li> <li>● No forced labor</li> <li>● No use of child labor</li> <li>● No infringements on freedom of association and collective bargaining</li> <li>● No incidents of discrimination or human rights violations</li> <li>● No violation of indigenous peoples' right</li> </ul>
Relevant laws and regulations of products	Relevant laws and regulations on environmental protection
<ul style="list-style-type: none"> <li>● No prohibited or controversial products.</li> <li>● No violation of marketing-related laws and regulations and voluntary codes.</li> <li>● No violation of laws and regulations due to the provision and use of products and services has resulted in a huge fine.</li> <li>● No legal proceedings arising from anti-competitive behavior, antitrust and monopolistic behavior.</li> <li>● Violation of customer privacy events</li> <li>● Violation of marketing communication laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>● Environmental protection law event</li> </ul>
<p>Remarks:</p> <p>1. According to Item 3, Article 26 of the FSC, the major penalty is defined as that the cumulative amount of a single piece is not more than 1 million.</p>	



# 3 Sustainable Environment

Sheh Fung Screws operates consistently and has spent vast sums of money to purchase excellent production equipment and advanced and complete pollution treatment systems to lay the foundation for clean production from raw materials to products. The Company is also committed to process improvement and development and implementing pollution prevention through the establishment of an ISO 14001 environmental management system to hopefully minimize the impact on the environment. We will continue our commitments to:

- ① Comply with environmental laws and regulations to ensure environmental quality.
- ② Carry out waste reduction activities and implement pollution prevention.
- ③ Improve the working environment and protect the health of employees
- ④ Pay equal attention to the environment and technology to ensure sustainable operation.
- ⑤ Set goals and targets, and review them regularly.
- ⑥ Have an open environmental policy, and strive to promote good neighborliness.



ISO 14001

## 3.1 Raw Material Management

The raw material mostly required for the main products of Sheh Fung Screws is wire rod. The raw material consumption statistics of Sheh Fung Screws in recent years are shown in the following table.

Sheh Fung Screws raw material consumption statistics table in recent years					
Raw Material	Unit	Renewable or Non-renewable	2021	2022	2023
Thinners	tons	Non-renewable	57.290	47.630	44.510
Lubricant	kL	Non-renewable	188.700	138.400	95.200
Zinc plate	tons	Non-renewable	135.574	110.098	71.926
Wire rod	tons	Non-renewable	26,592.000	22,986.559	18,044.590
Cardboard boxes	pcs	Renewable	1,803,779.000	1,142,248.000	919,521.000

Cartons	pcs	Renewable	3,964,245.000	2,586,868.000	2,208,021.000
Labels	pcs	Non-renewable	11,840,766.000	6,509,875.000	8,439,335.000
Pallets	sets	Renewable	51,431.000	32,021.000	34,475.000
Pallets	pcs	Renewable	13,031.000	16,183.000	6,380.000

Remarks:

1. Material types include original natural resources, such as minerals, iron, wood and plastic pellets; lubricants used in machines, semi-finished components or parts; packaging materials.
2. Non-renewable refers to resources that cannot be replenished in the short term, such as coal, natural gas, metals, minerals, and oil; Renewable refers to resources that will grow back after being harvested.

## 3.2 Energy Management

In line with the development of the national greenhouse gas reduction strategy and taking into account the sustainable energy development goals of resource efficiency, energy conservation, and environmental protection, Sheh Fung Screws has passed material flow cost accounting verification and continuously invested capital expenditure and related manpower in material resources according to the resource demand of energy-saving scheme, so as to ensure the sustainable environmental goals. The Company implements energy management, expecting to control production cost and use energy effectively and appropriately. The Company's energy consumption over the past three years is as follows:

Energy Consumption of Sheh Fung Screws over the Past Three Years				
Item	Unit	2021	2022	2023
Electricity	kWh/year	14,045,600	17,435,528	15,115,961
	GJ	50,564.160	62,767.901	54,417.460
Liquefied Petroleum Gas	kg/year	147,870	82,951.843	84,560
	GJ	7,467.876	4,189.315	4,270.532
Gasoline	L/year	12,797	12,825.735	12,069.113
	GJ	417.912	418.851	394.142
Diesel Fuel	L/year	62,644	50,376.280	45,488.767
	GJ	2,203.134	1,771.689	1,599.800
Liquefied Natural Gas	m <sup>3</sup>	860,241	716,578	753,807
	GJ	28,813.256	24,001.350	25,248.313
Organization Specific Metrics	Revenue (1,000 NT dollars)	2,859,385	2,591,122	2,323,605
Total Energy Consumption	GJ	89,466.339	93,149.106	85,930.246
Energy Intensity	(GJ/ 1,000 NT dollars)	0.031	0.035	0.0370

Remarks:

1. Calorific value of electricity is converted as 1kWh = 0.0036 GJ.



2. The conversion factor is calculated according to the Gas Emissions Factors Management Table of the Environmental Protection Agency version 6.0.4; Gasoline: 7,800 Kcal/L; Diesel fuel: 8,400 Kcal/L; Natural gas: 8000 Kcal/m<sup>3</sup>; Liquefied petroleum gas: 6,635 kcal/L (1 Kcal is 4.184 KJ).

### ➤ Energy-saving Measures

In terms of energy-saving and carbon-reducing measures, Sheh Fung Screws responds to the national energy conservation goals, continuously investing in various energy conservation measures and carbon reduction and pollution reduction reuse equipment, optimizing the energy management E-Platform, implementing comprehensive energy inventory, and confirming that all energy consumption is achieving optimal use. A total of 373,460.52 kWh of energy has been saved since 2019, and approximately 184.3680 tons of carbon dioxide emissions have been reduced.

Year	Description	Units of Electricity Saved
2019	The factory lighting was replaced with energy-saving LED lighting equipment.	153,676.8
2020	The lighting equipment of the office building was replaced with LED lights.	7,650.72
2021	The lighting equipment on the third floor of the office building was replaced with flat-panel LED lights.	2,016
2022	<ul style="list-style-type: none"> <li>The office building's 80W fluorescent lamps were replaced with 36W flat-panel LED lights.</li> <li>51 500W mercury lamps on the second floor of the work area were changed to 100W LED lights.</li> </ul>	147,677
2023	<ul style="list-style-type: none"> <li>24 mercury lamps in the storage area were changed from 500W to 200 W-LED lamps.</li> <li>The LED lights (20, each with 200W) in the baking process were originally turned on for 8 hours during the day, but now they are turned off for 8 hours during the day.</li> </ul>	61,440
Total		372,460.52

## 3.3 Greenhouse Gas Management

In order to cope with global warming and effectively slow down the impact caused by climate change, the Company introduced the ISO 14064 greenhouse gas organization inventory in 2021, which included identifying emission sources, establishing activity intensity data and emission data, and formulating relevant management procedures for greenhouse gas inventory to calculate greenhouse gas emissions. In 2023, the total amount of greenhouse gas



emissions was 9,192.1036 metric tons of CO<sub>2</sub>e, which was 1,205.7179 metric tons less than that in 2022. The Company continued to plan energy-saving equipment or processes to reduce carbon dioxide emissions, showing its efforts in energy-saving measures and doing its part for the earth.

Greenhouse Gas Inventory over the Past Three Years			
Item \ Year	2021	2022	2023
Scope 1	2,105.2409	1,746.5134	1,709.7029
Scope 2	9,376.1482	8,651.3081	7,482.4007
Total	11,481.3891	10,397.8215	9,192.1036
Organization Specific Metrics / Revenue (1,000 NT dollars)	2,859,385	2,591,122	2,323,605
Greenhouse Gas Emission Intensity	0.0040	0.0040	0.0040

Remarks:

1. Scope 1 refers to emission sources directly owned or controlled by the Company, including stationary combustion sources, process emissions, mobile combustion sources of transportation, and escaping emission sources. The emission factor is calculated based on the latest announcement data version 6.0.4 (IPCC Sixth Assessment Report) from the Bureau of Energy under the Ministry of Economic Affairs.
2. Scope 2 refers to emissions between energy sources, such as purchased electricity.
3. Types of greenhouse gas emissions: Carbon Dioxide (CO<sub>2</sub>), Methane (CH<sub>4</sub>), Nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs).
4. The purchased electricity refers to the electricity emission factors announced by the Bureau of Energy under the Ministry of Economic Affairs. The 2020 electricity emission factor = 0.502 kg CO<sub>2</sub>e; 2021 = 0.509kg CO<sub>2</sub>e; 2022 = 0.495kg CO<sub>2</sub>e.
5. Greenhouse gas emission intensity = greenhouse gas emissions (Scope 1 + Scope 2) / revenue (thousand NT dollars)
6. GHG emission intensity = GHG emission (Scope 1 + Scope 2) / turnover (thousand yuan).
7. The greenhouse gas emission equivalent of Scopes 1 and 2 in 2022 was verified in December 2023, and revised to the verified figure.

## 3.4 Water Resources Management

Due to Taiwan's special geographical and climatic conditions, although rainfall is abundant, it is unevenly distributed. The allocation and management of water resources is also one of the important issues for sustainable management. The 2030 Agenda for Sustainable Development adopted by the United Nations and its global sustainable development goals, such as Goal 6, "Ensure availability and sustainable management of water and sanitation for all", include key objectives related to sustainable water resources management. These goals aim to achieve universal access to safe and affordable drinking water, improve water quality, and address water scarcity.



Through the World Resources Institute's Aqueduct Water Risk Atlas tool for water risk assessment, Sheh Fung Screws found out its operating locations Qiaotou and Mituo factories all were Low-Medium (1-2), which showed that the Company's water intake had caused no significant impact on the ecological environment.

These two factories of the Company both use tap water supplied by Taiwan Water Corporation, which supplies agricultural, public and industrial water from the Kaoping River Weir, Agongdian Dam, Chengcing Lake and Fengshan Reservoir. There are also the Tainan Qingshui and Nanhua Gaoping Unicom pipelines as backups. The Qiaotou plant uses water according to the water pollution permit, and the Mituo plant uses water for people's livelihood, so they do not have a major impact on water resources.

The total water intake of Sheh Fung Screws in 2023 was 80.723 million liters, 17.886% less than that in 2022. The water intensity reduced by 9.375% compared with 2022.

Water Consumption Statistics of Sheh Fung Screws			
Item	2021	2022	2023
Water intake (million liters)	66.285	83.420	80.723
Water discharge (million liters)	25.470	30.308	53.934
Water consumption (million liters)	40.815	53.120	26.789
Organization Specific Metrics/ Revenue (1,000 NT dollars)	2,859,385	2,591,122	2,323,605
Unit Water Consumption Intensity	0.000023	0.000032	0.000035
Remarks: 1. Water consumption = water intake - water discharge. 2. Unit water intensity = water intake / 1,000 dollars of revenue. 3. Due to the adjustment of the calculation formula, the water consumption intensity in 2021 and 2022 is corrected			

Electroplating wastewater accounts for 90% of the Company's water consumption, while others account for about 10%. The electroplating department has used timers to control the electroplating wastewater to maximize water conservation. Other parts include discharged wastewater, including washing towers and cooling water towers, all of which are equipped with liquid level controllers, which replenishes water at low liquid levels and stops at full liquid levels, so that no excess water is wasted.



## 3.5 Pollution Prevention and Control

In promoting waste reduction activities and implementing pollution prevention, Sheh Fung Screws continues to improve the operation process from the supply chain end, production end and even sales end., while also considering the feasibility and effectiveness of energy saving and waste reduction and moving towards green operating procedures and processes. The Company implements disaster and pollution control to prevent occupational disasters and environmental pollution and reduce its impact on the environment, employee safety and Company operation.

In order to ensure that emissions comply with the laws, regulations and standards at all stages, provide safe and high-quality products, and reduce the impact on the environment, the Company reduces pollution emissions and wastes. There are relevant licenses and dedicated personnel in the factory area to assist in compliance with the requirements of laws and regulations.

Permit	Validity period
Qiaotou Factory Waste (Sewage) Water Discharge to Surface Water Body Permit	12/29/2028
Kaohsiung City Stationary Pollution Source Other Metal Heat Treatment Procedure (M02) Operation Permit	07/18/2028
Qiaotou Plant Stationary Pollution Source Other Metal Heat Treatment Procedure (M08) Operation Permit	03/19/2027
Qiaotou Factory Stationary Pollution Source Metal Plating Treatment and Washing Procedure (M03) Operation Permit	07/17/2024
Qiaotou Plant Fixed Pollution Source Metal Surface Coating Treatment Procedure (M07) Operation Permit	08/07/2027
Qiaotou Factory Toxic Chemical Substance Approval Document	11/06/2026



### 3.5.1 Prevention and Control of Air Pollution

The Company follows the ISO 14001 environmental management system, and makes continuous improvement in production, products and services to reduce the impact on the natural environment. Sheh Fung Screws continuously monitors and devotes itself to the prevention and control of air pollution, and adopts the Best Available Control Technology (BACT) to effectively reduce the discharge of granular pollutants. The Company's Qiaotou plant follows the air pollution discharge standard, and the production process of the Mituo plant does fall within the "The first batch to the eighth batches of public and private places that should apply for setting up, changing and operating permits of fixed pollution sources" as announced by the Environmental Protection Administration, so there is no need to carry out related tests such as volatile organic compounds, granular pollutants, sulfur oxides and nitrogen oxides. The average emission monitoring values in 2023 were all in line with the air pollution emission standards in various places.

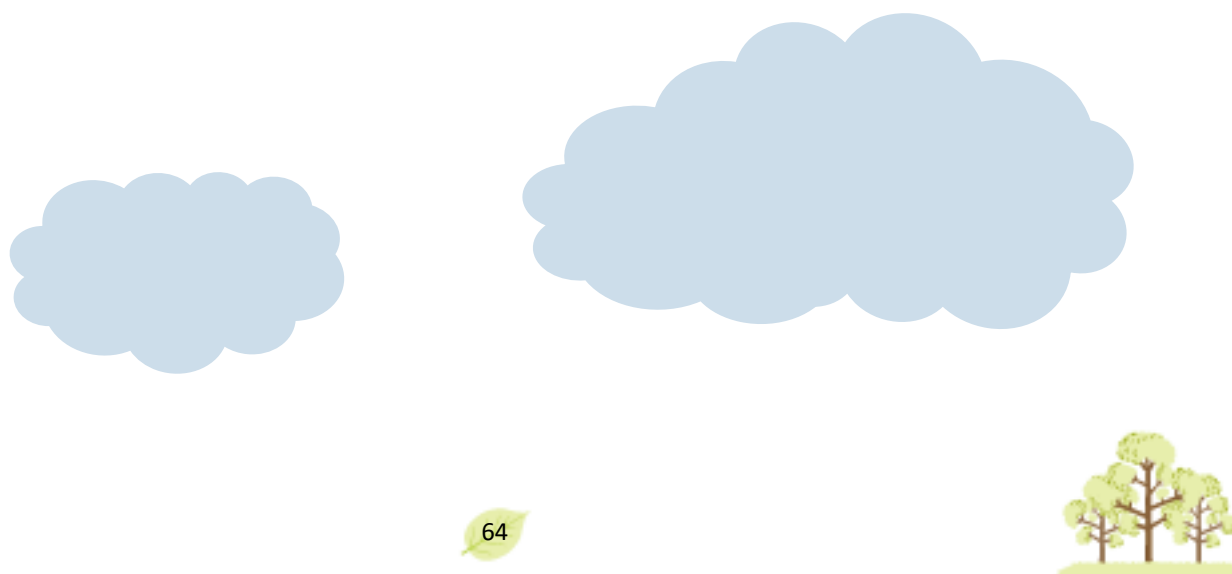
Air Pollution Emission Standard of Sheh Fung Screws over the Past Three Years							
Pollution Detection Category	2021		2022		2023		Average Monitoring Value (ppm)
	Discharge Amount (kg)	Annual Allowable Discharge	Discharge Amount (kg)	Annual Allowable Discharge	Discharge Amount (kg)	Annual Allowable Discharge	
Volatile Organic Compounds (VOCs)	33,719	47,485	16,923.779	47,485	24,203.56	47,485	24,203.56
Trisodium Phosphate (TSP)	651	3,306	552.380	3,306	268.94	3,306	268.94
Sulfur Oxides (SOx)	38	185	41.260	185	24.47	185	24.47
Nitrogen Oxides (NOx)	7,666	9,172	737	3,544	739.85	3,544	739.85
Remarks: 1. Major gasses include nitrogen oxides (NOx), sulfur oxides (SOx), persistent organic pollutants (POP), volatile organic compounds (VOC), hazardous air pollutants (HAP), suspended particulates (PM) and other standard categories of gas emissions specified in relevant regulations. 2. The unit of granular pollutants is mg/Nm <sup>3</sup> .							



### ➤ Ozone Depleting Substances (ODS) Emissions

Substances with ozone depleting properties used by Sheh Fung are mainly escaping emissions, which come from the R22 refrigerant used in refrigeration equipment, followed by emissions from equipment maintenance and filling. The filling capacity of R12 and R22 refrigerants in 2023 was approximately 239.244 kilograms. In the future, in line with the international Montreal Convention specifications and the replacement of old and new equipment, priority will be given to non-ozone destructive substances and low GWP environmentally friendly refrigerant equipment units to reduce damage to the ozone layer and reduce greenhouse gas emissions.

Ozone Depleting Substances (ODS) Statistics			
ODS	2021	2022	Unit: kilograms 2023
R12	0.184	0.184	0.184
R22	286.36	237.56	239.06
Remarks: Substances that destroy the ozone layer such as CFCs, R11, R12, R22, hydro chloro fluoro carbons (HCFCs), halon, carbon tetrachloride (CCl <sub>4</sub> ), 1,1,1-trichloroethane, bromine fluoride hydrocarbons (HBFC) and methyl bromide.			



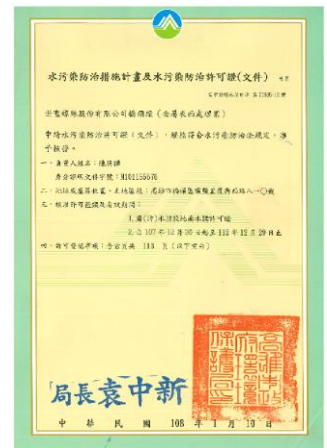
### 3.5.2 Prevention and Control of Water Pollution

Each plant of Sheh Fung Screws has established relevant wastewater treatment procedures and applied for operation discharge permits according to water pollution prevention and control. In addition, chemical oxygen demand (COD) and suspended solids (SS) are in compliance with local discharge standards, and there are no special habitat land-related requirements for wastewater discharge.

Wastewater Discharge Amount and Discharge Standard of Sheh Fung Screws						
Pollution Detection Category	2021		2022		2023	
	Discharge Standard (ppm)	Average Monitoring Value (ppm)	Discharge Standard (ppm)	Average Monitoring Value (ppm)	Discharge Standard (ppm)	Average Monitoring Value (ppm)
Chemical Oxygen Demand (COD)	100.000	41.800	100.000	88.400	100.000	46.825
Suspended Solids (SS)	30.000	2.500	30.000	12.000	30.000	12.225
Nitrate-nitrogens	50.000	36.400	50.000	1.920	50.000	0.685
Arsenic (As)	2.000	0.001	2.000	0.001	2.000	0.007
Copper (Cu)	1.500	0.009	1.500	0.009	1.500	0.008
Lead (Pb)	0.500	0.008	0.500	0.007	0.500	0.02
Oil & Grease	10.000	1.200	10.000	3.100	10.000	1.925
Cadmium	0.020	0.001	0.020	0.001	0.020	0.001
Chromium	1.500	0.002	1.500	0.004	1.500	0.009
Nickel	0.700	0.006	0.700	0.004	0.700	0.005
Zinc	3.500	0.974	3.500	1.820	3.500	1.079
Tin	1.000	0.013	1.000	0.013	1.000	0.028
Molybdenum	0.600	0.008	0.600	0.008	0.600	0.008
Hexavalent chromium	0.350	0.002	0.350	0.002	0.350	0.002
Soluble iron	10.000	0.080	10.000	0.650	10.000	0.056
Fluoride salt	15.000	0.120	15.000	0.100	15.000	0.11
Boron	1.000	0.300	1.000	0.190	1.000	0.243
Ammonia nitrogen	10.000	2.400	10.000	4.730	10.000	6.525
Cyanide	1.000	0.002	1.000	0.010	1.000	0.004

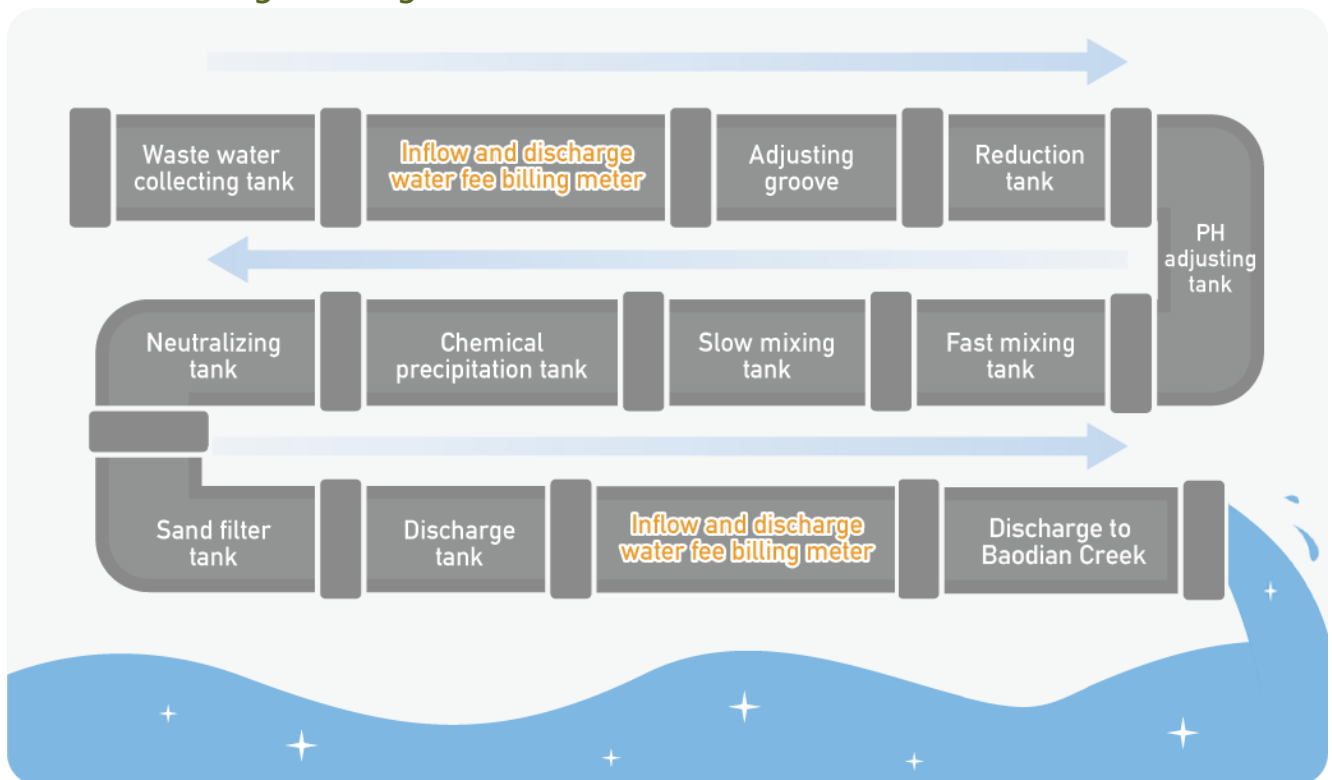


The Qiaotou plant of Sheh Fung Screws is the only one that requires water pollution prevention and control measures and the establishment of dedicated personnel for wastewater treatment because the manufacturing process is regulated by laws and regulations. The wastewater from Qiaotou Factory is strictly treated before being discharged. The manufacturing processes of the Mituo Factory and Yongan Factory do not discharge harmful wastewater according to relevant regulations, but only wastewater of residential consumption, so there is no need to test or declare it. Moreover, the Yongan plant is located in the Yongan Industrial Zone, and the discharged wastewater is managed and tested by the Industrial Bureau.



Pollution Prevention Plan and Water Pollution Prevention Permit

#### ◆ Chrome Plating Washing Procedure



### 3.5.3 Waste Management

The principle of waste management at Sheh Fung Screws is according to the management principle to firstly improve the manufacturing process to reduce the amount of waste generated, then recycle the waste in sequence, and finally dispose of it by incineration, sanitary burial and other methods. The Company abides by environmental laws and regulations, and all waste generated in the operation process is recycled by qualified manufacturers.

Waste Disposal Methods and Statistics in 2023				
Composition of Waste	On-site		Off-site	
Category	Amount of Waste Produced (tons)	Processing Methods	Amount of Waste Produced (tons)	Processing Methods
Hazardous Waste				
1. Sludge	-	-	47.95	Other processing operations (solidification)
2. Sludge			48.46	Use waste as raw materials for reuse.
Non-hazardous Waste				
1. Waste oil mixture	-	-	31.58	Incineration (excluding energy recovery)
2. Household garbage	-	-	84.95	Incineration (including energy recovery)
3. Waste wood pallet	-	-	14.55	Recycling
4. Waste lubricating oil	-	-	112.09	Recycling
5. Waste lubricating oil	-	-	0	Physical processing
Remarks: 1. The composition of waste can be filled in by referring to the classification of the "Waste Cleanup Plan" (categories A/B/C/D/E/R etc.). 2. Waste weights are in metric tons. 3. Types of recycling operations include reuse preparation, recycling and other recycling operations. 4. The type of recycling can be explained as downcycling, upcycling, composting or anaerobic digestion. 5. Other recycling operations include changing the purpose of use or refurbishment. 6. Type of disposal methods include incineration (including energy recovery), incineration (excluding energy recovery), landfill and other disposal operations. 7. Other disposal operations can be described as dumping, open burning or deep well injection.				



8. "On-site" means within the physical boundaries or administrative control of the reporting organization;  
 "Off-site" means outside the physical boundaries or administrative control of the reporting organization.

## 3.6 Environmental Protection Expenditure and Investment

In order to fulfill its social responsibility to the environment, Sheh Fung Screws has invested funds to deal with related environmental protection work, maintaining pollution prevention equipment every year, and making regular inspections. The expenditure of environmental protection projects in 2023 was about NT\$ 20,206,000 in recurrent expenditure and NT\$ 5,866,000 in capital expenditure depreciation, totaling NT\$ 26,072,000.

NT\$ thousand

Environmental Protection Expenditure of Sheh Fung Screws in 2023			
Category	Qiaotou	Mituo	Total
Environmental capital expenditure (depreciation)	5,866	0	5,866
Environmental recurrent expenditure	18,669	1,537	20,206
Subtotal of environmental protection expenditure by plant	24,535	1,537	26,072



## 4 Friendly Workplace

### 4.1 Join Sheh Fung

Sheh Fung Screws adheres to the principle that employees are the most important assets of the Company and provides employees with competitive salaries to attract and retain the best talent. The Company designed the salary system to ensure the stable income of employees, and try to motivate them to challenge themselves for higher salaries. The overall salary includes the basic salary, work awards and employee bonuses. The employee's salary depends on their education, past experience, personal professional ability and job performance. The Company will never discriminate on issues of gender, religion, race, nationality, party affiliation or other factors. Every person in Sheh Fung's salary and working conditions are guaranteed to meet the standards of local labor laws and international human rights conventions.

#### 4.1.1 Manpower Structure

Sheh Fung Screws employs only talented people, and all human resources are recruited and appointed through open and transparent channels. At present, apart from the main 104 Job Bank and 1111 Job Bank, different recruitment channels are flexibly adopted depending on different job vacancies. There are many kinds of direct recruitment methods of human resources: newspapers, leaflets, electronic billboards, employment service stations, etc. Special high-level professional recruitment will be matched with a high-level human resources agency (talent recruiting company), and others, such as talent recruitment fairs in colleges and universities, talent recommendation through professional institutions, employee recommendations, etc., to provide the Company with excellent human resources.

The Company also attaches importance to equal rights of both genders, and strives for non-discriminatory treatment regardless of appointment and promotion. In 2023, there were a total of 286 employees, with female employees accounting for 35.66%. The main reason is that the Company is in the metal manufacturing industry, and the manpower required by production units is mostly the talent of mechanical related departments. Based on the social and economic environment analysis of the production base (Taiwan), this ratio is roughly in line with the proportion of male and female students in mechanical related departments of colleges and universities, so the gender difference of employees is in line with the statistical norm.

Based on our love and sense of mission to the local area, Sheh Fung Screws always insists that the local production scale and labor demand in Taiwan can only increase but not decrease. The



proportion of supervisors in Taiwan is as high as 100%, and some direct manpower is supplemented by foreign migrant workers due to the shortage of local labor market supply.

### Employee Information Statistics in 2023

Number of Employees				
Region / Type		Female	Male	Total
Taiwan	Total employees	102	184	286
	Number of full-time employees	102	184	286
	Number of temporary employees	0	0	0
Remarks: 1. Domestic refers to Taiwan; Foreign refers to areas outside Taiwan (such as the United States, Vietnam, etc.). 2. Employees: Individuals who have a labor-employer relationship with the organization in accordance with national laws or its relevant applicable requirements (in Taiwan, employees are covered by labor insurance). 3. Full-time: An individual who signs an irregular contract. 4. Temporary: An individual who signs a fixed-term contract. 5. This table is calculated using the headcount / full-time equivalent method.				

The non-employee workers as counted by Sheh Fung Screws are mainly contracted on a regular basis, such as with security and cleaning staff. Security staff are mainly responsible for the safety maintenance of the two factories. Security staff are regularly given education and training twice a year, while cleaning staff are mainly responsible for office area cleaning work.

Company Non-employee Worker Information		
Worker type	Contractual relationship with the Company	Number of workers
Security	Contracted	6
Cleaning	Contracted	2

In order to strengthen the harmonious relationship with the community and maximize the job stability of our employees, most are residents of Taiwan. Among them, the senior management of the Company are consistent with the managers disclosed in the annual report, and 100% are local residents. The distribution of employee positions in 2023 is as follows:



Year			2022	2023
Category / Gender		Ages	Number	Number
Supervisory Employees	Male	Under 30	0	0
		30 - 50	14	17
		Over 50	3	2
	Female	Under 30	0	0
		30 - 50	10	10
		Over 50	7	6
Total Supervisory Employees			34	35
Non-supervisory Employees	Male	Under 30	49	51
		30 - 50	97	95
		Over 50	21	19
	Female	Under 30	10	7
		30 - 50	48	51
		Over 50	29	28
Total Non-supervisory Employees			254	251
Total Number of Full-time Employees			288	286
Remarks: The Company’ s supervisory personnel include: (Deputy) Section Chief, (Deputy) Manager, Associate Manager, Deputy General Manager and General Manager.				

### ➤ Employee Diversity

As for the target of recruitment, Shih Fung Screws abides by all laws and regulations, and never employs child labor under the age of 16, or forced labor, nor infringes on the human rights of indigenous peoples. We strive to treat people from any region, gender, religion, race, nationality or political party equally, and actively respond to the quota of employment for people with physical and mental disabilities.

Year		2022	2023
Category / Gender	Ages	Number	Number
Minority or disadvantaged groups	Male	Under 30	0
		30 - 50	3
		Over 51	3
	Female	Under 30	0
		30 - 50	0
		Over 51	1
Foreign migrant workers	Male	Under 30	42
		30 - 50	42
		Over 51	0
	Female	Under 30	0
		30 - 50	0
		Over 51	0

Indigenous peoples	Male	Under 30	0	0
		30 - 50	0	0
		Over 51	0	0
	Female	Under 30	0	0
		30 - 50	0	0
		Over 51	0	0
Remarks: Minority or disadvantaged groups: Groups with certain specific conditions or characteristics (such as economic, physiological, political, or social), and the severity of the negative impact they suffer from organizational activities may be greater than that of the general group.				

## 4.1.2 Personnel Turnover Rate

Sheh Fung Screws recruits new employees from time to time for business development needs. The total new admission rate in 2023 was 17.832%, a decrease of 3.252% from 2022. The total turnover rate in 2023 was 18.531%, a decrease of 0.909% from 2022. The resignations are mainly new employees who have been at the Company for less than three months, and have resigned due to different interests and personal career plans ,and foreign workers who return home because of their expiration in Taiwan. Although the total number of employees in Sheh Fung Screws decreased in 2022-2023, we continued to make up the gap by recruiting new employees, ensuring the stability of the personnel structure and making the company's operation stable.

Sheh Fung Screws New Employment Rate over the Past Three Years												
Year	2021				2022				2023			
Gender Age \ Category	Male		Male		Male		Male		Male		Female	
	Num ber	Num ber	Num ber	Num ber	Num ber	New empl oy- ment rate (%)	Num ber	New empl oy- ment rate (%)	Num ber	New empl oy- ment rate (%)	Num ber	New empl oy- ment rate (%)
Under 30	11	3.640	4	1.320	14	4.860	3	1.040	16	5.594	1	0.349
30 - 50	25	8.280	10	3.310	23	7.990	1	0.350	25	8.741	6	2.097
Over 51	1	0.330	0	0.000	1	0.350	0	0.000	2	0.699	1	0.349
Total number of new recruits	51				42				51			
Total employees	302				288				286			

<b>Total new employment rate (%)</b>	16.890	14.580	17.832
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Remarks:

1. The number of new employees does not exclude those who left midway through the year.
2. The new recruitment rate of male (female) employees in this age group = the number of new male (female) employees in this age group that year / the total number of people in the operating base at the end of the year.
3. Total new employee hiring rate = number of new employees in the year / total number of employees in the operating base at the end of the year.

Sheh Fung Screws' Turnover Rate over the Past Three Years												
Year	2021				2022				2023			
Gender	Male		Female		Male		Female		Male		Female	
Age\ Category	Nu m-ber	Turnov er rate (%)	Nu m-ber	Turnov er rate (%)	Nu m-ber	Turnov er rate (%)	Nu m-ber	Turnov er rate (%)	Nu m-ber	Turnov er rate (%)	Nu m-ber	Turnov er rate (%)
<b>Under 30</b>	13	4.300	6	1.990	15	5.210	3	1.040	9	3.146	3	1.048
<b>30 -50</b>	27	8.940	11	10.600	22	7.640	4	1.390	29	10.139	4	1.398
<b>Over 51</b>	1	0.330	2	0.660	6	2.080	6	2.080	5	1.748	3	1.048
<b>Total number of resignations</b>	60				56				53			
<b>Total number of employees</b>	302				288				286			
<b>Total turnover rate(%)</b>	19.870				19.440				18.531			

Remarks:

1. Categories of employees who have resigned from the Company include those who resigned, were dismissed, were terminated, retired or died on the job, etc.
2. The turnover rate of male (female) employees in this age group = the number of male (female) employees in this age group who resigned in the current year / the total number of employees in the operating base at the end of the year.



3. Total employment rate of resigned employees = number of employees who resigned during the year/total number of employees at the operating base at the end of the year.

### ➤ Minimum Announcement Period for Operational Changes

The Company complies with the Labor Standards Act, and the notice period for termination of the labor contract is as follows:

1. Employees who have worked continuously for more than 3 months and less than 1 year shall be notified 10 days in advance.
2. Employees who have been working continuously for more than 1 year but less than 3 years shall be notified 20 days in advance.
3. Employees who have worked continuously for more than 3 years shall be notified 30 days in advance.

## 4.1.3 Salary System

Sheh Fung Screws designs the salary system to ensure the stable income of employees, and tries to motivate them to challenge higher salaries. The overall salary includes basic salary, work bonuses and employee bonuses. The employee's salary depends on their education, past experience, personal professional ability and job performance. The Company will never discriminate on the basis of gender, religion, race, nationality, party affiliation or other factors. Every person in Sheh Fung, their salary and working conditions are guaranteed to meet the standards of local labor laws and international human rights conventions.

In order to ensure market competitiveness, the Company conducts an international market salary survey every year and adjusts salaries based on the market level of each position and individual performance. The standard salary for male and female junior staff exceeds the local minimum salary.

Sheh Fung Screws Salary Ratio in 2023				
Salary ratio by job category	Number		Ratio	
	Female	Male	Female	Male
Management position	16	19	1	1.136
Non- management position	86	165	1	0.927
Remarks:				



1. The salary-remuneration ratio of females to males (annual salary ratio) is the average annual salary of females in this category / the average annual salary of males in this category.
2. If there is a large difference in the basic salary ratio between females and males, the Company will explain the reason.

Country/Region	Ratio of the annual total compensation of the Company's highest-paid individual to the median annual total compensation of employees (excluding the highest-paid individual)	Increase in ratio between the annual total remuneration of the Company's highest-paid individual and the annual total remuneration of employees (excluding the highest-paid individual)
Taiwan	18.55	-
Remarks: 1. The Chairman of the Board is not considered the highest paid individual, unless he is also the General Manager or CEO. 2. The formula for calculating the annual median salary ratio is the annual salary of the individual with the highest annual salary in that year / the annual salary of the individual with the median annual salary in that year. 3. The annual salary increase rate calculation formula is the annual salary increase percentage of the individual with the highest annual salary in that year / the annual salary increase percentage of the individual with the median annual salary in that year. 4. The 2023 median salary increased by -9.6% compared to the 2022 median salary.		

#### 4.1.4 Performance Management

The performance management structure of Sheh Fung Screws is quite complete. For new employees who have served for three months, we will conduct a probationary period assessment to ascertain their working conditions and adaptability, and provide necessary assistance. All on-the-job colleagues will receive an annual performance appraisal in June and December each year. The company's annual performance appraisal emphasizes "objectivity", "fairness" and "two-way communication". Apart from evaluating individual performance, the KPI achievement of the unit will also be considered. The Company hopes that through fair and open appraisal standards and two-way direct communication between supervisors and employees, consensus among colleagues in the Company can be reached smoothly, because only when individuals and organizational goals are unified and concerted efforts can a win-win situation be created.

In addition, the results of individual performance appraisal are not only the basis for training and development, but also directly linked with job promotion and salary rewards, and become a triangular chain that complements each other, thus stimulating the endless work motivation



of colleagues. In 2023, except for foreign workers and newcomers with less than three months' seniority, 100% of other employees were assessed.

Item	Management Position	Non-management Position
Proportion of male employees who received appraisals	100.00	100.00
Proportion of female employees who received appraisals	100.00	100.00
Remarks: If the assessment acceptance rate does not reach 100%, the Company will explain the exclusion objects and reasons (such as Chairman of the Board or new employees who have been employed for less than three months).		

### 4.1.5 Employee Benefits

Sheh Fung Screws has established an Employee Welfare Committee in accordance with the law, which is elected by all colleagues and meets regularly to re-elect members. Employee annual benefits include three-term bonuses, birthday gifts, employee and child scholarships, bicycle club subsidies, aerobic course subsidies, etc. Services provided include travel, department dinners, employee wedding and funeral subsidies, year-end banquet, and outstanding employee selection activities to enhance the relationship between employees and allow employees to achieve a healthy physical and mental balance after work.

In 2023, Sheh Fung Screws hosted various recreational activities for its employees, including cycling around the island, domestic travel, and long-awaited trips to Japan and Vietnam. Additionally, Sheh Fung Screws co-organized the first SHS Corporate Family Day with related companies SHEH KAI PRECISION CO., LTD. and HYE TECHNOLOGY CO., LTD. This event combined sports competitions and a carnival, fostering camaraderie among colleagues and their families. The company also integrates healthy living into daily routines by installing bicycle training stands and regularly organizing aerobics classes. In 2023, it earned a sports enterprise certification from the Ministry of Education. These initiatives enhance team spirit and enrich the corporate culture, making Sheh Fung Screws a happier workplace and boosting employee well-being.





Cycling around the island in 2023



Cycling around the island in 2023



2023 Overseas Travel Activity - Vietnam



2023 Overseas Travel Activity - Japan



2023 Fu'an temple prayer event



2023 SHS Corporate Family Day



- **Employee Retirement System and Implementation Status**

In order to take care of employees and ensure their old-age life after retirement, Sheh Fung Screws applies the relevant standards of the new and old pension system according to both the Labor Standards Act and the Labor Pension Act to take care of the lives of retired employees.

The Company has clearly defined the employee retirement system in the *Retirement Management Regulations* in accordance with the Labor Standards Act, and allocates pension funds every month and deposits them in the Central Trust Bureau's special office in accordance with the law. Since July 1, 2005, in accordance with the implementation of the Labor Retirement Act, it complies with the rule for employees under the new pension provision system, the Company will contribute a monthly pension of no less than 6% of salary to the individual labor pension account.

According to the Company's personnel management system, employees who have any of the following circumstances should retire immediately:

- (1) Those who are over sixty-five years old.
- (2) The person is mentally disabled or physically disabled and is unable to perform their jobs.

In addition, in order to better protect the lives of colleagues after retirement, the Company implemented employee stock ownership trusts in April of 2021. In accordance with the regulations of the Company's employee stock ownership association, participants will entrust the monthly deposit amount to a financial institution in the name of a special account to purchase the Company's stocks to use and manage on their behalf, and receive the trust stocks when the participants retire, allowing colleagues to have an extra layer of life security when they retire.

- **Implementation Status of Parental Leave and Suspension of Pay**

According to the Act of Gender Equality in Employment, female employees are entitled to leave without pay during pregnancy and childbirth, maternity leave, and male employees are entitled to paternity leave when their spouses give birth. According to the Act of Gender Equality in Employment and the Implementation Measures for Taking Leave without Pay for Child Care, the Company should provide leave without pay for employees who need to provide child care, and actively assist employees to reintegrate into the workplace after the leave without pay expires. In 2023, no employee of Sheh Fung Screws applied for parental leave without pay. The relevant information is as follows:



## Statistics of Sheh Fung Screws' Parental Leave Without Pay over the Past Three Years

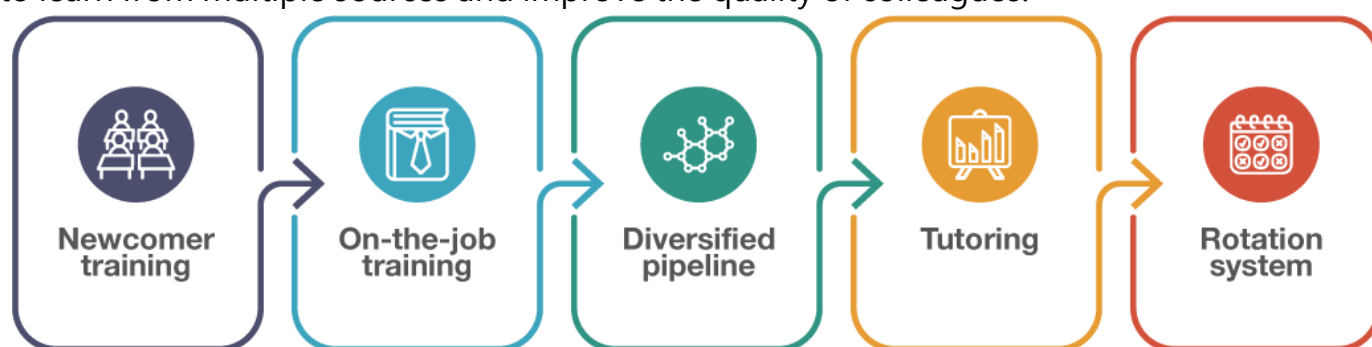
Year	2021			2022			2023		
Gender/Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Employees eligible for unpaid parental leave A	0	0	0	0	3	3	2	2	4
Employees who applied for unpaid parental leave in the current year B	0	0	0	0	0	0	0	0	0
Employees who should be reinstated after unpaid parental leave in the current year C	0	0	0	0	0	0	0	0	0
Employees who have been reinstated after unpaid parental leave in the current year D	0	0	0	0	0	0	0	0	0
Employees who have been reinstated after unpaid parental leave in the previous year E	0	0	0	0	0	0	0	0	0
Employees who have been reinstated after unpaid parental leave in the previous year and have worked for one year F	0	0	0	0	0	0	0	0	0
Rate of employees who have been reinstated after unpaid parental leave in the current year % (D/C)	-	-	-	-	-	-	-	-	-
Rate of employees who have been reinstated after unpaid parental leave and remained in office in the current year % (F/E)	-	-	-	-	-	-	-	-	-
Remarks: 1. The number of people who should be reinstated = the number of people who are expected to be reinstated in the current year following parental leave without pay. 2. Number of people retained in 2023 = Number of people actually reinstated in 2022 and still employed on December 31, 2023. 3. The rate of reinstatement on child care leave in the current year % = the actual number of people on parental leave who have been reinstated in the current year / the number of people who should be reinstated after parental leave in the current year (D/C). 4. The retention rate of parental leave in the current year % = the number of people who continued to work for one year after being reinstated from parental leave in the previous year / the actual number of people who were reinstated from parental leave in the previous year (F/E).									

## 4.2 Cultivation and Development

The sustainable operation of an enterprise is based on effective employee training and adaptive development, so Sheh Fung Screws is committed to planning and promoting the company's education and training system, with a view to strengthening the enterprise, simultaneously enhancing the career competitiveness of employees and achieving a win-win



situation with employees. In addition to the annual departmental on-the-job education and training plan, the Company promoted second language learning in 2022 and offered 100 hours of free Vietnamese courses for employees. In 2022, the company launched a free Vietnamese language course for employees, providing 100 hours of instruction. We also provide incentives to those who pass the certificate examination, and encourage employees by providing scholarships and subsidies for on-the-job training to encourage the willingness to learn from multiple sources and improve the quality of colleagues.



### Career Development and Training of Sheh Fung Screws Employees

Training Channel	Content Description
New recruit training	1. Joint training: Company profile, salary and welfare, rules and regulations, industrial safety training and environmental introduction. 2. Online work instruction: operation instruction and work safety requirements in special areas. 3. Interdepartmental internship: different internship stages and contents are scheduled according to job requirements.
On-the-job training	According to the Company's policy plan, class level and job level requirements, the annual training plan is scheduled, which includes: training of supervisors, production, marketing, human resources, R&D, financial professional ability training, license training, laws and regulations promotion, etc.
Tutoring	Through project or system introduction opportunities, the guidance of counseling consultants can help employees to gain new knowledge and improve their professional ability through specific practical ways, such as SAP system, ISO 9001, ISO 14000, ESG, TTQS..., etc.
Rotation system	For key trainees, work out career plans, and expand their career scope by rotating the positions of units in the planned field according to their professional skills and development potential.

### • Education and Training

Sheh Fung Screws provides diverse and rich learning resources channels, including orientation training for new recruits, various vocational, technical training, and management training for supervisors at all levels, as well as general education courses in languages, arts and humanities, etc. It is hoped that every employee will be able to adapt to their job through a sound education and training system, so as to enrich the Company's human resources.



There was no significant difference in training hours between male and female colleagues in the Company, which proves that there is no gender discrimination in talent cultivation. In 2023, the total hours of employee education and training were 3,607.5 hours with average education and training hours of about 12.88 hours. Sheh Fung Screws attaches great importance to the education and training of employees, and works out an appropriate reward mechanism to encourage employees to learn by themselves. The Company hopes that through rich and diverse learning channels and appropriate career development planning, all colleagues will have the opportunity to use what they have learned freely in the Company and grow together with the Company.

Average Education and Training Hours of Sheh Fung Screws Employees									
Category / Type		Management Position		Non-management Position		Direct Employees		Indirect Employees	
Unit / Gender		Male	Female	Male	Female	Male	Female	Male	Female
Total number	Number	19	16	165	86	125	28	59	74
Total training hours	Hour	282.5	451.5	1,596.5	1,277	918	283	961	1,445.5
Average training hours	Hour/Number	14.86	28.21	9.67	14.84	7.34	10.10	16.28	19.53
Total training cost	NT\$	19,643	48,709	107,308	76,995	54,212	3,905	72,739	121,799
Remarks: 1. Number of management positions + Number of non-management positions = Total number of positions at the operating base. 2. Total number of direct employees + total number of indirect employees = total number of employees in the operating base. 3. If there is a large difference in the average training hours between females and males, the Company will explain the reasons.									

In addition, the Company will publicize anti-corruption, sexual harassment prevention measures and anti-terrorism policy from time to time, strengthen colleagues' concepts of human rights and corporate social responsibility, so as to enhance their own rights and interests, and also regularly conduct education and training on disasters, so as to enhance employees' crisis awareness and help protect themselves.





Self-defense fire drill in the first half of 2023



Occupational safety and health hazard prevention training.



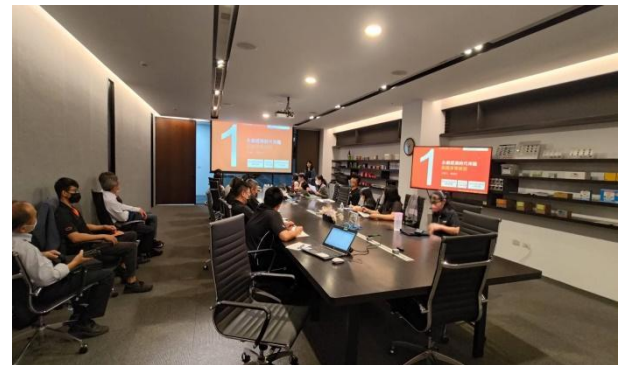
New edition CPR & AED training.



Ethical business conduct standards.



Forklift training (seated)



Understanding net zero emissions



SMETA Ethical Trade Audit (ETI) basic principles promotion



Screw head type recognition training



## 4.3 Occupational Safety and Health

In order to ensure the safety of employees in the workplace, Sheh Fung Screws' disaster management goal is to take zero disaster as the starting point, an index to improve various safety activities in the factory area, and to support the activities related to zero disaster by way of reward, so as to commend outstanding units.

We provide employees with work clothes, safety helmets, safety shoes, earplugs, masks and other necessary safety protection equipment, and require employees to wear them according to regulations to avoid injury. In addition, routine safety and health education and training for new and on-the-job employees will be conducted to enhance safety awareness, and disaster prevention drills are held regularly, so as to make preventive measures and emergency response steps for accidents. At present, there is no labor health and safety management committee and related trade unions.

The above applies to all activities of our Company including production and non-production sites and areas, equipment, and routine and non-routine operating activities in the jurisdictional operation area, including all activities of off-site units entering the Company's factory area, facilities and equipment provided by off-site units. The activities operated by our Company also include all those by contractors (cleaning, security, delivery, equipment maintenance, etc.) who enter the Company's jurisdiction to engage for such.

The total number of employees is 286, while the total number of non-employees is 20.

- **Occupational Safety and Health Committee**

The Company has established an Occupational Safety and Health Committee in accordance with the Occupational Safety and Health Management Act to make recommendations on the safety and health policies and management systems formulated by the Company, and to review, coordinate and recommend safety and health-related matters. There are 4 management representatives and 3 labor representatives. Their responsibilities are as follows:

- (1) Formulate, plan, promote and supervise occupational safety and health-related matters.
- (2) Formulate, plan and promote emergency response matters.
- (3) Plan and implement employee safety and health education and training.
- (4) Handle occupational disaster surveys and statistics and fill in occupational disaster statistical monthly reports. Meetings shall be held at least once every three months, and ad hoc meetings may be held when necessary.

- **Risk Assessment, Hazard Identification and Incident Investigation Procedures**

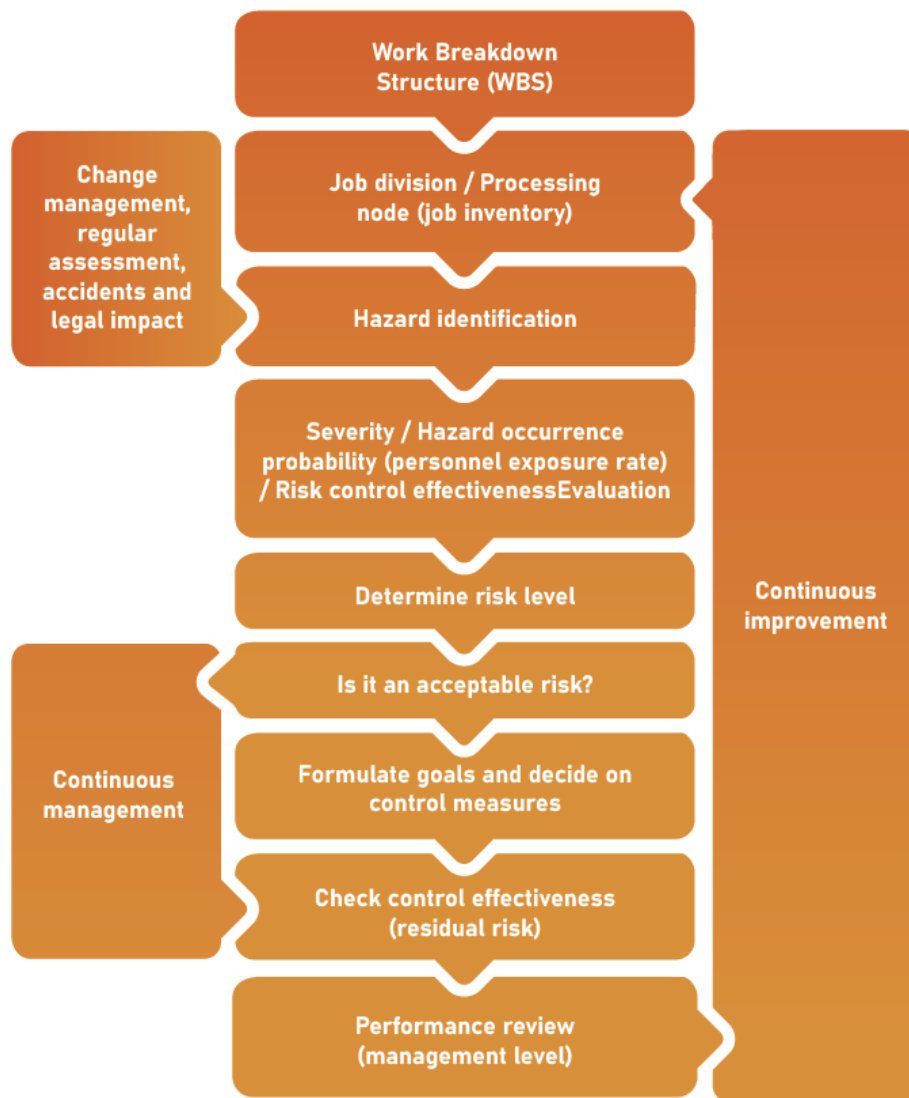


In order to continuously identify and evaluate various types of physical, chemical, biological and human engineering hazards that may be caused by the raw materials, machinery and equipment, operating environment and employee operating activities involved in the Company's various operations or services, the Company adopted reasonable, effective and feasible control measures to reduce the impact on the safety and health of the Company's employees, contractors' labor and related third parties. The Company has specially formulated Hazard Identification and Risk Assessment Control Procedures to continuously identify, assess, control, and minimize risks. The status of safety and health implementation is reported to the monthly factory-level safety and health committee and the quarterly company-level safety and health committee, and is explained to the labor representatives of each organization within the company every quarter.

Regarding the various operational activities, the operation of machinery and equipment and the chemicals used by employees, workers, contractors and guests in each plant, all are conducted regularly every year in accordance with the Hazard Identification and Risk Assessment Control Procedures. From time to time, after an accident, or when the workplace changes, risk identification will be conducted and a quantified risk score will be defined based on the severity and frequency of accidents that may occur during various operating activities, operating machinery and equipment, or using chemicals.

When the risk score ranges from 153.6 to 320 points, it is considered a "high risk". Existing protection measures should be reviewed and improvements should be prioritized to reduce the risk. If the risk score is higher than 153.6 points, it is considered an "unacceptable risk". It is then necessary to stop operations and immediately review the integrity of existing protection measures or carry out improvement plans or strengthen response capabilities. Executives are qualified as occupational safety and health administrator technicians and receive 12 hours of on-the-job occupational safety and health education and training every two years.





Hazard identification, risk assessment and decision-making process for control measures

### • Continuous Improvement

In order to comply with relevant laws and requirements, the Company adheres to the following: perform risk assessment, hazard identification, and safety and health education and promotion; improve employee risk awareness and safety knowledge; formulate a Safety and Health Work Code and submit it to the occupational safety and health authority for review; hold occupational safety and health committee meetings every quarter to address relevant issues; provide advice and coordination on occupational safety and health policies formulated by the Company; recommend occupational safety and health management plans, and review related matters (safety and health education and training implementation plan reasons); check results of the working environment monitoring plan and the reasons for the measures taken; conduct health management, occupational disease prevention and health promotion matters



as well as various safety and health proposals; carry out automatic inspections and safety and health audit matters of business units; set up preventive measures for hazards of mechanical equipment or raw materials; prepare occupational disaster investigation reports (contracted business safety and health management matters); and assess on-site safety and health management performance topics, and other related occupational safety and health management matters.

If there is an immediate danger to the performance during work, employees can stop or leave on their own. If any problems are found during work, they can immediately report it to the supervisor on duty, report it through the Company's suggestion box, or scan the QR-code to open the link and fill out the response form.

- **Occupational Safety Training Program**

The Company formulated an annual education and training plan to ensure the safety of labor operations. In addition, in order to enhance the occupational safety and health knowledge and management capabilities, persons in charge of occupational safety and health training at all levels must participate in occupational safety and health training that meets their needs.

Occupational Safety and Health Training Project Statistics		
Training Project	Number of Trainees	Training Costs (NT\$)
On-the-job education and training for safety and health managers	1	1,143
On-the-job safety and health education and training for first responders	9	14,953
Safety and health education and training for supervisors working with specific chemical substances	2	571
Grade A Air Pollution Control Specialist	1	0
On-the-job education and training for fixed crane operators	8	3,048
On-the-job training for operators of high-pressure gas specific equipment	1	381
On-the-job training for forklift operators	10	1,524
Other safety and health knowledge related to labor operations in the first half of the year (internal training)	30	0
Self-defense fire fighting group drill (internal training) in the first half of the year	72	0
Internal Training on Paint Shop Air Pollution Control Equipment	32	0
Emergency response education and training (internal training)	36	0
Self-defense firefighting group drill (internal training) in the second half of the year	197	0



Other safety and health knowledge related to labor operations in the second half of the year (internal training)	85	0
Remarks: 1. Including employees and non-employees whose work and/or workplace are controlled by the organization. 2. Workers who are not employees but whose work and/or workplace are controlled by the organization, such as security guards, cleaning staff, construction workers, etc. contractors and outsourcers. 3. The occupational safety and health-related education and training here include general training or training for specific occupational hazards and dangerous situations.		

## • Health Checks

Every year, Sheh Fung Screws conducts employee health checks, including general health checks and special job health checks, and monitors the working environment, so as to provide a healthy and hygienic working environment for colleagues. Occupational physicians make statistical analysis of health management according to the health check report. The workers in the two plants with potential disease incidence and high risk are electroplating workers and wastewater workers in the Qiaotou plant, and head-making personnel, tail clamping personnel and teeth rubbing personnel in the Mituo plant. Every year, employees in high-risk working environments are given special tests, including for noise, chromic acid and salt, etc.

Sheh Fung Screws cares about the physical health of all employees, pays attention to health and safety culture, promotes employees' physical and mental health, achieves work-life balance, and reduces workplace safety and health risks. The Company plans comprehensive health checks every year that surpass regulations and regularly track the health status of employees. In addition to incorporating environmental monitoring data for statutory special operations, we identify risks of possible health hazards and build an intrinsically safe working environment. Inspection reports are used for statistical analysis of health management.

Disease incidence and high-risk workers in the two plants include electroplating personnel, painting personnel and wastewater personnel in the Qiaotou factory, and head-cutting personnel, tail clamping personnel, and teeth rubbing personnel in the Miduo factory. Every year, for employees working in high-risk working environments, special testing is carried out, including noise inspection, chromic acid and salt inspection, etc., to understand the health status of employees and provide a self-health management basis, since prevention is better than cure and to create a safe and risk-free working environment.



## Statistical Summary of the Number and Cost of Employee Health Checks

General health examination	
Item	General examination, urine examination, routine blood examination, hepatobiliary and renal function, blood sugar, glycated hemoglobin, blood fat, cholesterol, risk factors for arteriosclerosis, cancer, cardiovascular and metabolic diseases, electrocardiogram, arteriosclerosis, body fat, quantitative colorectal cancer, ultrasound, X-ray and other examinations.
Number (people)	182
Fee ( NT\$1000 )	41,1800
Special health examination	
Item	Noise detection, chromic acid and salt detection
Number (people)	48
Fee ( NT\$1000 )	1,8000

### ● Health Promotion

Sheh Fung Screws arranges for doctors and nursing staff of special labor health services to provide on-the-spot services, assist in health guidance and interviews, so as to promote employees' physical and mental health, and implement the following specific measures:

In order to ensure the safety of employees in the workplace, the Company's disaster management goal is to take zero disaster as the starting point, as an index to improve various safety activities in the factory area, and to support zero disaster related activities by way of reward, and commend outstanding units. The Company provides employees with work clothes, safety helmets, safety shoes, earplugs, masks and other necessary safety protection equipment, and requires employees to wear them according to regulations to avoid injury.

In addition, the Company will conduct safety and health education and training for new and on-the-job employees to enhance safety awareness, hold regular disaster prevention drills, and expect to take preventive measures and emergency response measures when accidents happen. Furthermore, the Company will arrange doctors and nursing staff of labor health services with special appointments to conduct on-the-spot services, health guidance and interviews, so as to promote employees' physical and mental health. The Company implements and promotes the following specific measures:

Item	Content
Employee health management	<ul style="list-style-type: none"> <li>● Annual general and special operation health examination.</li> <li>● According to the results of staff health examination, special workplace doctors and nurses regularly follow up management and health guidance.</li> <li>● Hire professional nursing staff to visit the factory six times a month to provide health care services and health consultation for employees.</li> </ul>



	<ul style="list-style-type: none"> <li>Hire a professional occupational safety and health physician to visit the factory once every two months, provide professional consultation for employees, and assist in assessing the hazard risks of employees' workplaces.</li> </ul>
<b>Operation environment monitoring</b>	<ul style="list-style-type: none"> <li>Implement once every six months: workplace noise detection and concentration of sulfuric acid, chromic acid and methanol.</li> </ul>
<b>Environmental disaster training</b>	<ul style="list-style-type: none"> <li>Hold regular disaster prevention drills, so that colleagues can have clear contingency steps when accidents happen.</li> <li>Set up automated external defibrillators (AEDs) in each factory area, and hold AED education and training in disaster prevention drills.</li> </ul>
<b>Access control security</b>	<ul style="list-style-type: none"> <li>Sign a 24-hour security contract with the security company.</li> <li>Equip each factory area and administrative office building with a strict monitoring system to maintain the safety of employees.</li> </ul>

In addition to reminding colleagues to pay attention to follow-up diagnosis and treatment of abnormalities, it also serves as a guideline for planning health promotion for the next year to assist employees in implementing self-health care management and provide colleagues with comprehensive health care.

### ● Occupational Injury Statistics

Sheh Fung Screws' occupational accident statistics are based on important occupational accident statistical disclosure items announced by the Occupational Safety and Health Administration. There was no occupational injury in 2023. The Company will continue to strengthen education, training and on-site inspections, and do a good job in safety and health management to prevent the recurrence of major occupational disasters. The Company holds educational training courses and increases hardware protection measures in the hope of continuously reducing the rate of employee disability and injury.

In addition, for contractors and outsourcers, workers are managed according to the safety and health management measures for contract operations. There were no occupational injuries or diseases among non-employee workers in 2023.

Occupational Injuries to Employees		
Type	Category	2023
Total working hours	Female total working hours	148,760
	Male total working hours	196,760
	Total working hours	345,520
Number of fatalities caused by occupational injuries	Number of female fatalities	0
	Number of male fatalities	0
	Total number of fatalities	0

Number of serious occupational injuries (excluding fatalities)	Total number of serious occupational injuries for females (times)	0
	Total number of serious occupational injuries for males (times)	0
	Total number of serious occupational injuries (times)	0
The number of recordable occupational injuries (including the number of fatalities and the number of serious occupational injuries)	Total number of occupational injuries for females (times)	0
	Total number of occupational injuries for men (times)	0
	Total number of occupational injuries (times)	0
Fatality rate % caused by occupational injuries		0
Serious occupational injury rate %		0
Recordable occupational injury rate %		0

Remarks:

1. Fatality ratio caused by occupational injuries = (number of deaths caused by occupational injuries / working hours) \* 1,000,000.
2. Serious occupational injury ratio = [Number of serious occupational injuries (excluding fatalities) / working hours] \* 1,000,000.
3. Recordable occupational injury ratio = [Number of recordable occupational injuries (including the number of fatalities and serious occupational injuries) / working hours]\*1,000,000.
4. Serious occupational injuries refer to occupational injuries without recuperation within 6 months.
5. Recordable occupational injuries do not include occupational injuries caused by commuting to and from work.

Occupational Diseases of Employees		
Type	Category	2023
Number of fatalities caused by occupational diseases	Number of female fatalities	0
	Number of male fatalities	0
	Total number of fatalities	0
	Total number of occupational diseases in females	0
Recordable number of occupational diseases	Total number of occupational diseases in males	0
	Total number of occupational disease cases	0
Fatality rate due to occupational diseases %		0
Recordable occupational disease rate %		0

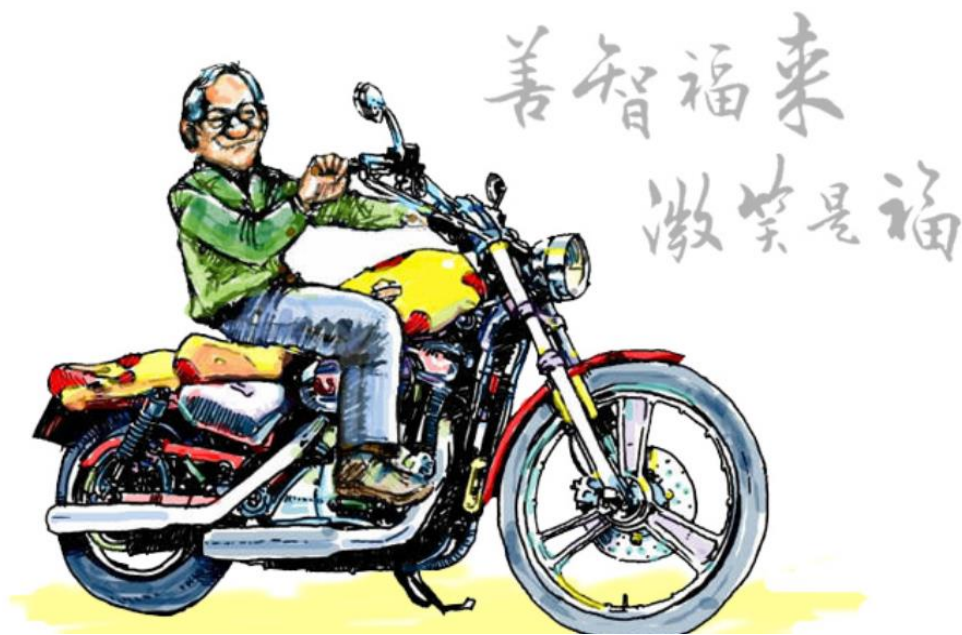
Remarks:



1. Occupational disease ratio = (total number of occupational diseases / total working hours) \* 1,000,000.
2. Fatality rate caused by occupational diseases = (number of fatalities caused by occupational diseases / total working hours) \* 1,000,000.
3. Recordable occupational disease ratio = [number of recordable occupational diseases / working hours] \* 1,000,000.



## 5 Social Care



Sheh Fung Screws' founder, Mr. Lucky Tu, despite his hardships due to limited education, was grateful for his physical health, which allowed him to work diligently. Achieving some success, he frequently donated to charities and considered establishing a workplace for the physically disabled to help them become self-reliant. His desire to give back was reinforced during a gathering with other successful professionals. Remembering his own struggles, Mr. Tu wanted to ensure that impoverished Taiwanese children could access education and, one day, contribute back to society, creating a cycle of love and support.

This is not only a small history of Mr. Tu's personal success, but also a very important reason why Mr. Tu is the happiest in this period of time because he has realized his lifelong wish - implementing his concept of "Goodness and Wisdom of Lucky". First, Sheh Fung Goodness and Wisdom Foundation was established, and in 2006, Sheh Fung Goodness and Wisdom Charity Foundation was established to give back to the society and help poor families in remote areas of Taiwan.

Sheh Fung Goodness and Wisdom Charity Foundation adheres to the spirit of its founder, Mr. Lucky Tu, and has systematically organized scholarships for under-privileged students, Winter Aid scholarships, and nutritional lunch programs for poor students.



Besides being the largest sponsor of the Sheh Fung Goodness and Wisdom Charity Foundation, Sheh Fung Screws has made every effort to contribute to the Foundation in their respective posts, because everyone believes that small drops will eventually converge into a big river. Serious cultivation will surely produce beautiful flowers on the wasteland. It is also this earnest and persistent heart that makes us learn "the True Happiness in Goodness and Wisdom".

- Donated 42 one-year subscriptions of Future Children's books to 15 elementary schools to enrich the learning resources of disadvantaged children in remote areas, allowing them to explore a broader world through knowledge in 2023.
- Donated 280 residential fire alarms to enhance residents' disaster prevention awareness and provide a safer living environment in 2023.
- Donated surveillance camera systems to maintain community security.
- Planned for 2024, donating 270 books related to SDGs to 15 elementary schools to deepen underprivileged children's understanding of sustainability, environmental protection, and gender equality.

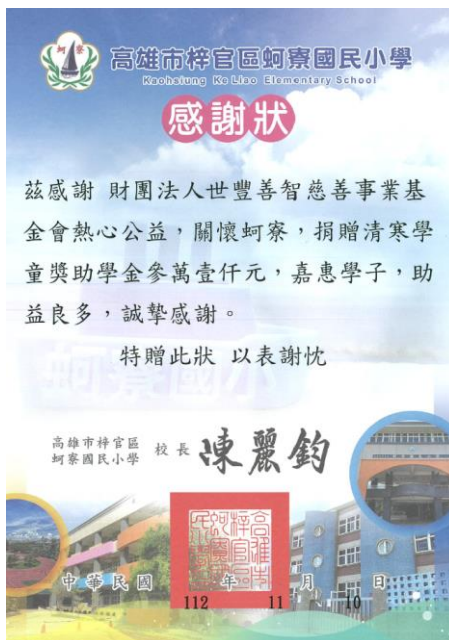
Public Welfare Activity Name	Amount (NT\$)
Donated fire alarms to the Kaohsiung City Government Fire Department	56,000
Donated Sheh Fung Goodness and Wisdom Charity Foundation	4,800,000
Donated one-year subscriptions of Future Children's books	100,000
Donated books related to SDGs	80,000
Total	5,036,000



Donation of Firefighting Equipment - Certificate of Appreciation



Donation of Scholarships for Underprivileged Students - Certificate of Appreciation



Donation of Scholarships - Certificate of Appreciation

【給孩子一個大未來:世豐善智基金會公益專案】  
受贈雜誌 ☐ 未來少年 ☒ 未來兒童 問卷調查 2023.12.11  
學校: 高雄國小 班級: 103 姓名: 解宜凌

1. 多年來持續的贈閱雜誌，有效培養學生的閱讀習慣？  
☐ 非常同意 ☒ 同意 ☐ 尚可 ☐ 不同意 ☐ 非常不同意  
實例分享：  
小朋友都會期待新一期的未來兒童。

2. 雜誌的多元內容適合做為課堂討論或教學輔助之用？  
☐ 非常同意 ☒ 同意 ☐ 尚可 ☐ 不同意 ☐ 非常不同意  
實例分享：  
未來兒童內容多元化，正好做為生活課程的補充內容。

3. 閱讀本雜誌可以增廣學生見聞，拓展知識領域？  
☐ 非常同意 ☒ 同意 ☐ 尚可 ☐ 不同意 ☐ 非常不同意  
實例分享：  
從未來兒童小朋友可以增加科學知識，小朋友會和大家分享從未來兒童看到的內容。

4. 本雜誌是學生們閱讀時的首選選擇？  
☐ 非常同意 ☒ 同意 ☐ 尚可 ☐ 不同意 ☐ 非常不同意  
實例分享：  
閱讀課或暑假期間小朋友都會先翻閱新一期的未來兒童。

Sheh Fung Goodness and Wisdom Charity Foundation Book Donation Feedback Questionnaire



Donation of Scholarships for Underprivileged Students - Certificate of Appreciation

【給孩子一個大未來:世豐善智基金會公益專案】  
受贈雜誌 ☐ 未來少年 ☐ 未來兒童 問卷調查 2023.12.13  
學校: 礁溪國小 班級: 103 姓名: 解宜凌

5. 五年來贈閱雜誌，學生的閱讀情況與分享：  
未來兒童的內容多元，有科學類、生活類、文學類、趣味遊戲類，小朋友會聚在一起聊著中介紹的太空主題，或一起動腦解謎題與趣味遊戲，無形中增進課外豐富的知識，未來兒童真的是小朋友的最佳選擇。  
評語：  
感謝基金會的心意與感謝：(邀請孩子們填寫)  
感謝基金會的心意與感謝：(邀請孩子們填寫)  
感謝基金會的心意與感謝：(邀請孩子們填寫)  
感謝基金會的心意與感謝：(邀請孩子們填寫)  
感謝基金會的心意與感謝：(邀請孩子們填寫)

Sheh Fung Goodness and Wisdom Charity Foundation Book Donation Feedback Questionnaire

## 學校回饋

## 學生閱讀雜誌的心得與感想<sup>00</sup>



### 新隆國小 五甲 學生

未來兒童讓我學到了很多的動物知識，比如說鰐嘴獸雖然是哺乳類，但是牠們會生蛋！真有趣！～豫思。

我喜歡未來兒童它讓我學到了穿山甲的魚片很像盔甲保護了牠，讓穿山甲不會受傷。奕勝  
我覺得未來兒童是一本很神奇的雜誌，看了一次就會停不下來，感覺被未來兒童施了魔法，是開心的魔法～以恩。



### 冬山國小 四愛 學生

我很喜歡看未來兒童，因為它用有趣的方式介紹很多知識。它的圖案也都很好看，補充課本學不到的東西，讓我變得很厲害。每個月我都很期待新的一期未來兒童。謝謝世豐基金會的贊助，讓我們有這麼好的資源。



### 甲圖國小 五忠 學生

我讀的未來少年的主題是有關於題的，大家對於題總是懷著敬畏的心，每個人對題的定義都不同，我是寧可信其有啦！許多電影都把題演的可怕，邪惡，但題也是人變的，我認爲牠們也有善良的一面。

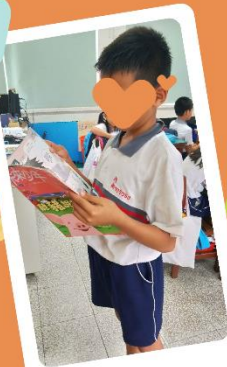


### 鳳凰國小 圖書館 學生

我很喜歡看未來兒童，有很多內容我都有興趣，我還會問家人文字好好玩的謎題，讓他們也動動腦。看到未來兒童介紹的新書，我也很想看，因為我超想知道書本裡的故事。謝謝世豐基金會的叔叔、阿姨們贈送雜誌給我們學校，我會好好利用時間去閱讀這些書。

## 學校回饋

多年來的贈閱，讓孩子可以透過閱讀認識全世界，降低城鄉差距、弭平學習障礙！這是我們最重視的事，也感謝企業夥伴的一路相挺！



# 學校回饋

## 五年來贈閱雜誌，學生的閱讀情況分享



新隆國小 六甲 黃吟如老師

學生已養成習慣每當晨讀或課餘時間，由書架上挑選一本「未來兒童」，津津有味的沉浸在知識的國度中，有時看到有趣的內容，還會迫不及待的拿著書跟同學分享呢！自從有了「未來兒童」，孩子的定性較好了，視野也開闊了，感謝世豐基金會的贊助！



彌陀國小 102 林秀娟老師

感謝世豐善智基金會贈閱雜誌，讓3C盛行的現在，還有最新的兒童紙本雜誌放在教室，讓孩子能隨時可以翻看，雖然一年級的孩子大都還不認識國字，但培養閱讀習慣，還是有益的。



冬山國小 二忠 游莉玫老師

學童每每都會期待「未來兒童」的寄來，原因是：

- 1、題材新穎，總能勾起孩子的興趣。
- 2、即便是過期的，他們也是樂在其中的沉浸書海。
- 3、只要從小讓他們接觸本讀物，必能養成生活中的正確觀念。



梓官國小 205 圖書館 黃士芬老師

二年輪替一次不同的學生且新生是從幼兒進入小學的新階段，每每看到一年級時介紹本雜誌，僅有少部份的學生眼睛泛著亮光。到了二年級時，便可看到本雜誌匯聚眾多的目光。



# 6 Future Development

Under the pressure of fierce competition from domestic and foreign peers, Sheh Fung Screws has continuously improved the automation of production equipment and implemented the optimization of production schedule in addition to the operation management, so as to improve the output efficiency and improve the delivery time, which meets the needs of customers. We will accelerate the implementation of new products and function development projects and continue to develop towards the service field of all-round solutions.

## The company's future development strategy

Item	Short-term business development plan	Long-term business development plan
Operational strategy	<p>(1) In 2023, dragged down by high inflation rate, high interest rate and global geopolitical tension, the global demand for end products was weak, which led to the slowdown of manufacturing activities in various countries. In addition, the Russian-Ukrainian war, the Gaza Corridor conflict and the Red Sea crisis have not stopped so far, which further affected the shipment momentum. The company turned to new markets, new products and new fields to enhance its operational momentum and reduce the impact of the external environment.</p> <p>(2) Through product innovation, market positioning and other strategies, enhance product competitiveness and market share, and achieve revenue growth and profit improvement.</p> <p>(3) Formulate environmental protection measures, such as reducing energy consumption, optimizing waste management, improving resource utilization efficiency, etc., to reduce the negative impact of the environment.</p> <p>(4) By analyzing the situation of each supply chain, identify and eliminate the bottleneck process, develop new suppliers and coach the original suppliers to</p>	<p>(1) By introducing new products or services, expanding product lines, supplemented by product and process certification of international organizations, opening up new market areas to meet the needs of different customer groups.</p> <p>(2) Strengthen the product diversity and competitiveness of Vietnam production base, and reduce the influence of geopolitical docking orders.</p> <p>(3) Pay attention to the cultivation of international talents and team building, and establish a team with cross-cultural communication skills and international vision to meet the requirements of the global business environment.</p> <p>(4) Continue to invest in product research and development, technological innovation, constantly enhance the competitiveness of products and services, and attach importance to the protection of intellectual property rights, and apply for product patents to ensure the uniqueness and competitive advantage of research and development results.</p> <p>(5) Pay close attention to market demand and trends, connect with market demand, develop new products and services that meet market demand, and improve market adaptability and competitiveness of products.</p>



<p>upgrade, so as to improve the efficiency of the supply chain.</p> <p>(5) Adopt automatic production technology to reduce labor costs and improve production efficiency and product quality.</p> <p>(6) Expand the international market, actively participate in international competition, increase the market share of products, and explore new marketing channels.</p> <p>(7) Identify and evaluate various internal and external risks, and formulate corresponding risk management measures to reduce the impact of risks on the company's operations.</p> <p>(8) Conduct in-depth research on different markets, understand local culture, needs and trends, and adjust products and marketing strategies according to the local market environment.</p> <p>(9) Establish standardized processes so that the company's production processes in different regions can follow the same standards and improve the company's operational efficiency.</p> <p>(10) Continue to analyze the gross profit of products and improve the cost, so as to create a win-win future for Sheh Fung and customers.</p> <p>(11) Conduct in-depth research on different markets, understand local culture, needs and trends, and adjust products and marketing strategies according to the local market environment.</p> <p>(12) Continuously analyze the gross profit of products and improve the cost, so as to create a win-win future for Sheh Fung and customers.</p> <p>(13) Strengthen the management of working capital, strengthen financial management and capital flow monitoring, ensure sufficient and reasonable use of</p>	<p>(6) Expand the market scale: strengthen marketing, expand more potential customer groups, find new sales channels, expand the market scale and improve brand awareness.</p> <p>(7) Adopt advanced production technology, optimize production process, improve production efficiency, reduce production cost, improve product competitiveness, ensure products meet international standards and customer requirements, strengthen quality management system, detect and control product quality, improve customer satisfaction and enhance market competitiveness.</p> <p>(8) By increasing production capacity in different regions, the company's product supply will be improved, the company's market share will be further improved, and the influence of political risks will be reduced.</p> <p>(9) Strengthen the concept of sustainable management, implement carbon reduction and net zero emission measures, and improve the green degree of products.</p> <p>(10) Promote the optimization of information communication, improve the company's management and production efficiency, and enhance market competitiveness.</p> <p>(11) People-oriented training and R&amp;D of human resources in the whole company, encouraging all employees to participate in the implementation of corporate governance, increasing employees' recognition of the company, and accurate reward system to strengthen the ability to retain talents, so as to realize the vision of sustainable operation and common prosperity and sharing of enterprises.</p>
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	<p>funds, and allocate the capital demand required by market changes with sound financial allocation.</p> <p>(14) Create a team operation mode, improve the fit and cooperation ability of each unit, and cultivate T-type talents who can be multi-oriented.</p>	
Operation management and financial planning	<p>(1) In response to the development of future operations, the Company will make overall plans for the allocation of company resources through sound financial planning and operation management, so as to maximize the comprehensive benefits of the company's resources.</p> <p>(2) Maintain good relationships with correspondent financial institutions, master the pulse of the financial market, flexibly allocate funds, improve financial operation performance and reduce interest expenses.</p>	<p>(1) establish a sound management system, implement the company's business philosophy, shape an excellent corporate culture, and realize the vision of sustainable management.</p> <p>(2) Through diversified financing channels in the capital market, we can strengthen the financial structure and the company's physique, cultivate long-term development strength, and cooperate with the growth of the company's operation scale to enrich the management team and enhance the company's visibility and image.</p>
Product strategy	<p>(1) Maintain cooperation with customers to develop customized products, and propose competitive solutions that are ahead of peers.</p> <p>(2) Help to enhance the value and innovation of customized products.</p> <p>(3) Reduce the operational risk of products, strengthen the development principle of product line balance, and enhance the value of products.</p>	<p>(1) Enhance the leading position in technology and strengthen the research and development of key technologies of products.</p> <p>(2) Integrate related technologies, expand product line breadth and deepen technical level.</p> <p>(3) Focus on customers' core products and provide value-added services.</p>
Marketing strategy	<p>(1) Strengthen the existing customer service and industry, and play the role of long-term strategic partner.</p> <p>(2) Develop new markets and customers, and establish partnerships in marketing channels.</p> <p>(3) Improve market share and profit.</p> <p>(4) Provide one-stop shopping service to simplify the customer's workflow and burden.</p> <p>(5) Strengthen network exposure and print advertising.</p> <p>(6) With the lifting of border epidemic prevention, international exhibitions and</p>	<p>(1) Strengthen the competitiveness in the international market and enhance strategic cooperation with international customers.</p> <p>(2) Innovating market demand and strengthening communication and cooperation with strategic partners.</p> <p>(3) Strengthen the ability of market analysis, gain insight into opportunities, provide better services to customers, and establish long-term and loyal partnerships.</p> <p>(4) To become a trouble shooter for customers and jointly develop market niches through technical upgrading.</p>



	customer visits will be resumed to increase the frequency of face-to-face customer communication to maintain good customer relations.	(5) Strengthen the link with customer information flow, and reduce the operation delay caused by national boundaries and time difference through real-time transparent databases. (6) Collect customer and transaction information, and find the target customer through data analysis. (7) Cross-border entry into new businesses and new application fields, diversified management.
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## Short-term, medium-term and long-term R&D objectives of Sheh Fung Screws

The company's future research and development direction is moving towards products with higher technical threshold, and it is expected to obtain higher profits through the development of new products. The future research and development direction is:

 Short-term goal	<ul style="list-style-type: none"><li>A. Continue developing ICC-certified construction screws and other large-size carbon steel stainless steel long screws for ICC certification.</li><li>B. Develop diamond tip construction screws.</li><li>C. Develop Sheh Fung's patented composite board screws using stainless steel 305 material.</li><li>D. Develop Racing tip self-drilling screws.</li><li>E. Enhance trivalent multicolored electroplating technology.</li><li>F. Improve painting processes and equipment, including manual line installation to reduce paint waste.</li><li>G. Improve heat treatment processes, install electrostatic oil mist treatment, and reduce waste generation for carbon reduction in manufacturing.</li></ul>
 Medium-term goal	<ul style="list-style-type: none"><li>A. Continue developing automotive fasteners and optimize production quality stability.</li><li>B. Develop chain belts for tool guns.</li><li>C. Develop multi-stroke, multi-position products.</li></ul>
 Long-term goal	<ul style="list-style-type: none"><li>A. Develop specialized anti-crack screws for premium European hardwood.</li><li>B. Develop extra-long and punch-sized self-drilling screws.</li></ul>



# 7 Appendix

## Appendix I: GRI Sustainability Reporting Standards (GRI Standards) Chart

Statement of use	Sheh Fung Screws Co., Ltd. has reported in accordance with the GRI Standards for the period of January 1, 2023 through December 31, 2023. Data is referenced according to the GRI Content index.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	N/A

GRI Standard	GRI Code	GRI Disclosure	Corresponding Chapter	Page Nr.	Omissions & Remarks
1. The Organization and its Reporting Practices					
GRI 2: General Disclosures 2021	2-1	Organizational details	2.1.1 Company Overview	12	
	2-2	Entities included in the organization's sustainability reporting	About this Report	1	
	2-3	Reporting period, frequency and contact point	About this Report	1	
	2-4	Restatements of information	About this Report	1	
	2-5	External assurance / confirmation	About this Report	1	
2. Activities and Workers					
GRI 2: General Disclosures 2021	2-6	Activities, value chain and other business relationships	2.2 Business Development	19	
	2-7	Employees	4.1.1 Manpower Structure	49	
	2-8	Workers who are not employees	4.1.1 Manpower Structure	49	
3. Governance					
GRI 2: General Disclosures 2021	2-9	Governance Sstructure and composition	2.1.4Company Organizational Structure	17	
	2-10	Nomination and selection of the highest governance body	2.3.2 Governance structure	23	
	2-11	Chair of the highest governance body	2.3.2 Governance structure	23	
	2-12	Role of the highest governance body in overseeing the management of impacts	2.3.2 Governance structure	23	
	2-13	Delegation of responsibility for managing impacts	2.3.2 Governance structure	23	
	2-14	Role of the highest governance body in sustainability reporting	2.3.2 Governance structure	23	
	2-15	Conflicts of interest	2.3.2 Governance structure	23	
	2-16	Communication of critical concerns	2.3.2 Governance structure	23	



	2-17	Collective knowledge of the highest governance body	2.3.2 Governance structure	23	
	2-18	Evaluation of the performance of the highest governance body	2.3.2 Governance structure	23	
	2-19	Remuneration policies	2.3.2 Governance structure	23	
	2-20	Process to determine remuneration	2.3.2 Governance structure	23	
	2-21	Annual total compensation ratio	2.3.2 Governance structure	52	
<b>4. Strategy, Policies and Practices</b>					
GRI 2: General Disclosures 2021	2-22	Statement on sustainable development strategy	Message from the Chairman	3	
	2-23	Policy commitments	2.3.1 Sustainable Development Strategy	23	
	2-24	Embedding policy commitments	2.3.1 Sustainable Development Strategy	23	
	2-25	Processes to remediate negative impacts	2.3.1 Sustainable Development Strategy	23	
	2-26	Mechanisms for seeking advice and raising concerns	1.4 Communication Channels	11	
	2-27	Compliance with laws and regulations	2.7 Compliance with Laws and Regulations	39	
	2-28	Membership associations	2.1.5 Participation in External Organizations	18	
<b>5. Stakeholder Engagement</b>					
GRI 2: General Disclosures 2021	2-29	Approach to stakeholder engagement	1.1 Identification and Communication of Stakeholders	6	
	2-30	Collective bargaining agreements	-	-	The company has not established a trade union and no group agreement.
<b>GRI 3: Material Topics 2021</b>					
GRI 3: Material Topics 2021	3-1	Process to determine material topics	1.1 Identification and Communication of Stakeholders	6	
	3-2	List of material topics	1.2 Identification of Material Issues	7	
	3-3	Management of material topics	1.3 Management Policy	10	
<b>Topic-specific disclosures: 200 Series (Economic Themes)</b>					
<b>*Market Presence</b>					



GRI 201: Economic Performance 2016 Topic-specific disclosures	201-1	Direct economic value generated and distributed	2.1.3 Operational Performance	15	
	201-2	Financial implications and other risks and opportunities due to climate change	2.6 Risk management	34	
	201-3	Defined benefit plan obligations and other retirement plans	4.1.5 Employee Benefits	54	
	201-4	Financial assistance received from government	2.1.3 Operational Performance	15	
<b>Market Presence</b>					
GRI 202: Market Presence 2016 Topic-specific disclosures	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	4.1.3 Salary System	52	
	202-2	Proportion of senior management hired from the local community	4.1.1 Manpower Structure	49	
<b>Procurement Practices</b>					
GRI 204: Procurement Practices 2016 Topic-specific disclosures	204-1	Proportion of spending on local suppliers	2.5 Supply Chain Management	33	
<b>Anti-corruption</b>					
GRI 205: Anti-Corruption 2016 Topic-specific disclosures	205-1	Operations assessed for risks related to corruption	-	-	not carried out
	205-2	Communication and training about anti-corruption policies and procedures	2.3.3 Moral values and honest management	29	
	205-3	Confirmed incidents of corruption and actions taken	2.3.3 Moral values and honest management	29	
<b>Anti-competitive Behavior</b>					
GRI 206: Anti-Competitive Behavior 2016 Topic-specific disclosures	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-	-	No such thing happened.
<b>Tax</b>					
GRI 207: Tax 2019 Management Approach Disclosures	207-1	Approach to tax	2.1.3 Operational Performance	15	
	207-2	Tax governance, control and risk management	-	-	
	207-3	Stakeholder engagement and management of concerns related to tax	-	-	
GRI 207: Tax 2019 Topic-specific Disclosures	207-4	Country-by-country reporting	-	-	
<b>Topic-specific Disclosures: 300 Series (Environmental Themes)</b>					
<b>Materials</b>					
GRI 301: Material 2016 Topic-specific Disclosures	301-1	Materials used by weight or volume	3.1 Raw Material Management	40	
	301-2	Recycled input materials used	3.1 Raw Material Management	40	
	301-3	Reclaimed products and their packaging materials	3.1 Raw Material Management	40	
<b>*Energy</b>					
GRI 302: Energy 2016	302-1	Energy consumption within the organization	3.2 Energy Management	41	



Topic-specific Disclosures	302-2	Energy consumption outside of the organization	-	-	
	302-3	Energy intensity	3.2 Energy Management	41	
	302-4	Reduction of energy consumption	3.2 Energy Management	41	
	302-5	Reductions in energy requirements of products and services	-	-	
<b>* Water and Effluents</b>					
GRI 303: Water and Effluents 2018 (Management approach disclosures)	303-1	Interactions with water as a shared resource	3.4 Water Resources Management	42	
	303-2	Management of water discharge-related impacts	3.4 Water Resources Management	42	
GRI 303: Water and Effluents 2018 Topic-specific Disclosures	303-3	Water withdrawal	3.4 Water Resources Management	42	
	303-4	Water discharge	3.4 Water Resources Management	42	
	303-5	Water consumption	3.4 Water Resources Management	42	
<b>* Emission</b>					
GRI 305: Emissions 2016 Topic-specific Disclosures	305-1	Direct (Scope 1) GHG emissions	3.3 Greenhouse Gas Management	42	
	305-2	Energy indirect (Scope 2) GHG emissions	3.3 Greenhouse Gas Management	42	
	305-3	Other indirect (Scope 3) GHG emissions	-	-	
	305-4	GHG emissions intensity	3.3 Greenhouse Gas Management	42	
	305-5	Reduction of GHG emissions	-	-	
	305-6	Emissions of ozone-depleting substances (ODS)	3.5.1 Prevention and Control of Air Pollution	44	
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	3.5.1 Prevention and Control of Air Pollution	44	
<b>* Waste</b>					
GRI 306: Waste 2020 Management-specific Disclosures	306-1	Waste generation and significant waste-related impacts	3.5.3 Waste Management	47	
	306-2	Management of significant waste-related impacts	3.5.3 Waste Management	47	
GRI 306: Waste 2020 Topic-specific Disclosures	306-3	Waste generated	3.5.3 Waste Management	47	
	306-4	Waste diverted from disposal	3.5.3 Waste Management	47	
	306-5	Waste directed to disposal	3.5.3 Waste Management	47	
GRI 306: Effluents and Waste 2016 Topic-specific Disclosures	306-3	Significant spills	-	-	No such thing happened.
<b>*Supplier Environmental Assessment</b>					
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	2.5 Supply Chain Management	33	
	308-2	Negative environmental impacts in the supply chain and actions taken	2.5 Supply Chain Management	33	



Topic-specific Disclosures					
<b>Topic-Specific Guidelines: 400 Series (Social Themes)</b>					
<b>Employment Relations</b>					
GRI 401: Employment 2016 Topic-specific Disclosures	401-1	New employee hires and employee turnover	4.1.2 Personnel Turnover Rate	51	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.1.5 Employee Benefits	54	
	401-3	Parental leave	4.1.5 Employee Benefits	54	
<b>Labor Relations</b>					
GRI 402: Labor Relations 2016 Topic-specific Disclosures	402-1	Minimum notice periods regarding operational changes	4.1.2 Personnel Turnover Rate	51	
<b>* Occupational Safety and Health</b>					
GRI 403: Occupational Safety and Health 2018 Management-specific Disclosures	403-1	Occupational health and safety management system	4.3 Occupational Safety and Health	59	
	403-2	Hazard identification, risk assessment, and incident investigation	4.3 Occupational Safety and Health	59	
	403-3	Occupational health services	4.3 Occupational Safety and Health	59	
	403-4	Worker participation, consultation, and communication on occupational health and safety	4.3 Occupational Safety and Health	59	
	403-5	Worker training on occupational health and safety	4.3 Occupational Safety and Health	59	
	403-6	Promotion of worker health	4.3 Occupational Safety and Health	59	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	4.3 Occupational Safety and Health	59	
GRI 403: Occupational Safety and Health 2018 Topic-specific Disclosures	403-8	Workers covered by an occupational health and safety management system	4.3 Occupational Safety and Health	59	
	403-9	Work-related injuries	4.3 Occupational Safety and Health	59	
	403-10	Work-related ill health	4.3 Occupational Safety and Health	59	
<b>Training and Education</b>					
GRI 3: Training and Education 2021 Topic-specific Disclosures	404-1	Average hours of training per year per employee	4.2 Cultivation and Development	56	
	404-2	Programs for upgrading employee skills and transition assistance programs	4.2 Cultivation and Development	56	
	404-3	Percentage of employees receiving regular performance and career development reviews	4.2 Cultivation and Development	53	
<b>* Local Communities</b>					
GRI 413: Local Communities 2016 Topic-specific Disclosures	413-1	Operations with local community engagement, impact assessments, and development programs	5 Social Care	65	
	413-2	Operations with significant actual and potential negative impacts on local communities	5 Social Care	65	
<b>* Supplier Social Assessment</b>					
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	2.5 Supply Chain Management	33	
	414-2	Negative social impacts in the supply chain and actions taken	2.5 Supply Chain Management	33	



Topic-specific Disclosures					
<b>*Customer Health and Safety</b>					
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	2.4.1 Sheh Fung Quality Assurance	31	
Topic-specific Disclosures	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	-	No such thing happened.
<b>Marketing and Labeling</b>					
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	2.4.1 Sheh Fung Quality Assurance	30	
Topic-specific Disclosures	417-2	Incidents of non-compliance concerning product and service information and labeling	-	-	No such thing happened.
	417-3	Incidents of non-compliance concerning marketing communications	-	-	No such thing happened.
<b>Customer Privacy</b>					
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	-	No such thing happened.
Topic-specific Disclosures					

## Appendix II: Sustainability Disclosure Topics and Metrics (SASB) Comparison Table

(Resource Transformation\_Industrial Machinery & Goods)

Topic	Code	Metric	Category	Corresponding Chapter	Page Nr.
Greenhouse Gas Emissions	EM-IS-110a.1.	Gross global Scope 1 emissions (tCO <sub>2</sub> e), percentage covered under emissions-limiting regulations (%)	Quantitative	3.3 Greenhouse Gas Management	42
	EM-IS-110a.2.	Discussion of long-term and short-term strategy	Discussion and Analysis	3.3 Greenhouse Gas Management	42



		or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets			
Air Quality	EM-IS-120a.1	Air emissions of the following pollutants: (1) CO, (2) NO <sub>x</sub> (excluding N <sub>2</sub> O), (3) SO <sub>x</sub> , (4) particulate matter (PM <sub>10</sub> ), (5) manganese (MnO), (6) lead (Pb), (7) volatile organic compounds (VOCs), and (8) polycyclic aromatic hydrocarbons (PAHs)	Quantitative	3.5.1 Prevention and Control of Air Pollution	44
Energy Management	EM-IS-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Quantitative	3.2 Energy Management	41



	EM-IS-130a.2	(1) Total fuel consumed (GJ) (2)Percentage coal (%) (3)Percentage natural gas (%) (4)Percentage renewable (%)	Quantitative	3.2 Energy Management	41
Water Resource Management	EM-IS-140a.1	(1) Total fresh water withdrawn, (2) percentage recycled, (3) percentage in regions with High or Extremely High Baseline Water Stress	Quantitative	3.4 Water Resources Management	42
Waste Management	EM-IS-150a.1	Amount of waste generated, percentage hazardous, percentage recycled	Quantitative	3.5.3 Waste Management	47
Employee Health and Safety	EM-IS-320a.1	(1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR) for (a) full-time	Quantitative	4.3 Occupational Safety and Health	59



		employees and (b) contract employees			
Supply Chain Management	EM-IS-430a.1	Discussion of the process for managing iron ore and/or coking coal sourcing risks arising from environmental and social issues	Discussion and Analysis	not applicable	-



## Appendix V: Climate-related Information of OTC Companies

Risks and opportunities caused by climate change to the company and relevant countermeasures taken by the company.	Corresponding Chapter	Page No.
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities	2.6 Risk management	34
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	2.6 Risk management	34
3. Describe the financial impact of extreme weather events and transformative actions.	2.6 Risk management	34
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system	2.6 Risk management	34
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	-	-
6. If there is a transition plan to manage climate-related risks, explain the content of the plan, and the indicators and goals used to identify and manage physical risks and transition risks.	-	-
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	-	-
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	-	-
9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan (separately fill out in points 1-1 and 1-2 below)	3.3 Greenhouse Gas Management	42

### 1-1 The company's greenhouse gas inventory and confirmation.

Specify the emission (ton CO<sub>2</sub>e), density (ton CO<sub>2</sub>e/ million yuan) and data coverage of greenhouse gases in the last two years.



In order to cope with global warming and effectively slow down the impact caused by climate change, the Company introduced the ISO 14064 greenhouse gas organization inventory in 2021, which included identifying emission sources, establishing activity intensity data and emission data, and formulating relevant management procedures for greenhouse gas inventory to calculate greenhouse gas emissions. In 2023, the total amount of greenhouse gas emissions was 9,192.1036 metric tons of CO<sub>2</sub>e, which was 1,205.7179 metric tons less than that in 2022. The Company continued to plan energy-saving equipment or processes to reduce carbon dioxide emissions, showing its efforts in energy-saving measures and doing its part for the earth.

		2022			2023		
		Total emissions(metric tons CO <sub>2</sub> e)	Operating income ( \$ million )	Density(metric tons of CO <sub>2</sub> e/ \$ million )	Total emissions(metric tons CO <sub>2</sub> e)	Operating income ( \$ million )	Density(metric tons of CO <sub>2</sub> e/ \$ million )
Parent Company	Direct (Scope 1) GHG emissions (metric tons CO <sub>2</sub> e)	1,746.5134	2,591.1220	0.6740	1,709.7029	2,323.6050	0.7358
	Energy indirect (Scope 2) GHG emissions (metric tons CO <sub>2</sub> e)	8,651.3081	2,591.1220	3.3388	7,482.4007	2,323.6050	3.2202
	Other indirect (Scope 3) GHG emissions (metric tons CO <sub>2</sub> e)	-	-	-	-	-	-
	<b>total</b>	10,397.8215	2,591.1220	4.0129	9,192.1036	2,323.6050	3.9560

Note 1: Direct emissions (Scope 1, which comes directly from the emission sources owned or controlled by the company), indirect emissions of energy (Scope 2, which comes from the indirect greenhouse gas emissions caused by the input of electricity, heat or steam) and other indirect emissions (Scope 3, which comes from the emission sources owned or controlled by other companies, which are not indirect emissions of energy).

Note 2: The coverage of data on direct emissions and indirect energy emissions shall be handled according to the time schedule stipulated in Item 2 of Article 4-1 of the Operating Measures for OTC Companies to Prepare and Declare Sustainability Reports (hereinafter referred to as these Measures), and other indirect emissions information may be voluntarily disclosed.

Note 3: Greenhouse gas inventory standard: ISO 14064-1 issued by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions is calculated by turnover (NT\$ million).

## 1-1-2 Greenhouse gas assurance information

A specification of the assurance situation in the last two years, including the assurance scope, assurance institutions, assurance criteria and assurance opinions.



- The Company has obtained the statement of external verification in 2023, and will conduct external verification every year thereafter. In 2023, the Greenhouse Gas (GHG) Inventory Report was prepared following the ISO 14064-1:2018 standard, identifying direct and indirect GHG emission sources within operational scopes to meet stakeholders' needs for carbon emission data. The total GHG emissions for the year were 9,192.1036 tonnes CO<sub>2</sub>e, with direct emissions accounting for 1,709.7029 tonnes CO<sub>2</sub>e and indirect emissions at 7,483.4007 tonnes CO<sub>2</sub>e.

Note 1: It shall be handled in accordance with the time schedule specified in Item 3 of Article 4-1 of these Measures.

Note 2: A certification institution shall comply with the relevant provisions of the sustainability report certification institution formulated by Taiwan Stock Exchange Corporation and the OTC Securities Exchange of the Republic of China.

Note 3: For the disclosure, please refer to the best practice reference example on the website of Corporate Governance Center of Taiwan Stock Exchange.

## 1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

**State the base year of greenhouse gas reduction and its data, reduction targets, strategies, specific action plans and the achievement of reduction targets.**

### Greenhouse gas reduction target

In terms of climate change mitigation, the company takes greenhouse gas emissions per unit revenue as the main key indicator for quantitative evaluation, and sets indicators such as the proportion of renewable energy use, electricity consumption per unit revenue and water consumption per unit revenue.

### Achievement of emission reduction in 2023

In terms of energy-saving and carbon-reducing measures, Sheh Fung Screws responds to the national energy conservation goals, continuously investing in various energy conservation measures and carbon reduction and pollution reduction reuse equipment, optimizing the energy management E-Platform, implementing comprehensive energy inventory, and confirming that all energy consumption is achieving optimal use. A total of 373,460.52 kWh of energy has been saved since 2019, and approximately 184.3680 tons of carbon dioxide emissions have been reduced.

- In 2023, a total of 61,440 kilowatt-hours of electricity were saved.
- In 2023, the total amount of greenhouse gas emissions was 9,192.1036 metric tons of CO<sub>2</sub>e, which was 1,205.7179 metric tons less than that in 2022.
- The total water intake of Sheh Fung Screws in 2023 was 80.723 million liters, 17.886% less than that in 2022.

Note 1: It shall be handled in accordance with the time schedule specified in Item 4 of Article 4-1 of these Measures.

Note 2: The base year should be the year when the consolidated financial report boundary is completed. For example, according to Item 2 of Article 4-1 of these Measures, a company with a capital of more than 10 billion yuan should complete the examination of the consolidated financial report for 2024 in 2025, so the base year is 2024. If the company has completed the examination of the consolidated financial report in advance, the earlier year can be used as the base year, and the data of the base year can be calculated by the average of a single year or several years.

Note 3: For the disclosure, please refer to the best practice reference example on the website of Corporate Governance Center of Taiwan Stock Exchange.





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