



# 2024

## Corporate Sustainability Report

Sustainability Report / ESG Report 2024

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## 01: About this report

### 1.01 Words from the operator

2024 , the global economy was affected by trade disputes and geopolitical tensions, and the Taiwan dollar exchange rate appreciated significantly, with uncertainty and volatility.

The large fluctuations have brought huge challenges to the machine tool industry. In the face of these changes, Qiaofu Machinery, as the best customized solution provider for professional metal cutting processing, computer lathes and other equipment, will continue to deepen its customized, large-scale, and special accessories.

We provide excellent products and solutions with top quality and cost-effectiveness to customers around the world.

2014 was a special year for Qiaofu Machinery . Although the overall operating income declined compared to the same period last year, thanks to large and special export orders, coupled with the international US dollar exchange rate at the end of the year, the company's non-operating income increased exponentially, allowing the company's profits to develop in a positive direction. In addition, all employees worked hard to meet customer customization needs, resulting in positive growth in both revenue and profit in 2014. In terms of research and development, new products were successfully developed in 2014 .

1. Development of BMC-110 and BMC-130 horizontal boring and milling machines
2. Development of fixed column gantry machining centers from DMC-1500H to DMC-5100PH
3. Development of high-performance horizontal computerized lathes from HT-40CX-2D to HT-60CX-2D
4. Development of SDMC-6000X4400X1100 dynamic column large gantry machining center
5. Development of SL-50 to SL650C horizontal computer lathes
6. Development of VTC-1200ATC vertical computer lathe

#### 115th Annual Operation Plan

##### Management Policy

1. Strengthen the production, sales and research system, and actively explore new markets in India, Canada, Central and South America.
2. Strengthen employee skills education and training to improve product quality and meet customer needs.
3. Promote circular economy such as saving water, electricity and energy, reducing consumption and emissions.
4. Improve safety, health, and environmental management, fire prevention awareness, and actively promote employee safety awareness to eliminate potential

Work safety risks.

5. Committed to a diverse and inclusive workplace, diversity and inclusion.
6. Replace old transportation equipment and energy-saving air compressor hosts to reduce air pollution.

#### Business objectives

1. Provide customer-oriented services and solutions, strengthen teamwork and execution, and optimize production processes.
2. Deepen R&D and innovation capabilities, improve product added value, and rationalize production costs.
3. Explore European and American markets, emerging markets, and expand globally.

#### Social Participation

1. Social welfare / community participation / social contribution

Qiaofu Machinery currently has two local factories located in Shengang District and Xizhou District, Taichung City. Every year, it participates in local development associations and mutual aid teams for funding assistance, and encourages employees to participate in local activities.

2. Group visits

To encourage young people and employees in the company's area to work in their hometowns, so as to achieve the dual benefit of staying in their hometowns and driving the prosperity of the local urban and rural areas.

#### Environmental Protection

1. Air pollution, waste, and wastewater discharge are handled in compliance with legal regulations. Our company, located on Datong Road , off Zhongshan Road in Shengang District, Taichung City, has been operating for over 30 years and will continue to avoid environmental hazards. We encourage suppliers to develop raw materials and processes that reduce environmental impact or allow for recycling and reuse. As of the date of this report, there have been no adverse reactions from any local or government agencies.

4. With the increasing concern about global warming, Qiaofu Machinery has carried out a series of improvement projects on the recycling and reuse of packaging materials. We are actively looking for manufacturers of recyclable plastics and using recycled packaging when packaging exported goods.

Materials, do your part for environmental protection.

Looking ahead to 2025 , Chiau Fu Machinery will leverage 41 years of accumulated manufacturing experience and the long-standing development of a modular development platform to accurately understand customer needs and provide them with the most appropriate single-machine solutions. With the goal of increasing the added value of specialized products and optimizing the operator experience, we will develop corresponding software functions and automation modules, using software to assist hardware in increasing product added value.

## 1.02 About Us

### 一、 Date of establishment

August 8, 1984

### 2. Company History

- 1984 : The company was established in Wufeng Township, Taichung County with a capital of NT\$ 4.8 million. It rented a 250- square -meter factory building and produced traditional 2S milling machines.
- 1985 : Capital increased to NT\$ 12 million, and new products such as 3S , 4AS , and 5H precision milling machines were developed, with sales exceeding NT\$100 million.
- 1986 : The Taichung factory was built in the Taichung Industrial Park to produce and sell precision milling machines and computer milling machines. The head office was relocated here.
- 1988 : A lathe factory was established to produce high-speed precision lathes and giant high-speed precision lathes, with a paid-in capital of NT\$ 45 million.
- 1989 : Purchased Fengyuan Factory to produce cutting centers and computer lathes, with paid-in capital of NT\$ 95 million.
- 1980 : Won the CNC Lathe Mark from the Central Bureau of Standards, Ministry of Economic Affairs. Also, the company was certified as a Grade A factory for quality control by the Bureau of Commodity Inspection, Ministry of Economic Affairs. After the capital increase, the company's paid-in capital reached NT\$ 159.87 million.
- 1991 : Our company's cutting centers, computerized lathes, and high-speed lathes won the ROC Golden Dragon Award for Domestically Produced Excellent Machinery .
- It was approved for public issuance in July this year .
- 1992 : Capital increase through cash and profit transfer increased the paid-in capital to NT \$ 332.62 million.
- 1994 : Our company's variable pitch processing machine was awarded a patent by the Central Bureau of Standards, Ministry of Economic Affairs .
- 1995 : Passed ISO-9002 international quality certification.
- 1996 : VMC-850A+APC/1020A and TC-35/50 won the Taiwan Product Excellence Award.
- 1997 : VMC-850A+APC won the National Product Image Award.
- Through cash capital increase and profit conversion, the paid-in capital reached 441.56 million yuan.
- 1998 : Profits were converted into capital, and the paid-in capital reached NT \$ 513.08 million.
- 1999 : In April , the company's stock was listed on the Over-the-Counter Market. The company converted earnings into capital, bringing its paid-in capital to 670 million yuan.
- 1990 : The Shengang plant was completed and began producing cutting centers.
- 2002 : In August , the company's shares applied to be listed on the exchange. The computer lathe production line was moved to the Shengang plant; the

Taichung plant was sold and the production line was moved to the Fengyuan plant.

Processed capital reduction through treasury shares, with paid-in capital now at \$ 589.88 million.

2003 : Passed ISO-9001 2000 certification.

2004 : Profits were converted into capital, and the paid-in capital reached NT \$ 619.37 million.

2007 : Profits were converted into capital, and the paid-in capital reached NT \$ 743.25 million.

2009 : Profits were converted into capital, and the paid-in capital reached NT \$ 854.74 million.

Our company's direct-drive spindle head, integrated machining center, and manufacturing method have been awarded patents by the Intellectual Property Office of the Ministry of Economic Affairs. We have also been granted patents in various countries, including mainland China, the United States, and Italy, in recent years.

2000 : Our company's hydrostatic bearing safety system was awarded a patent by the Intellectual Property Office of the Ministry of Economic Affairs .

2011 : Our company's dynamic column multi-axis machining center was awarded a patent by the Intellectual Property Office of the Ministry of Economic Affairs .

### 1.03 Report Information

#### Scope and Basis

This report is prepared based on the core options of the Global Reporting Initiative ( GRI ) Sustainability Reporting Standards (GRI Standards ) as the disclosure principle, and is prepared in reference to the Taiwan Stock Exchange's "Guidelines for the Preparation and Submission of Corporate Social Responsibility Reports by Listed Companies" and "Corporate Social Responsibility Code of Practice for Listed Companies" to provide stakeholders with a detailed explanation of the company's corporate social responsibility-related actions and achievements.

This report covers the period from January 1, 2024 , to December 31 , 2024 , and focuses on Chiau Fu Machinery's operations, brands, and activities in Taiwan.

Financial data presented in this report is based on International Financial Reporting Standards (IFRS ) and is expressed in New Taiwan Dollars.

#### Calculation basis

is compiled with reference to the GRI Core Disclosure option announced by the Global Reporting Initiative (GRI), and discloses to stakeholders the strategies, investments and performance of Qiaofu Machinery in corporate social responsibility based on the principles of openness , transparency and integrity.

Release Time

This is the first corporate sustainability report issued by Qiaofu Machinery.

Reporting period : January 1 , 2024 to December 31 , 2024

Release cycle: once a year

This issue is published in August 2025

Next issue: Scheduled to be released in August 2026

ESG Contact Information

If you have any comments on the contents of this report, or any questions or suggestions regarding the sustainability and corporate social responsibility of CHIAO FU MACHINERY CO., LTD., please contact us at:

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## 02: Sustainable Operation

### 1.04 Sustainable Development Strategy

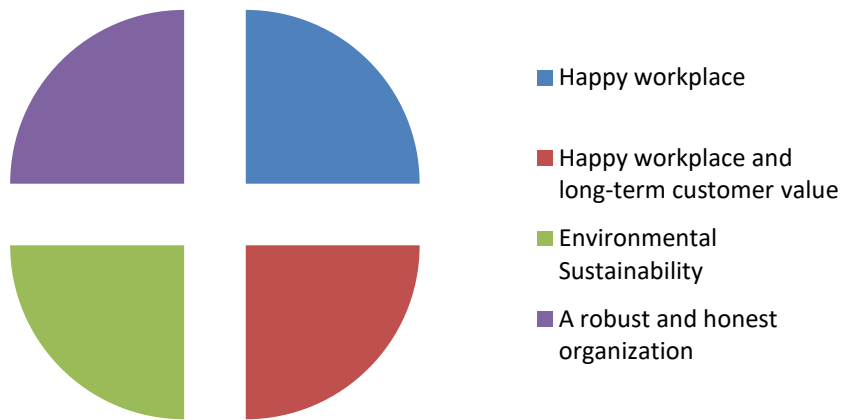
We integrate sustainability into our business philosophy and promote various policies through four key sustainability principles. We promote energy-saving innovation in our products, strengthen organizational resilience, and cultivate a culture of honest and transparent corporate governance. We create customer value by meeting customized needs and ensuring quality, foster a positive workplace environment, and cultivate outstanding talent. We also implement environmental sustainability and contribute to mitigating climate change.

The company has now established a "Corporate Governance and Sustainability Development Committee" and has set up relevant working groups under it to implement sustainable policy goals and specific actions.

Looking ahead, our management team will work together with sustainable development as our ultimate goal. We will create a work environment conducive to long-term development for our employees, continuously optimize energy-saving products and production lines, and create maximum value for all stakeholders. We also hope to continue to bring positive changes to society and the environment, fulfilling our social responsibility.



## JOHNFORD



### 1.05 Promoting sustainable development mechanisms

As a sustainable development mechanism, Qiaofu Machinery focuses on the three aspects of environment, economy and society, and strives towards an inclusive, sustainable and adaptable future based on good governance.

The following explains the sustainable development mechanism in more detail:

#### 1. Definition and Objectives:

##### **definition:**

Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs.

##### **Target:**

By integrating environmental protection, economic development and social equity, we can achieve coexistence between humans and the earth and ensure the sustainable use of resources.

#### 2. Core Elements:

##### **Environmental Sustainability:**

Protect natural resources, reduce pollution, and maintain the health of ecosystems.

##### **Economic Sustainability:**

Promote economic growth while ensuring efficient use and fair distribution of resources and avoiding widening gaps between the rich and the poor.

##### **Social Sustainability:**

Ensure social fairness and justice, provide good education, medical care and social welfare, and improve people's quality of life.

##### **Governance:**

Establish effective systems and mechanisms to ensure transparency, fairness and participation in the policy-making and implementation process, and promote cooperation among all sectors of society.

### 3. Examples and promotion:

#### **United Nations Sustainable Development Goals ( [SDGs](#) ):**

The United Nations has established 17 Sustainable Development Goals, which provide a framework for global cooperation to promote sustainable development.

#### **Taiwan's Net Zero Emissions Policy:**

Taiwan is actively promoting net-zero emissions by 2050. Through laws such as the Climate Change Response Act, it has established a carbon fee system and a carbon offset mechanism to accelerate the industry's carbon reduction transformation.

#### **Corporate Sustainability:**

Many companies have also begun to pay attention to sustainable development, starting from corporate governance, environmental protection, social participation and other aspects, and practicing corporate social responsibility ( [CSR](#) ) and environmental, social and corporate governance ( [ESG](#) ).

### 4. Challenges and Outlook:

#### **challenge:**

The realization of sustainable development goals faces severe challenges such as climate change, resource depletion, and the gap between the rich and the poor.

#### **Outlook:**

It requires the joint efforts of governments, businesses, and all sectors of society to promote the continuous improvement of sustainable development mechanisms through technological innovation, policy guidance, and public participation, so as to create a better future for mankind and the earth.

## 1.06 Board of Directors and Functional Committees

**Board of Directors:** The Company's current Board of Directors consists of seven directors, including three independent directors and one female director.

The Company's Articles of Association stipulate that at least two independent directors shall be appointed to the Board, and no less than one-fifth of the total board seats shall be held. In accordance with corporate governance regulations, at least half of the board seats shall not be held by spouses or relatives within the second degree of kinship. Directors who also serve as company managers shall not exceed one-third of the board seats.

None of the directors and independent directors are subject to the provisions of Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act.

Functional Committee : The Audit Committee of the Company consists of 3 members. Its operation status: The Audit Committee was established on June 24, 2009 and performs the functions of the Audit Committee.

Functional Committees: The Company has established a Compensation Committee in accordance with laws and regulations to review the performance evaluation and compensation policies, systems, standards, and structures for directors and managers, and to determine the compensation for directors and managers.

### 03: Stakeholders and Major Issues

#### 1.07 Stakeholders' consultation

staff

The significance of stakeholders to Qiaofu Machinery

Talent is the most important core competitive asset of Qiaofu Machinery and the primary foundation for its sustainable operation.

Negotiation method

1. Internal department meetings ( irregular )
2. Performance appraisal ( annually )
3. Labor-management meeting ( irregular ) / Welfare committee ( regular )
4. Education and training ( irregular )
5. Complaint mailbox (General Manager's Office) is anonymous to protect

employee privacy (irregular)

6. Safety, Environment and Energy Committee (annually)

Negotiation results

1. Conduct performance appraisal once a year
2. Hold one labor-management meeting /four welfare committee meetings
3. Annual training cost investment: RMB 19,600 ( excluding internal staff self-training)
4. Convene a safety, environment and energy committee meeting
5. Work-related injury rate: There are no reported work-related injuries in 2024. (Excluding commuting injuries)
6. Pass factory overhead crane, fire safety inspection and improvement inspection and conduct regular follow-up audits

client

The significance of stakeholders to Qiaofu Machinery

Customers are partners in innovation and improvement of Qiaofu Machinery. Qiaofu Machinery provides customers with the best solutions for customized manufacturing.

Negotiation method

1. Telephone interview survey of agents in various countries ( quarterly )
2. Follow-up survey of post-service report ( irregularly )
3. Agents in various countries ( immediate )
4. Phone, e-mail ( instant )
5. Direct business visits

Negotiation results

1. No lawsuits occurred between agents and clients in various countries in 2024
2. Complete 21 machine inspections in the core markets of the United States,

Mainland China, and China by 2024.

supplier

The significance of stakeholders to Qiaofu Machinery

Suppliers are partners of Qiaofu Machinery in sustainable management and collaborative design innovation.

Negotiation method

1. Phone, e-mail ( instant )
2. Quality meeting ( quarterly )
3. Signing of confidentiality commitment letter ( irregular )
4. Inspection of key parts suppliers' factories and during production

(irregularly)

government agencies

The significance of stakeholders to Qiaofu Machinery

In compliance with relevant regulations set by the government and other competent authorities, Qiaofu Machinery actively cooperates with the promotion of laws and policies to strengthen company management and fulfill its corporate citizenship responsibilities.

Negotiation method

1. Telephone contact ( instant )
2. Public Information Observation Station ( Real- time )
3. Correspondence ( irregular )
4. Government agencies hold relevant meetings and audit work ( irregularly )
5. Company website ( irregularly )

Shareholders/Investors

The significance of stakeholders to Qiaofu Machinery

shareholders / investors are the basis for the continuous improvement of Qiaofu Machinery's operations.

Negotiation method

1. Shareholders' meeting ( regular )
2. Legal person briefing ( irregular )
3. Investor website ( real-time )
4. Investor mailbox ( instant )

Negotiation results

1. Regularly update information on the investor website

2. Shareholders' meeting held on June 25 , 2024

3. The board of directors convened 5 times

media

The significance of stakeholders to Qiaofu Machinery

The media is an important channel for communication and understanding between Qiaofu Machinery and its stakeholders.

Negotiation method

1. Official website press releases / statements ( irregularly )

2. Company website ( irregularly )

3. Commercial exhibitions ( irregular )

Negotiation results

1. The company website supports multilingual marketing without time difference

5. Participate in a Global Machine Tool Exhibition in the United States

academic institutions

The significance of stakeholders to Qiaofu Machinery

Academic institutions are important cradles for R&D innovation and talent cultivation at Qiaofu Machinery.

Negotiation method

1. Academic exchanges ( irregular )

public welfare groups

The significance of stakeholders to Qiaofu Machinery

Qiaofu Machinery continues to care for the disadvantaged in education, protect the environment, and invest resources in social welfare.

Negotiation method

1. Phone, e-mail ( irregular )

Community / local groups

The significance of stakeholders to Qiaofu Machinery

Qiaofu Machinery adheres to the principle of "being friendly to neighbors" and actively participates in local activities to fulfill its social responsibilities to the local community.

Negotiation method

1. Phone, e-mail ( irregular )

2. Company website announcement

Negotiation results

1. Announcement 202 4 Shengang and Xizhou Local Development Association and Mutual Aid Team, encouraging employees to participate

## 1.08 Process for determining major topics

To ensure effective corporate sustainability planning and decision-making, Chiau Fu Machinery maintains timely communication with stakeholders, incorporating material issues of concern into its corporate sustainability policy and establishing a smooth and transparent feedback mechanism. We adopt the AA 1000AP Accountability Principles (AA1000AP) and adhere to four principles—inclusivity, materiality, responsiveness, and impact—to assist in identifying and providing

feedback on sustainability information and enhance its rigor. We divide materiality analysis into the following steps:

### Materiality Analysis Process

Qiaofu Machinery has established an impact-based materiality analysis process based on GRI Universal Standards 2021, GRI 3: Material Topics 2021, and the EU's Double Materiality concept. Subsequently, a management mechanism has been developed based on the material topics, including setting material topic objectives and integrating them into overall enterprise risk management (ERM). This ensures a more systematic and sustainable management of these issues.

### Sustainability Issue Collection

Chofu Machinery uses the GRI Sustainability Reporting Guidelines as its framework, which are divided into three considerations: economic, environmental, and social. From both internal and external perspectives, we consider international sustainability trends and standards, including GRI Standards, the Sustainable Development Goals (SDGs), the RBA Responsible Business Alliance, the SASB Sustainability Accounting Standards Board (SASB), EcoVadis, and disclosure frameworks such as the CDP and TCFD, which are of interest to major investment institutions. We collect key industry-leading topics and, in conjunction with the company's corporate sustainability strategy and goals, identify issues relevant to Chofu Machinery's operations. The ESG team analyzes and filters out 20 topics (7 economic, 6 environmental, and 7 social) relevant to Chofu Machinery's daily ESG operations and annual plan.

### Materiality Analysis

Qiaofu Machinery considers the concept of dual materiality from the perspectives of internal and external stakeholders' attention, organizational operation impact, and sustainable development impact.

Focus on three aspects to conduct materiality analysis: Internal and external stakeholder attention: Qiaofu Machinery analyzes the attention of industry stakeholders to ESG issues based on the company's industry characteristics.

### Deciding on major issues

#### 1.09 List of major topics

#### Major issues of Qiaofu Machinery

Sorting	ESG material issues	Qiaofu Machinery's operational impact	Stakeholder attention	Sustainable Development Impact
1	G Economic Performance	••	••	•
2	G R&D and Innovation	••	•	••

Sorting	ESG material issues	Qiaofu Machinery's operational impact	Stakeholder attention	Sustainable Development Impact
3	E Energy-saving products	●●	●	●●
4	G Customer Service	●●	●	●●
5	G Information Security	●●	●●	●
6	S Talent Retention and Talent Recruitment	●	●	●●
7	S Occupational Health and Safety	●	●	●
8	S Employee Care	●	●	●
9	E Climate Change	●		●

Screening principles:

All three aspects must appear (TOP5).

Appear in at least two aspects and are ranked according to the total impact and attention.

● Indicates impact resistance: ●●● Indicates extremely high impact, ●● Indicates high impact, ● Indicates slight impact.

## 1.10 Management of major issues

Major issues	Risk Description	Risk Management Area 1	Risk severity 2	Risk probability 3	Mitigation measures
<b>G Economic Performance</b>	Revenue or profits do not meet the expectations of investors and shareholders, and cannot generate long-term and sustainable financial returns.	Operations/Finance	Low	middle	Accelerate overseas expansion, promote the development of energy-saving and intelligent products, delve into customized special application areas, and expand machine equipment and factory establishment consulting services.
<b>G R&amp;D and Innovation</b>	Revenue lags behind peers	operations	Low	middle	Establish product development management mechanism, regularly review and project new product development progress.
	intelligence, AI, and robotics research and development is less than that of peers	operations	middle	middle	Establish a "Sustainable Innovation Proposal Management System" to reward employees for proposing feasible improvement plans or innovative ideas to enhance the company's competitiveness.
<b>G Information Security</b>	Attempts to destroy or gain access to confidential information by threatening information security	Information Security	high	middle	We have introduced the ISO 27001 standard and continuously improved our information security management system, implementing various data protection measures to maintain data confidentiality and strengthen information security measures.
	Cyber attacks cause system service interruptions	Information Security	middle	middle	Regularly conduct internal information security drills and education and training to ensure smooth company operations and gain the trust of suppliers and customers.
<b>G Customer Service</b>	Geopolitical impacts causing supply chain disruptions	operations	Low	middle	Accelerate supply chain collaborative design, focusing on global distribution and the establishment of redundancy systems.
<b>E Energy-saving products</b>	The development of low-carbon products to replace existing products and the application of AI are too slow	operations	middle	middle	Long-term R&D investment, technologies and products that comply with the latest environmental regulations.
<b>E Climate Change</b>	Failure to implement net zero commitments affects corporate image	Emergency Response/Climate	middle	Low	Conduct a complete inventory, implement greenhouse gas inventories, and review mitigation and adaptation strategies in accordance with the TCFD framework to achieve SBTi's net zero commitment.
<b>S Talent Retention and Talent Recruitment</b>	Talents are snatched away by other competing companies	operations	Low	middle	Strengthen talent retention by improving salary, reward and welfare policies.
	Low birth rate and lack of talent	operations	Low	middle	Cultivate international talents through industry-university collaboration.
<b>S Occupational Health and Safety</b>	Employee work-related accidents	Emergency Response	Low	middle	Formulate company environmental and safety policies and regulations, establish a dedicated unit to regularly review performance, conduct regular/irregular audits and inspections, purchase insurance, review the causes of workplace injuries and establish mitigation measures after they occur, and provide employees with environmental, safety, and health education and training.
	Employees lack awareness of the disease	Emergency Response	Low	Low	Establish employee health and safety management and health examinations, pay attention to employee health and safety, purchase insurance, and provide employees with environmental safety and health related education and training.
<b>S Employee Care</b>	Employees' personal issues (including health, marriage, family, finance, legal, emotional, etc.) may affect productivity.	Emergency Response	Low	Very low	Establish Employee Assistance Programs (EAP) to help employees get better treatment and reduce the impact on work performance.



1.11 Business performance

11 3 fiscal year operating results

2014 was a special year. Although the overall operating income declined compared with the same period last year, thanks to large and special export orders, coupled with the international US dollar exchange rate at the end of the year, the company’s non-operating income grew exponentially, allowing the company’s profits to develop in a positive direction. In addition, all employees worked hard to meet customer customization needs, resulting in positive growth in the company’s revenue and profits in 2014.

The following is an analysis of the operating results, financial structure and profitability of the individual financial reports:

2 Unit: NT\$1,000

project		Individual financial reports	
		2024	2023
Business results	Net operating income	498,100	575 , 699
	operating gross profit	173 , 160	184,551
	operating profit	103 , 894	1 15,787
	Net profit before tax	226 , 300	1 44,515
	Net profit after tax	180,954	111,078
Financia l Structur e	Liabilities to assets ratio (%)	16.87	16.63
	Ratio of long-term funds to property, plant and equipment (%)	513.02	478.23
Profitab	Return on assets (%)	10.20	6.70

ility	Return on equity (%)	12.25	7.83
	Net profit rate (%)	36.33	19.08
	Earnings per share (yuan)	2.12	1.30

In terms of research and development, new products were successfully developed in 2014

1. Development of BMC-110 and BMC-130 horizontal boring and milling machines
2. Development of fixed column gantry machining centers from DMC-1500H to DMC-5100PH
3. Development of high-performance horizontal CNC lathes from HT-40CX-2D to HT-60CX-2D
4. Development of the SDMC-6000X4400X1100 dynamic column large gantry machining center
5. Development of SL-50 to SL650C horizontal computer lathes
6. Development of VTC-1200ATC vertical computer lathe

## 2.01 Taxation

Awarded as an Excellent Tax Performance Enterprise by the National Tax Bureau of Shengang District, Taichung City.

## 2.02 Integrity management

Evaluate item Head	Operation status (Note )			Differences and reasons from the integrity management codes of listed and OTC companies
	yes	no	Summary	
1. Establish integrity management policies and plans (1) Has the company formulated a business integrity policy approved by the board of directors ? Has the company clearly stated its business integrity policies	V		(1) The Company has established the "Code of Conduct for Integrity Management" and the "Code of Corporate Governance Practices" to specify the matters that should be	No significant differences

Evaluate item Head	Operation status (Note )			Differences and reasons from the integrity management codes of listed and OTC companies
	yes	no	Summary	
<p>and practices in its bylaws and external documents, as well as the commitment of the board of directors and senior management to actively implement the business integrity policy?</p> <p>(2) Has the company established a dishonest behavior risk assessment mechanism to regularly analyze and evaluate business activities within its business scope that carry a higher risk of dishonest behavior, and has formulated a dishonest behavior prevention plan based on this mechanism, which at least covers the preventive measures for each of the behaviors listed in Article 7, Paragraph 2 of the "Code of Conduct for Listed and OTC Companies"?</p> <p>(3) Does the company clearly define operating procedures, behavioral</p>	V		<p>paid attention to when performing business operations. The Board of Directors and management use these as the basis for implementing the business philosophy of integrity.</p> <p>(2) The Company firmly believes that a corporate culture of honest management is one of the key factors for the sustainable and sound development of the Company. It has established rules and regulations such as the "Code of Honesty" to clarify the code of conduct for the Company's directors, managers and employees. The purpose is to urge relevant members of the Company to act honestly and ethically when performing their duties.</p> <p>(3) The Company has adhered to the Code of Conduct for Listed and OTC Companies, which specifies and</p>	<p>No significant differences</p> <p>No significant differences</p>

Evaluate item Head	Operation status (Note )			Differences and reasons from the integrity management codes of listed and OTC companies
	yes	no	Summary	
guidelines, disciplinary measures for violations, and a complaint system in its plan to prevent dishonest behavior? Does it implement these procedures? Does it regularly review and revise its pre-disclosure plan?			implements the integrity management practices in the Board of Directors' meeting procedures, employee work regulations, related party transactions, commercial contract formation, accounting system, and internal control system. Conflicts of interest and gifts are strictly prohibited, and the Company adheres to these rules.	
2. Implementing Integrity Management				
(1) Does the company evaluate the integrity records of its trading partners and clearly include good faith conduct clauses in the contracts signed with its trading partners?	V	V	( 1) The Company conducts credit investigations on customers, supplier evaluations and other credit granting activities to avoid dishonest business activities.	No significant differences
(2) Does the company have a dedicated (or part-time) unit affiliated with the board of directors to promote corporate integrity management, and does it regularly ( at least annually) report	V	V	( 2) The Company has not yet established a dedicated (or part-time) unit under the Board of Directors to promote corporate	There is no significant difference from the integrity management code of listed

Evaluate item Head	Operation status (Note )			Differences and reasons from the integrity management codes of listed and OTC companies
	yes	no	Summary	
<p>to the board of directors on its integrity management policy and plan for preventing dishonest behavior, as well as the status of its supervision and implementation?</p> <p>(3) Has the company formulated a policy to prevent conflicts of interest, provided appropriate channels for representation, and implemented it?</p> <p>(4) Has the company established effective accounting and internal control systems to implement honest business practices? Has the internal audit unit, based on the results of its assessment of the risk of dishonest behavior, formulated relevant audit plans and used them to verify compliance with the plan to prevent dishonest behavior ? Or has it commissioned a certified public accountant to conduct the audit?</p> <p>(5) Does the company regularly organize</p>	V		<p>integrity management.</p> <p>( 3) Establish a dedicated area for stakeholders on the Company’ s website, provide appropriate channels for stakeholders to make representations, and implement such channels.</p> <p>( IV) The Company’s internal audit will include integrity management as one of the audit items in its future audit plan , and will implement it in accordance with the internal control system and submit audit reports to the Audit Committee and the Board of Directors on a regular basis.</p> <p>( 5) The Company will regularly send its staff to participate in external</p>	<p>companies.</p> <p>No significant differences.</p> <p>No significant differences.</p> <p>No significant differences</p>

Evaluate item Head	Operation status (Note )			Differences and reasons from the integrity management codes of listed and OTC companies
	yes	no	Summary	
internal and external education and training on integrity management?			education and training on integrity management.	
3. Operation of the company's whistleblower system (1) Has the company established a specific reporting and reward system, established convenient reporting channels, and assigned appropriate personnel to handle reports? (2) Does the company have established standard operating procedures for investigating reported matters , follow-up measures to be taken after the investigation is completed , and related confidentiality mechanisms? (3) Has the company taken measures to protect whistleblowers from being improperly punished for reporting?	V	V	( 1) The Company has established relevant regulations and a reporting channel, and will assign corresponding personnel to handle the reported persons based on their rank. ( 2) The Company has not yet established standard operating procedures for investigating reported matters and related confidentiality mechanisms. ( 3) The Company has not yet taken measures to protect the whistleblower from being improperly punished for making the report.	No significant differences Will be included in future plans Will be included in future plans
4. Strengthening Information Disclosure				

Evaluate item Head	Operation status (Note )			Differences and reasons from the integrity management codes of listed and OTC companies
	yes	no	Summary	
Does the company disclose the content of its established integrity management code and the effectiveness of its promotion on its website and public information observatory?	V		Our company has established a code of integrity management, which is disclosed on the company website and public information observation station.	No significant differences
5. If the company has established its own code of integrity based on the "Code of Conduct for Listed and OTC Companies," please describe any discrepancies between its operations and the established code: Our company has established a "Code of Integrity Management" and all operations are carried out in compliance with the code. No discrepancies have been found .				
6. Other important information that helps understand the company's integrity management operations (such as the company's review and revision of its established integrity management code) The Company's financial statements are audited by the reputable and world-renowned CPA firm, PricewaterhouseCoopers, which has issued unqualified opinions for many consecutive years, demonstrating that the Company operates with integrity.				

### 2.03 Communication channels and complaint mechanisms

Qiaofu Machinery encourages employees to express their opinions and make suggestions freely and with the right to do so. The General Manager's Office has established an open mailbox communication platform to fully understand employees' needs and expectations regarding all aspects of the work environment. Employees can express their suggestions, requests, and raise questions about the company

confidentially and without fear of retaliation.

To uphold its philosophy of transparent communication, Chiau Fu Machinery encourages all internal and external personnel to report issues to the company through its complaint channels, and accepts anonymous submissions. The General Manager's Office has a dedicated complaint mailbox. Reports of violations of company regulations are primarily handled by the General Manager and the Administration Department. Annual reports on the handling of these reports are submitted to the Board of Directors, the highest level of management. The Audit Department oversees the investigation and handling of these reports.

## **2.04 Risk Management**



Chiau Fu Machinery adheres to the philosophy of sustainable business operations. By establishing, implementing, and maintaining a proactive risk management mechanism, we continuously monitor internal and external issues and environmental changes, conduct operational impact analysis, and develop the ability to effectively and flexibly respond to related challenges. We regularly conduct self-reviews and continuously improve our resilience to fulfill our commitment to uninterrupted operations and safeguard the best interests of our customers and stakeholders. Furthermore, the company effectively manages operational risks and fosters a culture of risk control by continuously optimizing its education and training, performance management, risk assessment, early warning notification, and public disclosure mechanisms.

## 2.05 Information Security

1. Information and communications security risk management framework:

(1) General Manager: Responsible for system planning and implementation .

(2) Specialized Unit Management Department: Responsible for supervising the effective operation of the system, supervising and improving , promoting , rewarding and punishing .

(3) Audit Office of Audit Unit: Responsible for the safe and legal implementation of audit work and reporting .

(4) Supervisors of each unit: responsible for supervising their subordinates, and should use, transmit , and speak in accordance with the company's relevant regulations. Information or non-information entity or non-entity data about the company's stakeholders, etc.

or related persons who have direct or indirect interests in the company .

All employees should strictly abide by the company's regulations on information security and other related matters .

2. Information security policy: To ensure the safe and legal use of company information assets and to avoid internal and external malicious attacks to prevent improper acquisition , destruction , or use, and to protect the rights and interests of internal and external stakeholders .

The company has established internal procedures for handling important information and computer room management regulations.

3. Specific management plan: The company will set up a firewall and host-based antivirus software at the computer system center .

maintain the confidentiality of firewalls (human and physical); educate all employees to prohibit sending, receiving, or downloading data through the company network.

Will not infringe upon the intellectual property rights of others or cause infringement and reputation damage, and avoid the company's computer system from being damaged and suffering financial and other losses, etc. Regular and irregular testing of firewalls. Important documents must be encrypted electronically.

Signing assignment.

4. Invest in IT security management resources: software , hardware , firmware maintenance , updates , backups , personnel

Cybersecurity education, training, and promotion increase risk awareness , disaster management , and timely strengthen firewall and equipment investment.  
the losses incurred due to major information and communication security incidents  
the most recent year and up to the date of publication of the annual report , as well as the possible losses

If the impact and response measures cannot be reasonably estimated, the fact that they cannot be reasonably estimated should be explained: None .

## 2.06 Participate in various community organizations

Qiaofu Machinery has long been committed to local public welfare, adhering to the principle of taking from the local community and giving back to the local community. Over the years, the company has continuously invested in local social welfare and internalized social participation as a key part of its corporate culture. The company encourages employees to participate in local organizations, hoping that participation in these organizations will enhance local well-being, broaden international perspectives, and enhance overall competitiveness.

.Xizhouli Mutual Aid Team

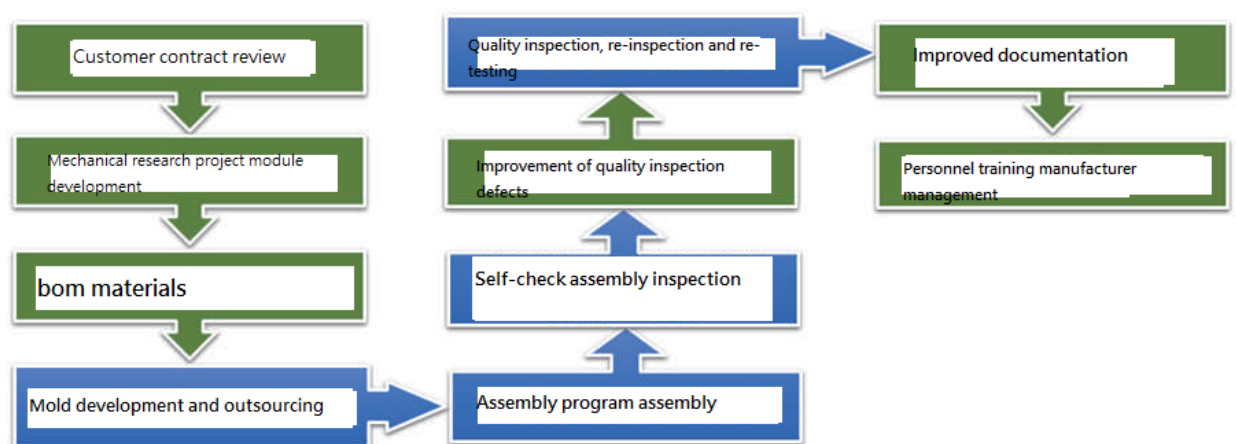
Beizhuangli Mutual Aid Team

.Xizhou Community Development Association

Toyosu Volunteer Police Unit

## 2.07 Product Management

Chiu Fu Machinery is a global leader in customized multi-type machine tools and one of the most comprehensive machine tool manufacturers in Taiwan. This product line includes a variety of machine tools ( milling machines, CNC milling machines, lathes, CNC lathes, cutting centers, etc. ) , various plastics machines, and related parts. The company has been implementing R&D project PDM systems and modular development systems for over a decade, focusing on cost-effective customized special-purpose machines.



## Continuous Improvement

The corporate culture of Qiaofu Machinery focuses on the development of the habit of never making mistakes. We establish a quality self-inspection management system, independent process inspections at each stage, and clear operating standards through customer specifications, parts, and precision requirements, and implement quality awareness in every employee. To continuously optimize product quality, improve production efficiency, create profits, increase customer satisfaction, and strengthen customer relationships, Qiaofu Machinery has established a delivery / acceptance / quality / installation / sales service platform to collect customer experience and feedback on product quality during after-sales service. Feedback to the mechanical and electrical research departments, monthly production, sales, and technology sharing allows manufacturing, production management, and other departments to make continuous improvements to ensure that quality can be continuously improved and become a company that customers can trust.

## 2.08 Supplier Management

Qiaofu Machinery often uses "QCDS" as the evaluation point, that is, selecting suppliers based on "quality, cost, delivery, and service."

Key points for selecting suppliers	illustrate
Quality	Confirm whether the third-party manufacturer has a stable and effective self-inspection quality assurance system, and review whether it has the equipment and technical capabilities to produce the specific products required
Material cost	Analyze the purchasing costs of peers to ensure that the quotation is within a reasonable range, and then find an acceptable cost price through bilateral negotiations.
Instant Delivery	Confirm that the supplier has sufficient production capacity and whether it has the potential to expand production capacity in the future, and monitor delivery status in conjunction with the D&B information management platform (Risk Analytics)

Abnormal service quality	Evaluate the pre-sales and after-sales service records of third-party suppliers to determine their reliability, ability to make immediate improvements, and ensure a smooth and secure supply source in the future.
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This year, the international trade war has highlighted the unpredictability of supply chain variables. From the previous shortage of labor and materials to the current inventory liquidation, it has become more difficult to manage the company's suppliers. However, the company and its suppliers have been working together for more than 10 years and have established collaborative design and basic revolutionary feelings.

### **a digital platform for supplier management to strengthen supply chain management**

Many companies, plagued by labor shortages, struggle to maintain up-to-date supplier information. Questions arise, such as whether the vendor's ethical standards are met? Does the supplier's location pose political risks? Or are there particularly sensitive relationships between the supplier's subsidiaries and beneficial owners? Due diligence processes for various risks are cumbersome and time-consuming. Qiaofu Machinery has implemented a supply chain data analysis system that provides monthly visualization of supply chain information for review and control by relevant departments. This system, implemented in three steps, helps procurement managers follow a standardized mechanism to assess suppliers' ESG opportunities and risks.

#### **Step 1: Integrate internal and external supplier master data**

Mastering data means proactively analyzing real-time dynamics in the international raw materials and shipping markets. The supplier information management platform connects to the company's procurement database, providing insights into the development prospects of various machinery industries and alerting suppliers to potential supply risks.

#### **Step 2: Use ESG data to screen high-quality suppliers**

In response to ESG regulatory requirements, we also use the D&B ESG Intelligence evaluation platform to use data analysis to determine suppliers' revenue performance, account delinquency ratio, management performance index, etc., so as to find alternative manufacturers as soon as possible.

#### **Step 3: Use charts to implement risk control**

Enhance decision-making efficiency with intuitive and easy-to-understand visual charts. Set risk scores or risk events to quickly review the risk performance of your supplier portfolio. Set monitoring alerts to receive timely notifications of changes in supplier delivery stability, helping to mitigate supply chain disruptions.

#### **05: Social aspects**

## 1.01 Human Resources Development

### 1. Internal: Strengthening the positive influence of employers on employees Related to physical and mental health

Qiaofu Machinery conducts employee health checks every two years, arranges annual employee vacations and family days, and provides a 15-minute break for every two hours of work. The company also offers a dedicated employee cafeteria to enhance employee physical and mental health, along with dedicated reading bookshelves. The company also provides a spacious and comfortable work environment, a diverse and inclusive psychological environment, and a motivating and harmonious work atmosphere.

### Related to professional ability

To continuously enhance employees' professional skills, Chiau Fu Machinery encourages unlimited further learning. Employees are welcome to apply for courses and activities outside of their job scope, such as dance classes and badminton clubs. The company also establishes a workplace for middle-aged and older employees, providing a seamless workplace experience for retirees and re-employment, extending their careers. This includes further enhancing employee professional skills, fostering communication and collaboration skills, cross-department transfer guidance, a fairer and more robust performance system, and mechanisms to strengthen professional growth.

Continuously improve employee satisfaction, encourage the introduction of relatives, friends, and couples to join the company, increase the amount of investment in talent development and the results of cultivation, increase the ratio of internal promotions, encourage women to take parental leave, provide job leave, and provide high-quality welfare measures.

### 2. External: Leveraging corporate expertise to positively impact society Related to social issues

Qiaofu Machinery participates in all types of activities, organizations and industries in the community where it is located, and works with customers and upstream and downstream partners to provide the most immediate human, material and financial assistance to public issues or social events.

## 1.02 Occupational Safety and Health

### **Internal organization, environmental safety and health concepts**

In line with the corporate purpose of being a global citizen and promoting a fulfilling life, Chiau Fu Machinery not only complies with occupational safety and health laws and other relevant requirements, but also strives to ensure that all employees can grow and work safely in a friendly environment. Therefore, we have established an occupational safety and health management system to create a

safe and healthy workplace environment, avoid unsafe behaviors, reduce the occurrence of occupational hazards, and enable employees to enjoy their work and live healthy lives.

#### **Occupational safety and health education and training**

Based on the company's sustainable business philosophy and compliance with occupational safety laws and regulations, we ensure the validity of the certifications of personnel implementing the environmental, safety and health management system. We also provide internal environmental, safety and health education and training for new employees (including foreign workers) and current employees. We plan to organize annual safety education and training courses. Course content includes organic solvents, product assembly, production equipment operation, 6S, fire drills, and annual fire rehearsals.

#### **Statistical analysis of disabling injuries**

Chiau Fu Machinery sets "zero workplace accidents" as its safety goal and clearly regulates workplace safety training and operating instructions for relevant department heads. On-site supervisors at each unit must explain work safety matters during daily morning meetings. To prevent accidents, major lifting and hook loading operations are performed in teams of three, with mutual support in implementing the SOPs required by on-site personnel and supervisors. As a result, in 2014, with the exception of employee commuting accidents, no major disabling injuries occurred within the factory.

### **1.03 Community Engagement**

#### **100% community communication and complaint channels**

Chiao Fu Machinery prioritizes community stakeholders and has established grievance mechanisms and communication channels with community groups within its factory complex. The company's primary impact operations are located in Shengang District and Xizhou Village. Chiao Fu Machinery utilizes the local Village Head Service Center as a communication channel, dispatching dedicated staff to visit the village head, the local community development association, and the Mutual Aid Team at least every three quarters to regularly communicate with the community during emergencies. Relevant departments formulate appropriate measures based on feedback from all parties and address community needs.

#### **100% community participation in action**

- .Xizhouli Mutual Aid Team
- Beizhuangli Mutual Aid Team
- .Xizhou Community Development Association
- Toyosu Volunteer Police Unit

The above-mentioned local community organizations have all been participated by the company in 2013, thus achieving a partnership between community leaders and the

company.

06: Environmental aspects

1.04 climate change

In the face of global warming and climate change, our company fulfills its corporate social responsibility and implements the environmental policy of "Protecting the Environment and Loving the Earth." We continue to promote programs such as "Energy Conservation and Carbon Reduction," "Waste Reduction," and "Resource Management" to mitigate the impact of climate change and achieve the goal of sustainable environmental management.

1.05 greenhouse gas emissions

Internationally, greenhouse gas emissions are considered one of the primary causes of global warming. Consequently, various industries are accelerating their transformation efforts, collaborating with companies that adhere to green standards. Customers are also beginning to demand that suppliers disclose Scope 1 and 2 greenhouse gas data. Meanwhile, the EU's CBAM (Carbon Margin Adjustment Mechanism) carbon tariff will be implemented on a trial basis in 2023, and the US CCA (Clean Competition Act) is also developing carbon pricing for its upcoming carbon tariffs in 2024. Faced with global carbon tariff regulations, this issue is no longer simply an environmental one, but also an economic one.

To address this challenge, the company conducted its own greenhouse gas inventory in 2024, using the five principles of relevance, completeness, consistency, accuracy, and transparency to effectively control greenhouse gas emissions and set emission reduction targets. Through these independent inventories, we will respond to future changes and challenges.

Greenhouse gas emissions in 2024

Question Group	index	unit	Format	Numerical
Direct (Scope 1) greenhouse gases	Inspection situation		Radio button	Checked
	Reasons for not checking		Radio button	
	Emissions	metric tons of CO <sub>2</sub> e	Numeric value, 4 decimal places, cannot be negative	49.9241

	Data Boundary		Text Block	parent company
	Confirmed situation		Radio button	Unsure
	Confirmed institutions		Multiple-select button	
	Assurance Standard		Multiple-select button	
	Confidence Range		Text Block	
Energy indirect (Scope 2) greenhouse gases	Inspection situation		Radio button	Checked
	Reasons for not checking		Radio button	
	Emissions	metric tons of CO <sub>2</sub> e	Numeric value, 4 decimal places, cannot be negative	262.1993
	Data Boundary		Text Block	parent company
	Confirmed situation		Radio button	Unsure
	Confirmed institutions		Multiple-select button	
	Assurance Standard		Multiple-select button	
	Confidence Range		Text Block	
	Inspection situation		Radio button	Checked
	Reasons for not checking		Radio button	
Other indirect (Scope 3) greenhouse gases	Emissions	metric tons of CO <sub>2</sub> e	Numeric value, 4 decimal places, cannot be	15.6830



Greenhouse gas emission intensity			negative	
	Data Boundary		Text Block	parent company
	Confirmed situation		Radio button	Unsure
	Confirmed institutions		Multiple-select button	
	Assurance Standard		Multiple-select button	
	Confidence Range		Text Block	
	Intensive computing scenarios		Radio button	Calculated
	Greenhouse gas emission intensity (designated reporting unit)	Metric tons of CO <sub>2</sub> e /million yuan in sales	Numeric value, 4 decimal places, cannot be negative	0.2035
	No data reason		Radio button	
	Data Scope		Radio button	Category 1+2
Greenhouse gas management strategies, methods, and objectives			This item is a data concatenation field, please do not fill it out	
Greenhouse gas emission intensity	Greenhouse gas emission intensity (voluntary reporting unit)		Numeric value, 4 decimal places,	

			cannot be negative	
Greenhouse gas emission intensity	<b>Greenhouse gas emission intensity unit</b>		Radio button	

## 1.06 Energy Management

Energy-saving and carbon-reduction measures and their effectiveness. To reduce carbon emissions, the company analyzed the sources of carbon emissions from Category 1 and Category 2 in the base year ( 2024 ). Electricity consumption accounted for 87%, making it the primary source of carbon emissions, followed by fuel consumption in official vehicles, which accounted for approximately 13 %. Therefore, effectively managing the company's electricity and fuel usage will reduce the company's carbon footprint and contribute to its goal of environmental sustainability.

1: The company takes proactive measures to reduce energy consumption, continuously promotes energy-saving programs and daily management, and implements the company's energy policy of "continuously improving energy performance and maximizing the value of energy", "complying with energy management regulations and promoting energy-saving concepts", "supporting the purchase of energy-saving products and building an energy-saving environment", and "continuously investing necessary resources and achieving goals and targets" to contribute to the protection of the earth.

### Reduction measures

- Manage lighting usage to reduce unnecessary lighting electricity consumption.
- Replace old lamps with high-efficiency LED lamps to save lighting electricity.
- Replace old and energy-consuming air conditioning equipment and perform regular cleaning and maintenance to improve its efficiency.
- The office temperature is controlled between 26 and 28 degrees Celsius to reduce the air conditioning load.
- During low-load periods outside summer, the chiller unit and chilled water outlet temperature can be raised to 8-10°C, effectively improving the chiller unit's operating efficiency.
- Encourage colleagues to climb stairs frequently, as it is good for health.

- Only a few elevators are open during non-working hours to reduce electricity consumption

To implement energy conservation and carbon reduction while minimizing air pollution, the company has incorporated daily gasoline and diesel usage into management. When traveling on official business, officials are encouraged to use official vehicles and take them for field work, or to take public transportation more often. All units are encouraged to replace or purchase new energy-efficient trucks.

#### Reduction measures

- Incorporate daily gasoline and diesel data into management to improve energy-saving management efficiency.
- Manage and dispatch the use of official vehicles, encourage colleagues to share them for field work, and reduce the number of vehicles dispatched.
- Encourage employees to use public transportation more often, and encourage employees to use electric scooters or electric vehicles for commuting.

When replacing or purchasing old trucks, give priority to environmentally friendly diesel trucks approved by the Ministry of Economic Affairs.

### 1.07 Water Resource Management

In 2024 , extreme weather events occurred across China , coupled with uneven rainfall patterns, leading to water rationing and outages. To mitigate the risk of future water shortages, our company implemented water efficiency training for all employees. To implement water efficiency and reduce water waste, relevant departments must hold a meeting each month to discuss promoting water conservation concepts and ensuring water conservation efforts. They must prioritize the purchase of products with water conservation certifications when installing or replacing new equipment. A security guard is assigned to inspect the company's main water meter daily during off-duty hours to prevent water waste and promptly repair it. Furthermore, the company regularly monitors water efficiency to reduce overall water consumption, continuously invests in improvements to improve water performance year by year, and complies with water management regulations and other relevant requirements. These efforts aim to identify water conservation opportunities and establish water reduction measures.

#### Reduction measures

- Integrate water use management to improve water resource management efficiency.
- Install water-saving devices throughout the facility and adjust the water output of all faucets.

- Regularly clean the building's water tower and conduct water quality testing.
- Inspect and test drinking fountains every three months to ensure water quality safety.

Usage Management Results: In 2024 (base year), the Bank's water consumption was 1,358 metric tons, with a water intensity of 2.3622 .

## 1.08 Waste Management

### Waste management goals and measures

The company has set a waste reduction target of 1% for 2025, using 2024 as a benchmark, and aims to increase its recycling rate by 1% to reduce waste. To achieve the reduction target, we are promoting the following management measures:

#### Reduction management measures

- The employee cafeteria provides environmentally friendly tableware to reduce waste generation, and paper lunch boxes and cups are recycled.
- Encourage employees to bring their own cups to meetings or training sessions, reduce the use of paper cups, and recycle paper.
- Promote paperless official documents and work files, and electronic education and training materials.
- Promote employees to use double-sided paper and make good use of the printing function, setting double-sided printing or multiple pages into one to reduce paper and toner usage.
- The audit department will periodically inspect restaurants on each floor to check whether they are classified according to the regulations.
- Reduce the purchase of bottled mineral water and glass water.

#### Waste reduction achievements

Since the company is in its initial stage, historical garbage and recycling statistics are not yet available. The company is collaborating with community recyclers and disadvantaged workers to encourage recycling and sales to community recyclers, achieving the dual goals of recycling resources and caring for those with less income.