

2022

Corporate Social Responsibility Report

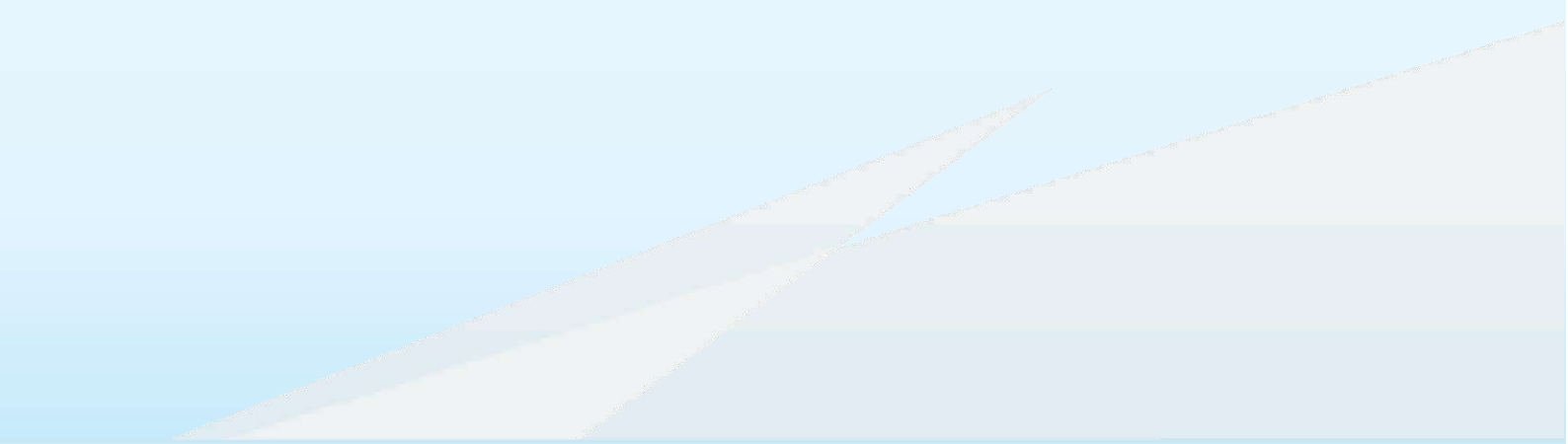
**Business philosophy:
Sincerity, trustworthy,
professionalism, quality and
service**





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Appendix: CSR report GRI G3.1 comparison table of the indicators

Declaration of managerial level



A Word from the General Manager



Since Cheng Fwa's foundation in 1964, it has always upholds the fundamental principle of sincerity and trustworthy. It uses professionalism, quality and service as its business philosophy. We believe "more service, greater profits. "The target is not limited to the customers only. It shall be applied upon the internal staff of the CSR (corporate social responsibility) corporation staff, the community and the environment where the company is located. Social responsibility is the promise of the company. We shall make the effort for its accomplishment. There is still a long road, so the enhancement of CSR standard and the challenge of sustainable operations are the details that we should be focused on in terms of the CSR.

※Staff caring

Cheng Fwa agrees that "as you sow, so will you reap." Therefore, we are concern of the interactive relationship with the employees. As to achieve harmonious labor relations, we should think in their shoes as well as in their family's standpoint. Through profit sharing model, Cheng Fwa encourages the staff to work together. In terms of the staff's leisure environment, diet and accommodation, we have upgraded the quality of the staff restaurant, the staff dormitory and meals. In addition, we have organized different associations, regular staff trips and holiday activities where the family can also join in. These would also promote the mental and physical wellness of the employees. We also have a corporation agreement with legal kindergarten and afterschool care centers and alleviate the tuition fees; we provide scholarships for children with outstanding grades as to encourage them to study. Moreover, we are also concern of the employee's personal growth, so there is a e-learning system within the company. We also encourage the staff to have continue education in their professional field. With a more dynamic learning, it can refine the personnel's knowledge and skills. We believe that Cheng Fwa's employees can feel our cares. This can be proven with the relatively lower employee turnover rate as the employees have a certain degree of coherence.

※Environmental protection

From inside to the outside, Cheng Fwa has started to promote eco-friendly activities since 2007. We are eager to promote green concepts and to implement energy saving and carbon reduction policies. We recycle the papers, reduce the amount of usage as well as the implementation of energy-saving bulbs and censoring faucet. In 2009, we prohibited the usage of disposal tableware and organized "zero-meal day once a week." We hope that through these tiny actions, we can raise the employees' awareness of the environment and then influence their families and friends.

Furthermore, we were certified with QC080000 HSPM Hazardous Substance Process Management Requirements in 2008 and ISO:14000 EMS in 2011. This would ensure the goals of green purchase, manufacturing and product selling. Not only do we urge our own actions, we also encourage the manufacturers to promote green product certifications. Not only can they use their influence, but also be conscious not only on the profits but also the Earth.

※Social caring

Upholding the belief of contributing back to the society, we actively cares about the single elderly and disadvantaged groups as well as children and medical care units in remote areas. Wherever Cheng Fwa can make its tiny contribution, the company would certainly join in. Not only do we have regular and irregular fund raising, we also had donations during Sichuan Earthquake in 2008 and Morakot Flood in 2009. In the same year, we also participated in the social welfare garden party and walking organized by Genesis Social Welfare Foundation. Approximately 300 colleagues and provides were enrolled. We believe that it is more meaningful to do public services together.

To answer the call of New Taipei City Government, we donated firefighting equipment in 2013 as the care for local fire safety. We gathered a group of suppliers and good friends to establish the group called the "Concentric Green" to promote our care for schools and children in remote areas and provide scholarships. We believe it is much more meaningful to have "everybody together for the good of the society.

In terms of CSR, efforts would be non-stop. We would urge ourselves as to present better performances.

Based on professionalism, quality and service, we pursue growth and progress with stable and firm footsteps. Apart from profit making, we would also be committed to the CSR promise and implementation. All the staff are in the same line. We would continually focus on and participate other related activities that the interested parties are concern with. In this way, we can record each of the steps that we left over the fields of employees, society and environment. We would appreciate further suggestions and advices as to assist us in the route of sustainable operations. In this way, the company operation can be smoother and stronger.



General Manager 蔡宗勳

I、 Overview and scope



1.1 Purpose and summary

Green business concepts and responsibilities include environmental protection, green manufacturing process, employee care responsibilities, contribution to the community, care for the disadvantaged, the fulfillment of our corporate social responsibility and others. Cheng Fwa is here to execute these missions hopefully to achieve business sustainable operations.

Through Corporate Social Responsibility Reports, we share the company's profile, business performance, corporate governance and marketing and development, environmental protection and green supply chain, employee care and health and safety as well as social responsibility and public and professional ethics, customer relationship and supply chain management with you. We manage to advance into the direction of green business, the fundamental basis of Chen Fwa operational management, which is the promise that we made for a sustainable development.



1.2 Scope of the report

The key scope of this report is Cheng Fwa Industrial Co., Ltd. Sanchong Plant at New Taipei City and the General Headquarter. The number at the financial reports use New Taiwan Dollars as the unit of calculation, while the rest of the indicators use the international standards, such as the performance of the environment, safety and sanity.

The report discloses the statistical data of each of the indicators which care the statistics and investigation results of Cheng Fwa Industrial Co., Ltd. All sources of financial data are approved, signed and announced by the account. Parts of the data quote the public information announced by the government. They are presented in the general numerical description. If any conversion is needed, it would be specified in the report.

1.3 Standard and self-declaration of the report

The content and structure of the CSR report published in 2020 is based on the third generation (GRI G3.1) of Global Reporting Initiative (GRI) which is the focus of the enterprises globally. There is a comparison table with GRI G3.1 at the end of the report which can be taken as a reference.

Meanwhile, we self-proclaimed that our report has reached to GRI Application B.

1.4 Identification of interested parties and the feedback evaluation of the major issues

As to promote CSR Report successfully and to implement all the performance indicators, Cheng Fwa has established CSR Promotion Committee that clearly describes the organizational structure, the responsible and other issues that should be noted. The General Manager has led all level one supervisor as well as the CSR committees to take the oath of accomplishing this mission.

Based on AA1000 Standards and GRI G3.1 regulations as well as the considerations towards the degree of concern of each of the interested party and immediate or potential impacts towards the company, a systemic identification and evaluation procedure are being established. The CSR is promoting dynamic communication channels and is using a systemic method to discuss with and identify the interested parties. This includes the board of directors, the stockholders, the customers, the employees, the manufacturers and the contractors. Secondary interested parties include the banks, the governments institutions and other private organizations. This is the results of the CSR Promotion Committee.

(1) Communication of major issues

The CSR committee would use different communication channels as to learn the thoughts and needs of the interested parties; that is to say, to obtain their valuable opinions during the process of communication with the interested parties. In this way, they can provide a further response towards the business operations and provide business strategies, management principles, performance objectives and plans as well as innovative approaches as to fortify the business abilities of the company, to satisfy the society's expectations and to achieve the ideal of sustainable development.

The following is the table detailing the issues and communication channels with each of Cheng Fwa's interested parties :

Interested parties	Issues in concern	Communication channel	Communication frequency
Customer	Quality / delivery / price / service / financial credit / certification requirements / technical support / satisfaction degree	email, visits, customer audits, telephone, on-site visit, customer satisfaction surveys, web customer service e-mail, publications delivery, meal gathering	Every season or depending on the circumstance
Employee	Compensation & benefits / health and safety / promotion / training and development / work environment / health / communication channels	email, telephone, company website, announcements, internal audit, irregular communication meetings, regular communication meetings, individual consults with the authorities, complainant channel/hotline, labor conference, satisfaction surveys, benefits committee, proposal system, e-mail, employee suggestion box, educational training	Anytime or regular annual meeting
Contractors	quality / price / construction / fitness	email, visits, on-site supervision, inspection, telephone, field visits, environmental safety education	Irregular
Manufacturers	Manufacturer evaluation / commitment / financial credit / quality / delivery / price / service / green supply chain management / fitness	email, factory audits, on-site visits, telephone, satisfaction surveys, manufacturer evaluation, vendor communication and assembly	Irregular
Stockholder	Revenue / profit / equity / corporate governance	email, telephone, on-site visit, shareholders' meeting, company websites, government websites	Every year
Board of Directors	Revenue / profits / corporate governance	Board of Directors, annual general meeting	Every season / every year
Private organizations	Social welfare / donations / sponsorship	Email, phone, training, seminars, briefings, community recreational activities, meal gathering,, participation in the civil communities	Irregular
Government organization	Industrial safety / environmental / regulatory standards / corporate governance / fire protection / charity / transportation	Official documents, email, check, phone, site visits, questionnaires, briefing	Every season, every half a year, every year
Bank	Revenue / profit / financial credit / corporate governance	email, telephone, field interviews, company websites, government websites, credit investigation	Irregular

(2) Assessment feedback

In terms of the major issues in regard to the interested parties, Cheng Fwa CSR Promotion Committee has classified the degree of concern and the immediate or potential impacts towards the company, which is shown in the following 3x3 table labeled with three levels: high, medium and low.

There 14 issues high concerned by the interested parties, seven of medium concern and of low concern; there are 14 issues that can have high immediate or potential impacts towards the company, 5 medium and 2 low.

All major issues and results are compiled in the following table:

level of concern of the interested party	High	Social welfare Donation & sponsorship	Manufacturer evaluation Environmental pollution	Revenue, profit, corporate governance, quality, price, delivery, fitness, compensation and benefits, health and safety, training development
			Staff communication, shareholders' equity, after-sales service, green concept promotion	Financial credit, green supply chain, corporate image
	Low			Traffic impact
		Low	Medium	High
	Immediate or potential impact towards the company			

The major issues at the aforementioned table include: revenue, profit, corporate governance, quality, price, delivery, fitness, compensation and benefits, health and safety, training, development, financial credit, green supply chain, corporate image, traffic impact, etc. A detailed description is within the CSR report.

1.5 Notes to Editors

This is the first publication of the report. The content mainly presents the concrete operations and CSR actions from January to December 2022. Cheng Fwa promises to have periodic publications of CSR reports in the future.

The content of this report includes: business class declaration, company profile and corporate governance, employee care and health and safety, environmental protection, social responsibility and public service, the use of green supply chain to establish environmental management systems, and the linkage with the sustainable development business. It would disclose the interrelations and the connections of the economic, social and environmental indications of sustainable operations. The content of the reports focuses on the year 2022. The exceed of this scope would be particularly indicated in the report.

All partners, public citizens or interested parties of Cheng Fwa Industrial Co. Ltd: in the event of any doubts or suggestions for the content of this report, please contact us in one of the following ways.

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- Email : scottywu@chengfwa.com.tw
- Website : <http://www.chengfwa.com.tw/>



// 、 Company Profile and Governance

2.1 Foundation and History

Founded in 1972, Cheng Fwa Industrial Co., Ltd. is a precision press mold manufacturing and processing company that became a GTSM (OTC) listed company in 2000. The company has offered a wide range of services in R&D, drawing, design and sampling through professional technology and complete hardware/software since its foundation. Under the support from strong R&D technical team and the efforts of all employees, the company continues to expand in global sales, supply and service with pragmatism and stability, thereby to comprehensively and quickly meet customer satisfaction.

● *Company Profile :*

Foundation: July, 1972

Capital: NT\$1,400,000,000

Stock Code: Taiwan Stock Exchange Stock Code (5426)

Number of Employees: Approximately 420 people (as of December 31st, 2022)

Industry Category: Hardware stamping

Primary Business: (1) Housing and components for video decoder.

(2) Computer housing (including industrial computer, disk array, personal computer and spare parts).

(3) Others

Headquarters: 5F-6F, No. 252, Sec. 2 New Taipei Blvd. San Chong
Dist., New Taipei City





San Chong Plant: No. 25, Kuang-Fu Rd., Sec. 2, San Chong Dist., New Taipei City



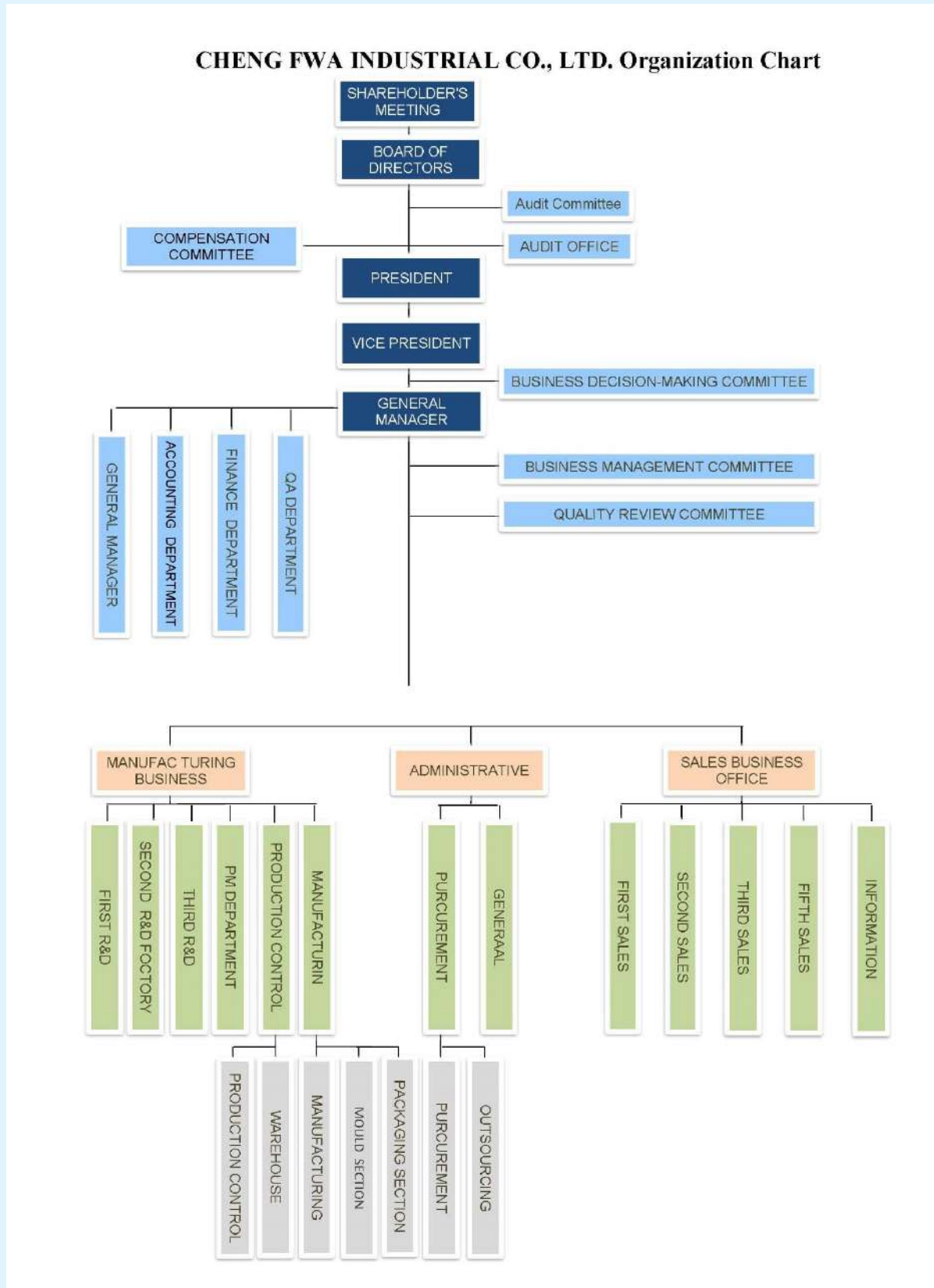
Changzhou Plant: No. 28, Hua Shan Rd, New District, Changzhou, Jiangsu P.R China

● Key Chronicles

1972	Cheng Fwa Industrial Co., Ltd. was founded in Sanchong, Taiwan with capital of NT\$15,000,000 and initially specialized in the manufacturing business of electronic component stamping.
1980	Founded WEDM (Wire Electrical Discharge Machining) Department and was the first stamping company in Taiwan to introduce WEDM technology.
1983	Founded WEDM (Wire Electrical Discharge Machining) Department and was the first stamping company in Taiwan to introduce WEDM technology.
1987	Met customer demand in small quantity and shortened manufacturing time, purchased laser cutting equipment and NCT computer press in addition to establishing the Sampling Department.
1991	Increased NTD50,000,000 in fund raising to build a plant.
1997	Certified by ISO9002 (1994 version) International Quality.
2000	Approved by Gre Tai and Securities and Futures Institute as public listed company on 2/9.
2001	Set up new plant in Changzhou, Jiangsu Province, China.
2002	Official mass production in China and certified by ISO9001 International Quality.
2003	Added 300-ton double press machine in Taiwan to provide large-product service and manufacturing speed. Certified by ISO9001 International Quality
2008	Certified by ISO/TS16949 / QC080000.
2009	Certified by ISO9001(2008 version) International Quality.
2011	Certified by ISO/TS16949 / ISO9001(2008 Version) / QC080000 / ISO14001(2004 version).
2012	Advocated EICC with audit approval from customer.
2013	Director/Supervisor reelection, transfer of one director
2014	Revised Certification by QC080000(2012 Version)
2015	Set up a subsidiary of Da Sun Plastic Co.,Ltd
2016	Subsidiaries of Da Sun Plastic Co.,Ltd cash replenishment · Investment NT 16.5 million.
2017	Revised Certification by ISO9001(2015 Version) / ISO14001(2015 Version)
2018	Certified by IATF16949/ISO13485(2016) and verified by RBA .
2019	Certified by QC080000(2017).
2020	The subsidiary of Da Sun Plastic Co., Ltd. increased its capital in cash and invested NT\$37,900,000.
2021	The Subsidiary Da Sun Plastic Co., Ltd. reduced its capital by NT\$100 million. After making up for the loss, the investment amount of cash capital increase was NT\$25,000,000, and the paid-in capital was NT\$45,000,000.

2.2 Organization and Offices

(1) Company Organization Chart



(2) Key Organizational Content and Responsibility Summary

Business Responsibility of All Major Departments:

Business Decision-Making Committee (Managers or above and designated personnel)	Audit Office	General Manager Office
<ul style="list-style-type: none"> (1) Decision making for business strategies and various systems. (2) Review on business performance and effectiveness of management by objective. (3) Major decision making. (4) Personnel performance review. 	<p>The planning, execution and following-up of internal audit related tasks including internal control system, quality assurance system and irregular activities. Audit for various systems, procedures and operations.</p>	<ul style="list-style-type: none"> (1) Decision making for business strategies and various systems. (2) Planning and management for personnel, educational training and human resource.

Management Committee (Business Division Manager or Above)	Quality Review Committee	Finance Department	Accounting Department	Quality Assurance Department
<ul style="list-style-type: none"> (1) Promotion and execution of various resolutions made by the Management Committee. (2) Operation review and evaluation by all business divisions. (3) Coordination of operations between business divisions. (4) Implementing review on internal control system. 	<p>Responsibility in implementing review on quality assurance system.</p>	<p>Responsibility in fund management, liaison with banks.</p>	<p>Account handling, budget reviewing, tax declaration, and financial report preparation and analysis.</p>	<p>Quality inspection and control of procurement, production process, products, and equipment, in addition to handling customer complaints.</p>

Manufacturing Business Division			Administrative Division		Sales Business Division	
Governing the R&D Department, Production Department, Production Control Department, Sampling Department, and Molding Department with effective supervision on the various operations in conformance with company regulations and requirement.			Governing the Procurement Department and General Administrative Department with effective supervision on the various operations in conformance with company regulation.		Governing the Sales Department and Information Management Department with effective supervision on the various operations in conformance with company regulation.	
R&D Department	Production Department	Product Control Department	Procurement Department	General Administration Department	Sales Department	Information Management Department
Responsibility in the research and development of new business and new products	Responsibility in the execution and control of various production processes.	Issuance of production schedules, production progress follow-up, coordination arrangement, production and sales control, and control and management of inventory adjustment.	Procurement of raw materials and outsourcing arrangement.	Responsibility in company planning, advertising, general affairs, welfare, legal affairs, and investor relations.	Responsibility in the expansion of company business, and support and service for clients.	Responsibility in company document control, the development and maintenance of information management system, and system integration application.

(3) Global Sales Offices

Currently Cheng Fwa Industrial Co., Ltd. has set up offices in China and the United States, using positive development of overseas market to provide the more immediate and complete services to foreign clients.

Cheng Fwa Industrial Co., Ltd. (Taipei, Taiwan)

Changzhou Jengyang Electronics Co., Ltd. (Changzhou, Jiangsu Province)

TeamMax Corporation (Massachusetts, U.S.A.)

USM Manufacturing, Inc (Ontario)

United Sheetmetal, Inc (California, U.S.A.)



2.3 Product Information

(1) Product Information

Cheng Fwa Industrial Co., Ltd. is a manufacturing process company of precision stamping required for computer, telecommunication, internet and electronic industries.

The company initially specialized in metal stamping and molding. Under years of efforts exerted by the operational team and professional technicians, the company offers professional services in OEM, ODM, product design, and co-development with clients through one-stop operation from stamping metal components with different shapes and sizes, fabricating, assembly, testing, to packaging. Cheng Fwa constantly meets and surpasses customer demand, winning high recognition from the customers.

(2) Product Types





Die-Casting(Bow Sight)



Automobile parts



Cash Box



Air Compressor



Tuner Chassis

(3) Business Ratio of Major Product Category (2018~2022)

The primary customer group of the company consists of “video decoder housing.” In recent years the company has taken initiative in development other product groups such as Computer Housing, electronic appliances, networking devices, server and satellite telecommunication equipment with effectiveness. In particular, the company will have more substantial growth in servers and Computer Housing.

Unite: Percentage

Major Products of Marketing	Year	2018	2019	2020	2021	2022
		Percentage (%)	Percentage (%)	Percentage (%)	Percentage (%)	Percentage (%)
Video Decoder Housing		36	11.11	5.67	6.25	2.9
Computer Housing		11	14.94	29.43	55.09	64.53
Network connector		x	x	14.25	22.27	20.07
Others		53	73.95	50.65	16.39	12.50
Subtotal		100	100	100	100	100

2.4 Business Performance

Description of Business Performance

The 2022 operating revenue still reached NT940,462, yielding a net profit of NTD 163,194 and EPS of NT 1.13. More information on the revenue performance of the company in the last 5 years is described in the following table:

Unit: Thousands NTD

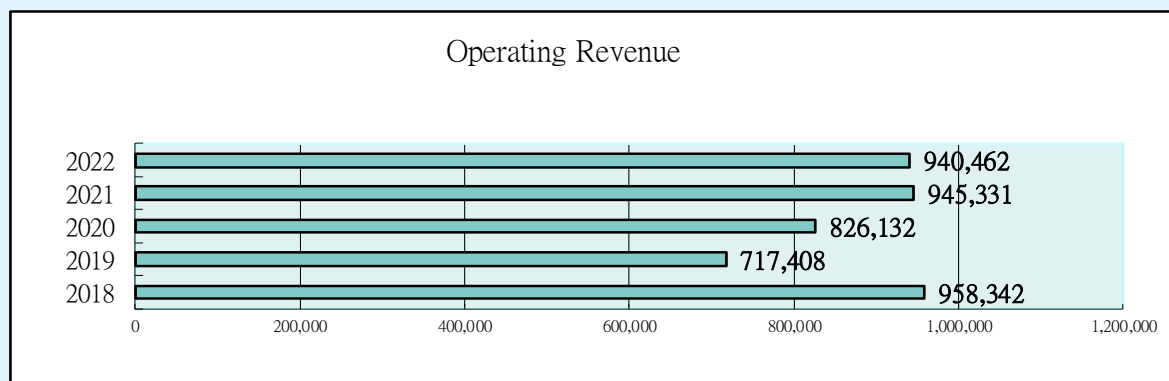
Items	2018	2019	2020	2021	2022
Operating Revenue	958,342	717,408	826,132	945,331	940,462
Gross Profit	192,926	58,682	95,704	112,642	126,625
Operating Net Profit	67,064	-59,345	-22,668	-13,491	-10,330
Non-Operating Revenue	45,060	57,874	26,400	28,862	215,829
Non-Operating Loss	92,558	23,391	46,293	114,803	3,916
Current Net Profit	137,635	-22,803	-37,717	-88,705	163,194
EPS	0.96	-0.16	-0.26	-0.62	1.13

Income Comparison Chart by Product Category

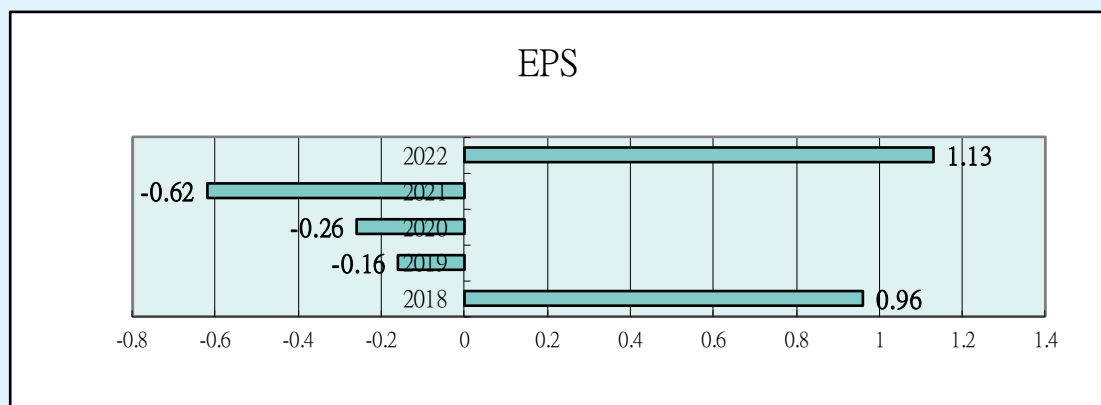
Unit: Thousands NTD

Items	2018	2019	2020	2021	2022
Video Decoder Housing	344,417	80,425	47,148	59,702	59,702
Computer Housing	107,524	107,530	244,365	520,824	520,824
Others	425,780	529,453	534,619	365,435	365,435
Total	1,243,035	717,408	826,132	945,331	945,331

Annual Operating Revenue Comparison Chart



● Annual EPS Comparison Chart



● Strategies for Financial Risk Control

The company adopts comprehensive risk management and control system to identify all risks (including market risks, credit risks, liquidity risks, and cash flow risks) for corporate management so that all levels of management could effectively control and measure market risks, credit risks, liquidity risks, and cash flow risks. Cheng Fwa accomplishes management by objectives for market risks by taking proper consideration of the impact of economic environment, competition and market value risks in order to optimize the risks, maintain proper financial liquidity and centralize all market risks management.

● Corporate Management Risk Assessment

Cheng Fwa Industrial Co., Ltd. has developed various internal regulations governing the evaluation on corporate management risks according to the laws in order to effectively control and manage operating risks, environmental safety risks, and government policy related risks. The company also consolidates the collective participation and risk management schemes from different departments, which has effectively reduced the loss brought by risks or adverse impact on the company over the years, driving the company to make progress towards sustainable management.

● Assessment on Operational Risk Assessment

The impact of interest rates, fluctuations in foreign exchange and inflation on company profit/loss and future response measures :

(1) Interest Rate Changes

The company is well-financed with healthy financial structure. Occasionally, short-term borrowings have a fixed interest rate and all are due within one year. Hence, the changes in future market interest rates will have very small impact on the company in terms of risks bearing.

(2) Fluctuations in Foreign Exchange

The business income of the company is mostly transacted in US Dollars, where only the procurement of raw materials and machinery equipment is calculated in NT Dollars. Consequently, fluctuations in foreign exchange have tremendous impact on the company. We will undertake necessary hedging activities such as taking forward rate against foreign exchange exposure to lower the risks involving fluctuations in foreign exchange.

(3) Inflation

According to the Directorate-General of Budget, Accounting and Statistics, the annual increment of 2022 Consumer Price Index (CPI) was 2.95% and the estimated annual increment of 2023 CPI announced by DGBAS this May (2023) is 2.35%, which falls within the scope of controllability of the government.

The impact of change in critical domestic and foreign policies and laws on the company's financial operations and its response measures:

Between 2022 and as of now, there has been any policy and laws that have severe adverse impact on the financial operations of the company or any incidents violating the law. The management team of Cheng Fwa Industrial Co., Ltd. often and closely pays attention to any policy and laws that will generate severe impact on the financial operations of the company.

● **Impact on the financial operations and response measures of the company due to climate change**

Due to the frequent climate anomaly phenomena over the past few years, i.e. natural disasters such as flood and typhoon and COVID-19 have brought massive financial loss to the company and even affect the operations. Hence, in consideration of the factors in climate anomaly that could bring impact on the corporate operations, the company has been insured with commercial fire insurance (including operation interruption, natural disaster) to shift risks, in order to obtain reasonable compensation in the incidence of occurrence and thereby quickly undergo renovation. Such insurance also initiates the emergency contingency for operational plan, operation recovery plan and sustainable development management system so that new feeding raw materials and equipment can be restored for normal production, lower loss and maintain operation and profits.

As of now, the risks of climate anomaly have not brought any major impact on the financial operations of the company.

2.5 Business Expansion and Marketing

(1) Foundation of Business Expansion

In a global market of fast changes and competition, our company takes initiative in surpassing customer expected value through added value to the product, brand, and corporate image and service. We also constantly meet and go beyond customer satisfaction in order to receive customer approval and recognition as our motivation for sustained efforts.

In response to intense market competition, our own R&D staff with strong background and we invest in the development and design of new products in addition to pursuing innovation to cope with transient technology industries. Our company owns multiple patents to act as pioneer and lead the supply/demand for future market.

(2) Marketing

In addition to solidifying the existing Taiwanese market, the company takes initiative to expand in overseas market in order to stay in step with the world and to provide customers with immediate and close services. We have then established plants or sales offices in China and the United States.

Cheng Fwa is founded in Taiwan to project to the world; not only does the company compete with domestic industries but also rivals from worldwide by improving self technology and management capacity. The current marketing strategies are described in the follows:

- 1) Strengthen relation with existing clients.
- 2) As the order for small quantity with diversity increases, strengthen the relation with supplier to provide clients with flexibility and diversified services.
- 3) The company has become an assembly base for international corporations in China and South East Asia. The company can use existing relationship to directly contact with end customers so the end customers can assign supplier.
- 4) Seek for agencies in the United States that could introduce Cheng Fwa to local potential clients.
- 5) The company is scheduled to set up a sales office in the United States in order to directly develop local potential clients.
- 6) Participate in professional exhibition for electronic products to collect information on potential clients.

The advocacy for the abovementioned marketing strategies and sales promotional plan contribute to the effectiveness of sales region ratio in recent years (2018~2022) with significant changes. The operating revenue for Europe and America increased , as shown in the following table:

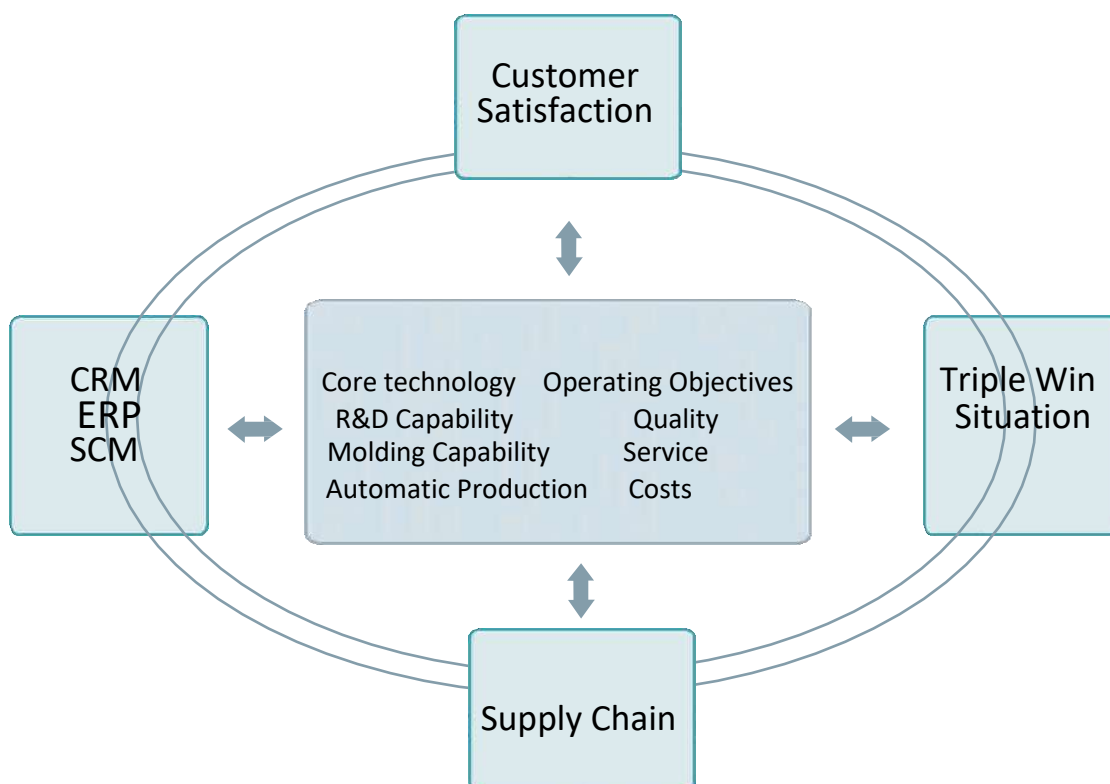
Unite: Percentage

Major Areas of Marketing \ Year	2018	2019	2020	2021	2022
	Percentage (%)	Percentage (%)	Percentage (%)	Percentage (%)	Percentage (%)
Taiwan	44	39	46	50	46
Other Asian Countries	18	7	3	2	1
Europe, North America	38	54	51	48	53
Others	0	0	0	0	0
Subtotal	100	100	100	100	100

2.6 Service Content: Customer Satisfaction Survey

To accomplish the long-term objectives in sustained operation and growth, we initiate the key to market success: customer satisfaction.

We utilize the three major management system, including customer relationship management (CRM), enterprise resource management planning (ERP), supply chain management (SCM) to positively offer triple-win situation in customers, suppliers and Cheng Fwa. We optimize costs, quality and services in order to create better sales and more future new orders from reciprocal process.



Cheng Fwa Industrial Co., Ltd. conducts customer satisfaction survey semiannually (mid-year and end of year), which scope of survey covers 6 major keys: Lead time, quality, price, co-operating rating, effectiveness of unusual process), Process of HSF requirement, as shown in the following table.

Unite: Marks (Full marks 100)

Items of Survey	Year	2018	2019	2020	2021	2022
	Marks	Marks	Marks	Marks	Marks	Marks
Lead Time		86	85	86	88	89
Quality		82	83	83	83	83
Price		69.5	73	72	74	72.5
Co-operating Rating		87.5	89.5	89	90	87
Effectiveness of Unusual Process		85	85.5	86	88	85.5
Process of HSF Requirement		87	90.5	92.5	88	92
Average Marks		85.5	86.7	86.7	85.2	87.5

The average marks for customer satisfaction survey in recent years (2018~2022) shows that the remaining average marks are all higher than 85 points with classification of “satisfied” other than price. The result is the organizational effectiveness where the colleagues fully utilize teamwork and professional division of work to adhere to integrity and responsibility for meeting customer requirement and tasks.

Meanwhile to improve customer co-operating rating and effectiveness of unusual process, we continue to introduce, advocate and improve quality management system and mechanism in order to provide results given feedback by the customers to departments. Relevant departments are required to draft improvement measures and response within specified time in addition to following up customer replies on complaints until reaching satisfaction. Consequently, customer complaints will be handled with optimal effect to assure that customer response would receive company valuation and processing, applying the service philosophy of “Respect for Customers” to solidify customer loyalty.

As of the end of 2022, Cheng Fwa has not received any complaints regarding infringement of customer privacy or loss of customer data, without violation to laws or regulations related to the supply and use of products/services, or incidents of major fines from government agencies.

2.7 Corporate Culture and Management System

● **Corporate Culture: Management of Integrity**

「Management by integrity」 is the central philosophy for our implementation of all activities and also the foundation to corporate governance. Cheng Fwa adheres to principles of integrity in treating its customers, suppliers, employees, and all shareholders including the Board of Directors, management level and employees.

Customers: Guided by integrity, we take initiative in providing customers with the best services.

- Customers: Guided by integrity, we take initiative in providing customers with the best services.
- Suppliers: We treat supplies with integrity and act on credibility to coordinate and collaborate for joint growth.
- Employees: People oriented management by integrity gathers employee cohesion.
- Shareholders: We hold transparent and public information to win trustworthiness from our shareholders.

● **Management Philosophy: Professionalism, Service and Quality**

In a global market of fast changes and intense competition, the company takes initiative in providing added-value from product quality, corporate brand, on-time delivery and follow-up services that go beyond customer expectation in order to reach the long-term goal for sustainable operation. Hence, we improve the added value in order to go beyond customer expectation and thereby maximum customer satisfaction.

Cheng Fwa emphasizes on the core philosophy of meeting customer demand and improving customer added-value by providing competitive services through excellent technical support so customers can rely our company with security. Cheng Fwa collaborates with customers in design development to assist customers with cost reduction and create more values for customers. At the same time, the company utilizes professional know-how to improve self added value, maximize customer satisfaction and increase customer loyalty and recurrence rate. Meanwhile the company upholds to the triple-win philosophy in customers, suppliers and Cheng Fwa by utilizing competitive advantages in customer relationship management (CRM), enterprise resource planning (ERP) and supplier chain management (SCM) to optimize costs, quality and services.

● **Vision: Customer Satisfaction, Innovative Design, Employer-Employee Harmony, Global Projection**

We uphold to corporate culture of “management by integrity,” applying the business philosophy in “professionalism, service and quality” to meet customer demand and thereby implement the corporate vision in “customer satisfaction, innovative design, employee-employer harmony and projection to the world.” The key direction of our practice is described below:

- (1) Customer orientation, using integrity for customer trust and quality for customer confidence.
- (2) People-Oriented, Employer-Employee Harmony, Co-Prosperity/Co-Existence.
- (3) Innovative design, build a new beginning and reflect the future.
- (4) Expand overseas market, international management and provide customers with immediate services.

● **Management System**

1. Internal Audit System

The Audit Office under the corporate Board of Directors is in charge of the internal audit operations according to the company laws and regulations, which brings its function of anti-corruption and good practice for improvement into full play, helping the implementation of corporate governance. Its function is to assist the Board of the Directors and managers execute the following operations:

- (1) Routinely audit the execution performance of internal control system.
- (2) Validate the regulations governing each operational procedure in conformance to the standards of laws and regulations.
- (3) The Audit Office shall provide suggestions for improvement and follow up the subsequent execution of improvement solutions according to the audit results.

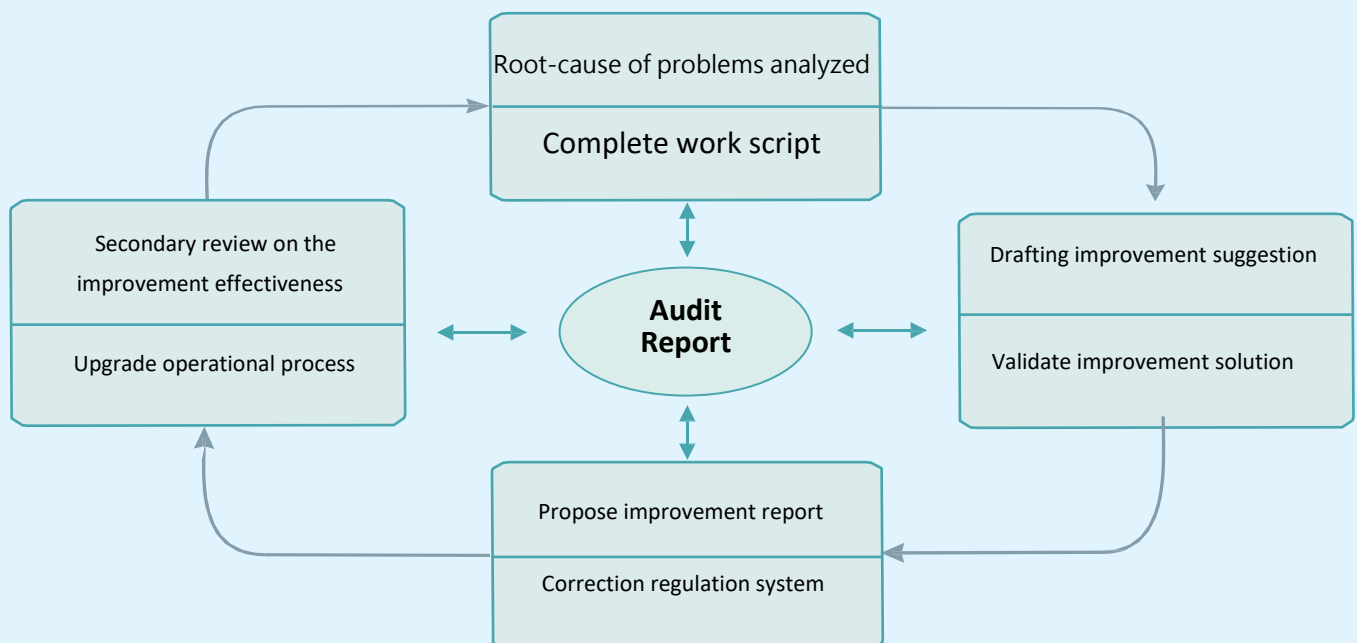
The company follows the company demand and develops audit plans for the currently eligible auditors allocated to the Audit Office before submitting to the Board of Directors for approval. The Audit Office will audit and execute the results monthly or quarterly in addition to completing the subsequent follow-up improvement report before submitting to the General Manager and the supervisors. The audit supervisor shall also attend the Board of Director Meeting to report the auditing operations so the highest level of management can fully understand the progress and effectiveness of improvement on anomalies in addition to adopting proper response measures.

The Audit Office shall discover flaws in internal control and improvement on anomaly discovered from the abovementioned audit, providing the assessment of the validity of the overall internal control system to the Board of the Directors and the General Manager in addition to presenting the main basis of statement of internal control system.

The purpose of audit, target of audit, relevant information, and works scope are determined according to the approved annual audit plan. The methods of auditing conducted by the Audit Office are divided into the following 3 categories:

- (1) Routine Audit: Auditing plan developed by auditors according to 「Internal Audit System」.
- (2) Temporary Audit: Processed according to the instruction given by the senior manager or authorized personnel.
- (3) Special Audit: Project investigation on special cases.

The audit report presented on the basis on the discovery from the above-mentioned audit shall contain the root-cause of problems analyzed, drafting of improvement suggestions and solutions, proposal of improvement progress or report and regulations governing correction system, and secondary review for improvement effectiveness of P-D-C.A management operation cycle.



2. Internal Control and Management System

The Company Board of Directors and Managers shall follow the “Regulations Governing Establishment of Internal Control Systems by Public Companies” and relevant laws and regulations to establish internal management system and thereby improve operational management effectiveness and product quality.

The Internal Management System is divided into the following three categories: :

(1) Internal Control System

Internal control system covers the operations of the entire company, including the corporate functions in planning, organization, control, and management as well as the Nine Circulation Procedures and standard measures adopted by operations in 「 sales 」 、 「 production 」 、 「 procurement 」 、 「 financing 」 、 「 wage-based worker 」 、 「 fixed assets 」 、 「 computer information 」 、 「 investment 」 and 「 R&D 」 as the scope of internal control.

There are three essential purposes for achieving 「 Promoting Effectiveness Operation of Corporation Organization 」 :

- 1) Assure the company compliance with policy and regulations governing operating procedure.
- 2) Avoid asset wastes, theft and inefficient use.
- 3) Validate the accuracy and validity of accounting and operational data.

(2) ISO Management System

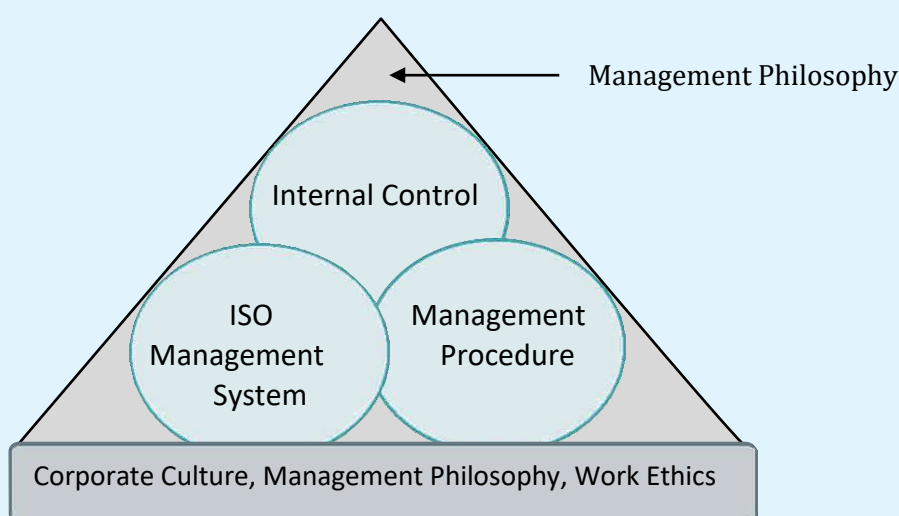
Establish ISO management system for related issues in production and quality, environment, safety and health, and social responsibilities. The company has been certified by relevant ISO certification includes quality management system: ISO9001, Auto Quality System: IATF16949, Environmental System: ISO 14001, Hazardous Substance Control System: QC080000, Medical devices Quality management systems standards: ISO13485 , Social Responsibility EICC electronic industry code standards where customers from both side commission to third authentication company for audit and approval, in addition to establishing social responsibility management system, implementation procedures, management review, and audit systems according to the requirement standards and relevant laws and regulations.

(3) Management Procedure

For special control items with high operational risks such as credit line management operation, the Audit Office has developed relevant management procedure to lower operational risks while developing operational standards for the operations of different organizational functions. The personnel department shall develop procedures for personnel management.

The three internal management system including the aforementioned internal control system, ISO management system, and management guidelines is based on the corporate culture, employees' core value and occupational ethics. These three management systems effectively operate and continue to improve in order to meet Cheng Fwa's requirement in business philosophy, and thereby improve management effectiveness and product quality for the accomplishment in corporate vision and mission.

The internal control management system is shown in the following diagram:



2.8 Corporate Governance

Cheng Fwa Industrial Co., Ltd. values operation transparency and corporate governance. The company establishes the Board of the Directors constituted by five directors and 2 supervisors according to Company Law, Security Exchange Act and other related laws, constructing the overall corporate governance framework and functions with responsibilities in corporate operational policy guidelines. The company also routinely calls for Board of Directors meeting to invite General Manager for briefing and effectively supervisor over the operational performance and the outcome of executing the functions from the management level, thereby constantly improving the management performance and protecting the rights of the investors and other stakeholders.

Cheng Fwa separates its ownership and management power. The Chairman hires General Manager Cong-Xun Cai (蔡宗勳) for the management of all company operations. The direction of corporate governance is described in the follows:

(1) Information Transparency

The company offers spokesperson that specializes in handling the relationship with investors by maintaining excellent and long-term interaction with the investors. The shareholders and stakeholders full understand the finance and operations of the company as well as the implementation of corporate governance. The information is also immediately disclosed on official website for the information of relevant important governance, so that stakeholders can find out the management movements and information from the official website. Specific achievements of information transparency include:

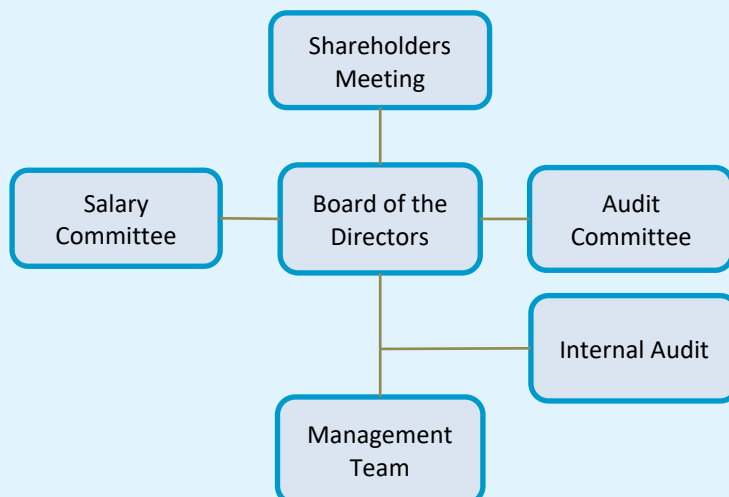
- 1) 2011 Established 「Salary Committee」.
- 2) 2022 Established 「Audit Committee」.
- 3) The various financial information, financial reports, annual reports, major information announced in the Observation Station of Taiwan Stock Exchange can also be queries for relevant information on Cheng Fwa website (www.chengfwa.com.tw) for the reference by domestic/foreign investors or stakeholders.

(2) Avoid conflicts of interests and clean management

In addition to the provisions in articles prescribing the avoidance of conflicts of interests in the Articles of Association, we announce the “Occupational Ethics Conducts” to all supervisors and employees by requesting all employees to possess clean conducts, abide by policies without seeking private interests, avoid conflicts of interests, avoid disputes and follow principles of reception. The company expects all employees to implement the classic work value for occupational ethics in the implementation of clean management while expecting the employees to develop excellent ethics and work attitude.

(3) Establishing and Implementing Internal Control and Audit System

To improve corporate management and assist the Board of the Directors and Management Level with truthful performance of due responsibilities, the company as established complete internal control and audit system by routinely auditing the various professional technologies and management operation process in addition to validating for effective execution. The supervisors also review, follow the execution progress in internal control and internal audit routinely or non-routinely according to regulations.

1. Corporate Governance Framework

Cheng Fwa values shareholders' rights and calls for routine extraordinary shareholder meetings routinely each year. Cheng Fwa sets up Board of Directors for corporate governance by inviting elite representatives from all fields to act as the directors or supervisors with responsibility in the management operations, bringing the function of supervision into full play. The company also sets up internal audit department and salary committee to assist the Board of Directors with auditing the flaws in internal control management system and managers' performance assessment, thereby to assure the effective implementation and continual improvement on internal control management system.

The operation of Cheng Fwa Board of the Directors and Salary Committee shall follow the provisions on "Board of Directors Meeting Regulations" and "Salary Committee Organization Regulations" for execution, which responsibilities and relevant description is provided in the follows:

The extraordinary shareholder meeting is routinely called for each year (approximately June): Information related to extraordinary shareholder meetings is disclosed on company website for query.

2. Shareholders Meeting, Board of Directors, Supervisors, Salary Committee:

● Shareholders Meeting



● Board of Directors :

There are 6 members to the existing Cheng Fwa Board of Director. All directors are resulted from shareholder voting , 6 directors(including 4 independent directors). The meeting shall be called for at least each quarter where the management team reports on operational performance.

To fulfill its responsibility in supervisor and boos the function Board of Directors, Cheng Fwa Board of Directors has established various organizations and channels, including Salary Committee and Internal Audit, using professional division of labor and stance of independence infact, to help with Board of Directors in decision making. In 2022, the Board of the Directors has called for a total of 6 meetings. When the issues discussed by the Board of the Directors involve the interests of the supervisors or are in concern for loss of company

interests, it is stipulated in the Articles of Association that it is compulsory to comply with the principle of avoidance of conflict of interests in order to effectively protect company interests.

● Audit Committee

The audit committee is mainly responsible for the supervision of the company's business execution and the audit of the company's accounting. The audit committee may review the company's financial and business execution status at any time, and may ask the management team to submit a report. In June 2022, the audit committee will be established and two meetings will be held

● Salary Committee

To strengthen corporate governance, Cheng Fwa established the Salary Committee in 2011 with scope of supervision covering the performance assessment and salary policy and system of directors/supervisors and managers, as well as employee dividends program. There are 3 members to Salary Committee, who proposes suggestions to the Board of the Directors through professional and objective perspective as reference of decision-making. At least 2 meetings are called for each year.

3. Director and Supervisor Experience

Title	Name	Gender	Major Experience (Education)	Other functions currently serving at the company and other company
President	Tsai, Tzung-Shiun	Male	Japan University of Arts and Sciences Factory Sub-Chief of Cheng Fwa Industrial Co., Ltd. Vice General Manager of Cheng Fwa Industrial Co., Ltd. Manufacturing Division .	Cheng Fwa Industrial Co., Ltd. Manager. Jengyang Co., Ltd. Chairman. Da Sun Plastic Industrial Co., Chairman. Tai Yang (stock) company. Chairman. Shichen Investment Co., Ltd.. Chairman. Shangshun Precision Industry Co., Ltd.. Chairman. Sustainable development company. Chairman. Samoa Zhenfa Industrial Co., Ltd. Chairman. Xianse Temple Station. Chairman. XingGu Elementary School. Chairman.

Title	Name	Gender	Major Experience (Education)	Other functions currently serving at the company and other company
Directors	Tai Yang (stock) company.(Ddelegate: Zheng-Zhong Li	Male	New Taipei municipal Luzhou junior high school. Cheng Fwa Industrial Co., Ltd, Production Control Department Manager	Cheng Fwa Industrial Co., Ltd., Production Control Department Director Changzhou Chengyang Electronics Directors. Sustainable development company. Directors..
Independment Directors	Chng Fen Yan	Male	China University of Technology. General Advanced (stock) company. Manager.	None
Independment Directors	Chiu Chui Yu	Male	Cheng-Kung Vocational Senior High School-Architecture Section. He Pin materal stone . Chairman.	Full Harvest Investment Limited. Chairman.
Independment Directors	Li An Min	Male	Guangwu Vocational Senior High School-Catering Section. Chan Fu Construction Co., Ltd.Manager	Chan Fu Construction Co., Ltd.Manager
Independment Directors	Wang,Shu-Ling	Female	Hsing Wu Business school Department of Finance Financial Manager of Taiwan Machinery Industry Co., Ltd.	Financial Manager of Taiwan Machinery Industry Co., Ltd.

● **Directors, Supervisors and Managers participating in social welfare**

General Manager Tsai, Tzung-Shiun (蔡宗勳) also participates in public welfare societies such as 「Tong Xin Yuan association」, 「New Taipei City Police Friendship Association Triple Office」 with enthusiasm apart from his daily busy work. General Manager Tsai also encourages senior manager to positively take part in different professional and managerial clubs and organizations or take office as director, deputy director or members of some clubs, using his or her own professional techniques and managerial capacity to share with the industries or strategic industries, in order to enhance the overall industry competitiveness and contribute owns own efforts.

The list of personnel participating in the club is described below:

Participants	Title of Club or Organization	Position
General Manager Tsai,Tzung-Shiun	Tong Xin Yuan association	Vice President
General Manager Tsai,Tzung-Shiun	New Taipei City Police Friendship Association Triple Office	Account Manager
Attorney Wen-Yuan Chen	Department of Labor Committee, Taipei City Government	Committee Member



● Capital, Shareholding and Dividends

The paid-in capital of Cheng Fwa is NTD1,438,000,000 and the shareholders structure consisting of individuals. In particular, one while the supervisors and directors account for 84.06% of shareholding, financial institutions account and Foreigners for 1.42% of shareholding, and other corporations account for 15.92%.

* Source of Capital:

Unit: NTD\$ /Share

M/Y	Paid-in Capital	
	Number of Shares	Amount
2007.04	145,962,464	1,459,624,640
2007.12	150,000,000	1,500,000,000
2009.04	143,800,000	1,438,000,000

* Shareholder Structure:

Data from April, 2022

Shareholder Structure Quantity	Financial Institutions	Other corporations	Individual	Foreign Institution and Foreigners	Total
Number of People	1	139	28,585	33	28,758
Number of Shares	2000	22,898,700	118,863,707	2,053,593	143,800,000
Percentage of Shareholding	0.00%	15.92%	82.66%	1.42%	100%

* Dividend Distribution:

Item	2018	2019	2020	2021	2022
Cash dividends	143,800,000	0	0	0	28,760,000
Supervisor/Director Remuneration	1,750,000	0	0	0	975,000
Employee bonus	3,691,292	0	0	0	3,600,000

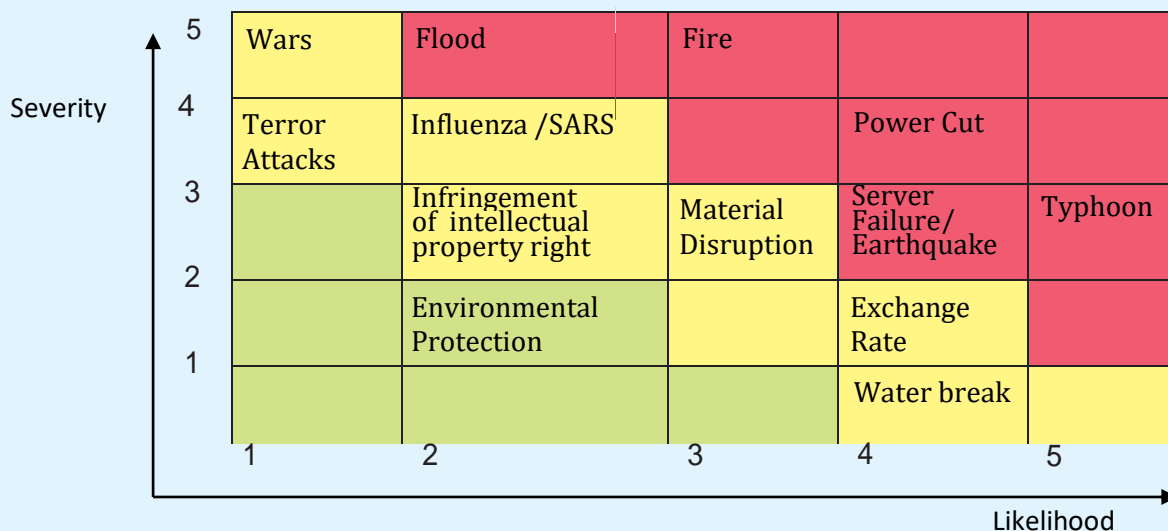
4. Sustainable Development of Management System

● Business Continuity Plan

Factors contributed to the major influence on business continuity include: fire, earthquake, typhoon, flood, influenza/SARS, war, server failure, material disruption, terror attack, infringement of intellectual property right, environmental contamination, water break, electricity blackout, exchange rate...etc. We assess the aforementioned different risks by low, medium or high risk in addition to developing the contingency to business continuity plan and restoration plan

- (1) Low Risk: In case the situation is handled by the supervisor of department in charge, the processing results will be submitted to the business continuity team.
- (2) Medium Risk: The business continuity team shall determine whether if to develop Business Continuity Plan (BCP).
- (3) High Risk: The emergency contingency and business restoration plan will be initiated in the event of occurrence.

Risk Analysis: Red region – high risks; Yellow Region – Medium Risks, Green Region – Lower Risks



(1) The Development and Action of Business Continuity Plan (BCP)

The Business continuity team will assess the factors attributed to high risks and the General Manager shall determine whether if to develop the Business Continuity Plan (BCP). The Business Continuity Plan (BCP) will unfold the risk assessment and develop emergency contingency plan and business restoration plan. The development of emergency contingency plan will design on how to add emergency contingency at the initial stage of disaster and allow the emergency contingency team to bring its role into full play and thereby minimize the damage from disaster. The business restoration plan shall develop until the post work processing after the occurrence of incident before gradually unfolding the restoration tasks.

(2) Developing the Plan of Business Continuity Plan (BCP)

The content of Business Continuity Plan (BCP) includes: BCP team list and contact phone, external agency contact list, emergency escape process, important machinery equipment list, supporting equipment list, key supplier list, key customer list, IT continuity plan...etc., to effectively restore the key function required for company operations and thereby reduce loss of company personnel and property.

(3) Do and Routine Check on Business Continuity Plan (BCP)

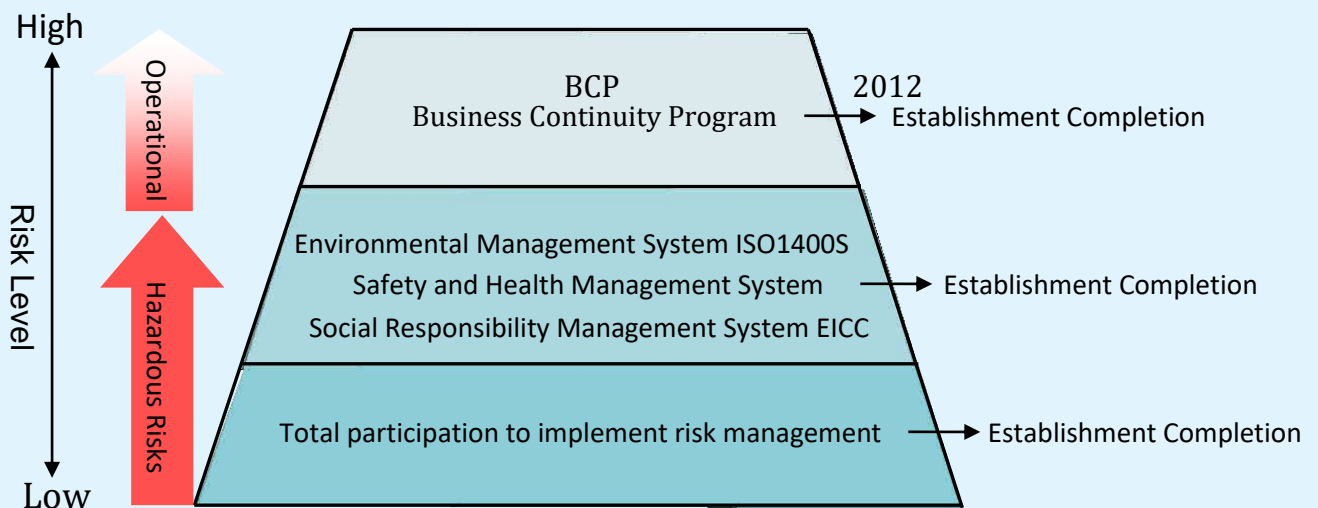
Business Continuity Plan (BCP) may provide routine test each year depending on the actual requirement for each department to familiarize with BCP contingency or restoration operation process. The BCP shall assure execution during disaster and modify BCP according to the drill results or other information. At the same time, BCP shall be routinely checked to assure the plan conforms to the company current situation and future requirement in terms of scale and property.

● Sustainable Development System

The company’s Business Continuity Plan emphasizes its promotion on the corporate sustainable development, namely the profound recognition of the substantial impact and influence from the occurrence of natural disasters and plant accidents on corporate assets, production operation and the life and safety of employees. Hence, the company applies rigorous environmental or safety and health identification and risk assessment, operation safety regulations and standards to implement production and management operations. Additionally, the proper organizational planning supplemented by departmental planning and management on the vertical axis and the departmental contact on the horizontal axis form a risk management network that takes all points, lines and dimension into consideration. The company then builds a comprehensive risk management based system to maintain the validity of risk control and understand the effectiveness of risk control in the plants through continuous monitoring and measurement

To lower man-made, natural disaster and other major occasional incidents that affect the company reputation or jeopardize the normal operation of the, the company has developed various operation process and relevant procedures for all departments to comply, which can immediately reduce damage and swiftly restore to normal operation in order to assure the plant safety and goods supply to customers.

Cheng Fwa profoundly recognizes the impact and influence of natural disasters and accidents in plants brought on company asset, production operation, and employee life security. To maintain more validity in business continuity plan, the company proposes its overall competitiveness in the industry and carries out the Business Continuity Plan (BCP) with systematic construction in 2012 in response to customer demand and industry trends. The systematic scheme of Business Continuity Plan is shown below:



2.9 Honor and Recognition

Awards received in 2014

Among the 625 listed companies and 475 OTC companies, Cheng Fwa has received A-Grade recognition from the 12th “Information Disclosure Assessment” held by the Securities and Futures Institute.

Chronicles :

● **2000-**Approved by Gre Tai Securities Market

1. Approved by Gre Tai and Securities and Futures Institute to go public for sale of company securities.

● **2008-** Certified by ISO/TS16949 Automotive Quality System and QC080000 Green Product System.

2014 Revised Certification by QC080000(2012 Version)



● **2009-** Certified by ISO9001(2008) Quality System and ISO9001 (2008 version)

International Certification. 2017 Revised Certification by ISO9001 (2015 Version)



- **2011-** Certified by ISO14001 (2004) Environmental Management System . 2017 Revised Certification by ISO14001 (2015 Version)

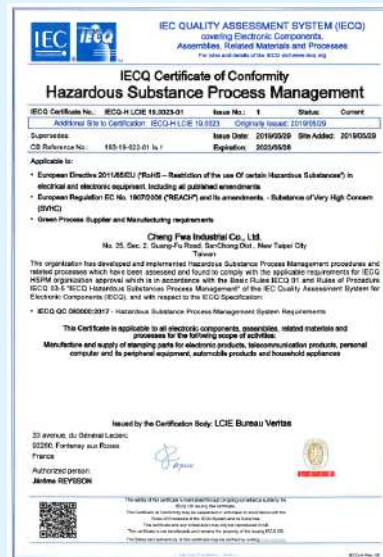


- **2018-** Passed IATF 16949 automotive quality system certification and ISO 13485 medical device quality management system certification and completed RBA verification audit .





● 2019 Revised Certification by QC080000 (2017)



III 、 Employee Care



3.1 Management Philosophy

Cheng Fwa fully recognizes employees as the most important asset for corporate operations and hence the owning of eligible, capable and well-performed employees can drive the enterprise into continuous and stable development and progress. For this reason, our company adheres to the social responsibility policy in 「Humanistic Care」, the management philosophy of people orientation, and the concept of 「home」 to establish complete employee care management system. The company conforms to rigorous labor related laws and regulations in addition to complying with provisions in Electronic Industry Code of Conduct (EICC) to legitimately protect and maintain employee rights, providing employees a healthy and safe work environment, building a diverse and open employee-employer communication channel, incorporated with fair remuneration and promotion, complete training development system, sound welfare system and public and transparent profit sharing system. Consequently employees can be fully assured to contribute their efforts and performance in order to grow and develop with the company, improving excellent employee-employer relationship and build harmonious and cozy work ambient, thereby to solidify the cornerstone of enterprise with sustainable management.

* 「People-Oriented」 Management Philosophy

The company upholds to equal opportunity principle for the recruitment of employees, selecting talents of the same mindset through public and fair recruiting channels and selection methods, using professionalism, capacity and attitudes for work as basis. The company will inspect the identification of applicant during the recruitment process in order to validate the authenticity and legitimate age. It is prohibited to use child labor according to the law and the company shall treat everyone equally and employ regardless of the difference in gender, religion, race, nationality, or political stance. Employment will only take place after selection and interview procedure while employees shall sign the labor contract to specify the rights and obligation of both employer and employees. The trial period shall last for 3 months.

Cheng Fwa complies with the relevant provisions in government labor acts and employs the majority of youth graduated from vocational senior high school or senior high school (inclusive) and aged 20 years at least. The company places priority in employing local people. For example, the employees in Taipei headquarter consists mostly of local people from Great Taipei area.

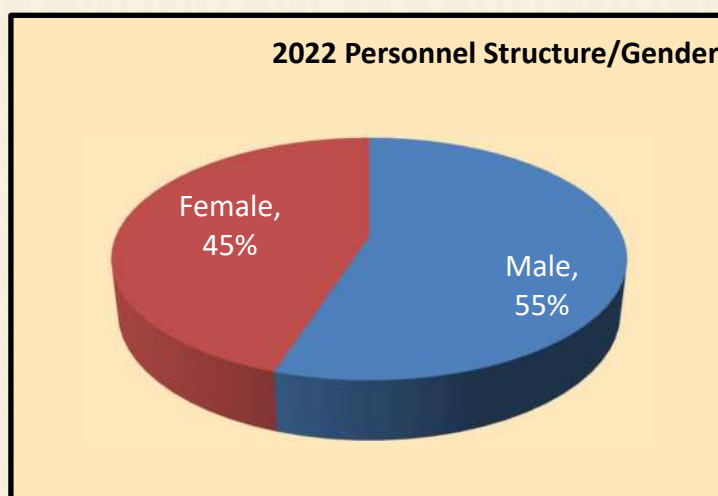
After employment, the company shall provide a discrimination-free, harassment-free and fair-growth work environment to employees. The company shall not make preferential treatment in salary, promotion, training, and welfare regardless of the gender, age, race, place of birth, ranking, language, thinking, religion, parties, nationalities, sexual orientation, marriage, appearance, physical disabilities, and union relationship. The company also values the human right of each employee by fairly treating employees, respecting the comments and feedback from employees, and obeying the laws and regulations. It is prohibited for the supervisors to coerce labor, slavery, restrict actions, spiritually insult, mistreat, or use corporal punishment, nor can employees be restricted of employment relationship by signing illegitimate contracts.

3.2 Employee Overview

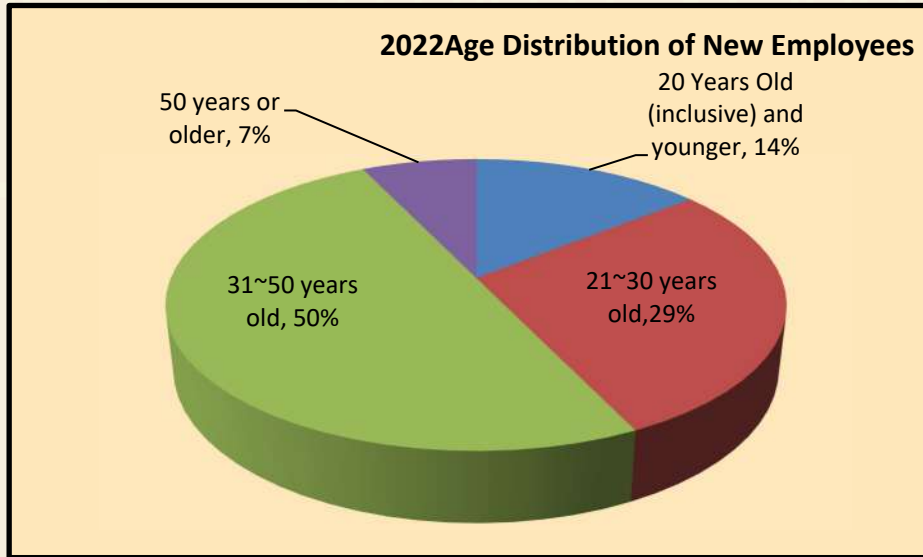
(1) Number of Employees

The number of employees of Cheng Fwa Industrial Co., Ltd. in 2022 was 420 people, where 233 male employees accounted for the majority of 55% and 187 female employees accounted for 45%. The total number of new employees for that year was 28 employees, where male employees accounted for 58% and female employees accounted for 42%. The ration of number of people is equivalent to that of male and female employee. The reason the male employees outnumbered the female employees was because of the large product size with heavy weight that require considerable strength at the operation process. Hence, male employees are more suitable and have the advantage.

Year	2020		2021		2022	
Gender	Percentage	Number of People	Percentage	Number of People	Percentage	Number of People
Male	56%	203	52%	217	55%	233
Female	44%	162	48%	199	45%	187
Total	100%	365	100%	416	100%	420



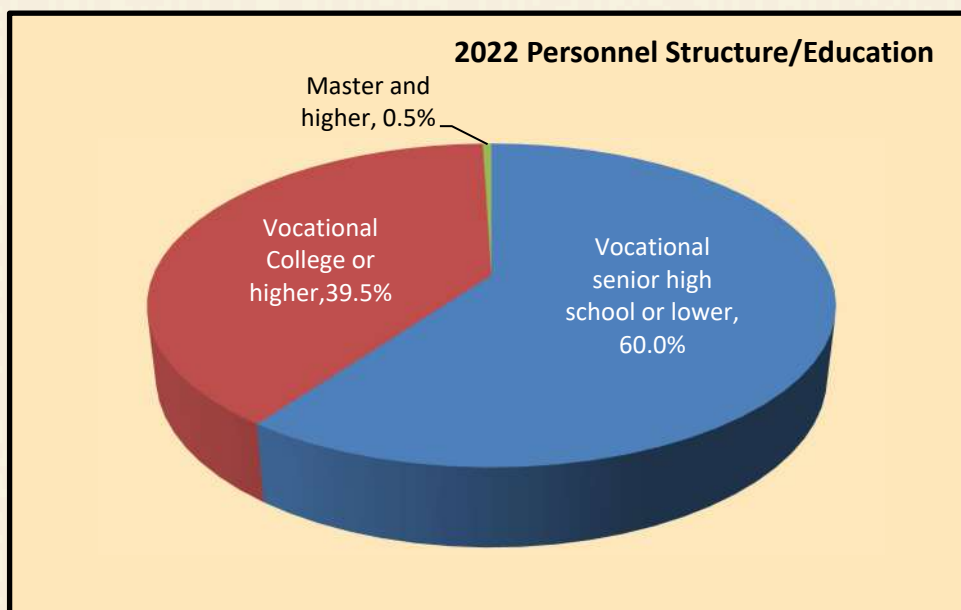
Year	2020				2021				2022			
Age Distribution of New Employees	Male		Female		Male		Female		Male		Female	
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
20 Years Old (inclusive) and younger	11	2	1	1	0	1	1	1	2	0	1	1
21~30 years old	5	8	16	6	24	3	8	5	3	1	3	1
31~50 years old	8	5	24	9	11	8	9	7	9	2	3	0
50 years or older	0	2	0	0	2	0	1	2	0	1	0	1
Total	24	17	41	16	36	12	19	15	14	4	7	3
	41		57		48		34		18		10	
	98				82				28			



(2) Education Distribution

The 2022 manpower structure by education is distributed as the follows: 2 employees with Master and higher, accounting for 0.5% and 166 employees with vocational college (inclusive) or higher, accounting for 39.5% and 252 employees with senior high school or vocational senior high school diploma (inclusive), accounting for 60%.

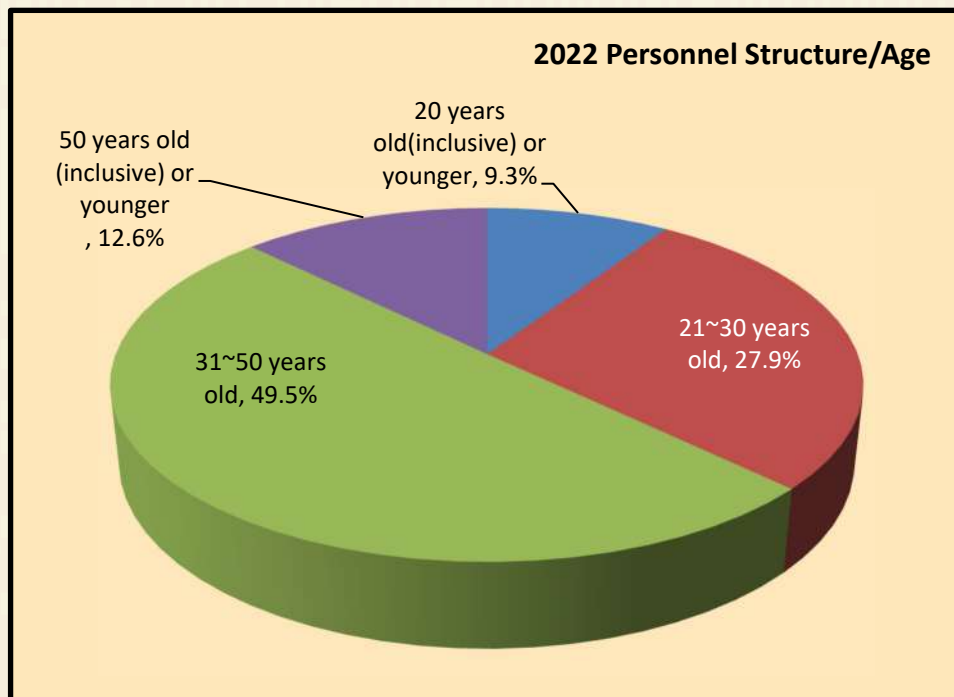
Year	2020		2021		2022	
	Percentage	No. of People	Percentage	No. of People	Percentage	No. of People
Vocational senior high school or lower	58.9%	215	62%	258	60%	252
Vocational College or higher	40.82%	149	37.5%	156	39.5%	166
Master and higher	0.28%	1	0.5%	2	0.5%	2
Total	100%	365	100%	416	100%	420



(3) Age Distribution

The age structure of employees shows even distribution, where there were 211 employees aged 31~50 years old in 2022, accounting for 50.2% of the total number of employees, followed by 117 employees aged 21~30 years old, accounting for 27.9%, 51 employees aged 50 years old, accounting for 12.6%, 39 employees aged 20 years or younger, accounting for 9.3%. Currently the average employee age is 39.62 years old

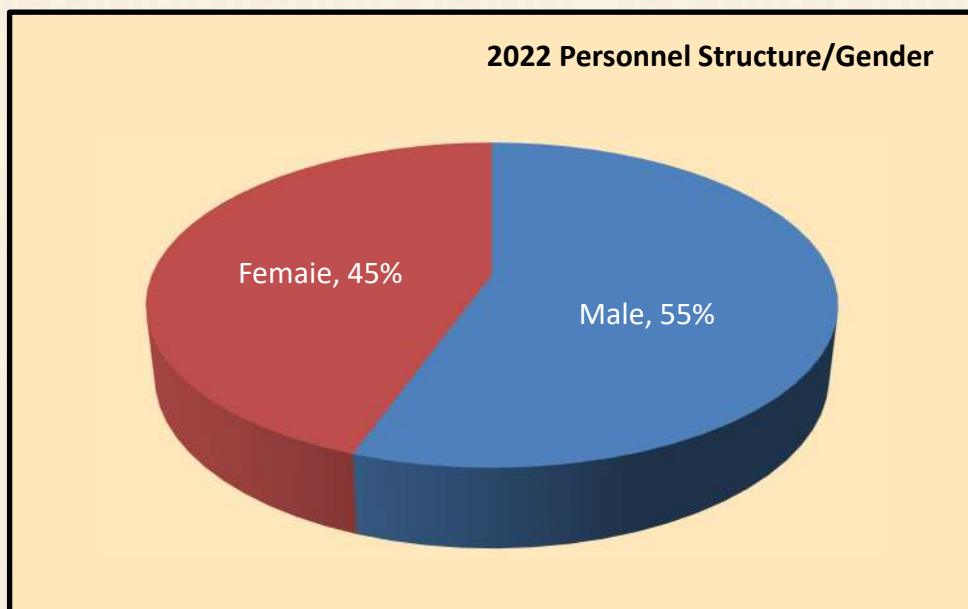
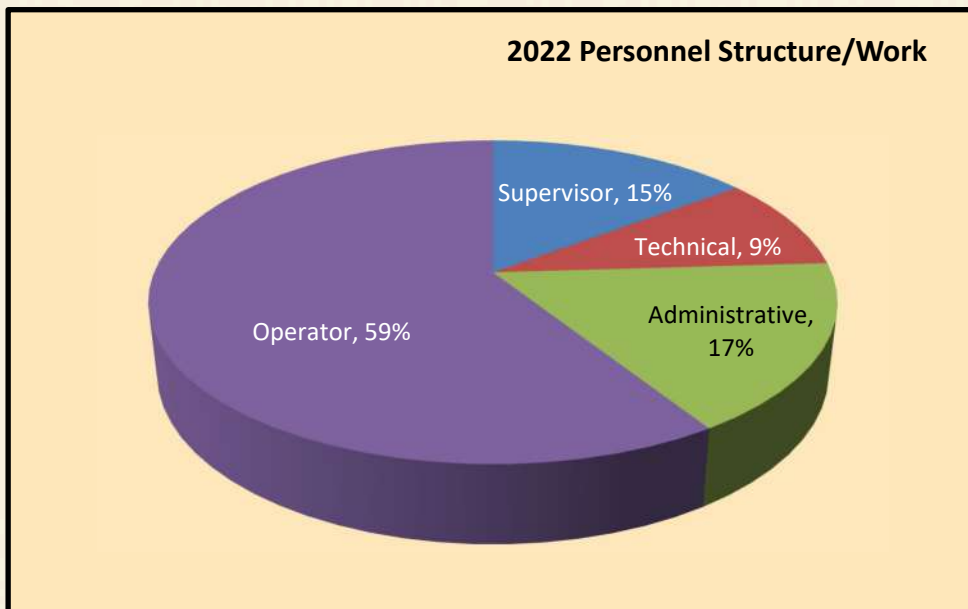
Year Category	2020				2021				2022			
	Male		Female		Male		Female		Male		Female	
Age/Employee Category	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
20 Years Old (inclusive) and younger	13	2	8	1	18	1	29	1	21	3	14	1
21~30 years old	43	13	31	15	47	11	35	17	53	12	40	12
31~50 years old	54	46	41	53	59	50	41	56	60	54	41	56
50 years or older	5	27	6	7	6	25	9	11	4	26	6	17
Total	115	88	86	76	130	87	114	85	138	95	101	86
	203		162		217		199		233		187	



(4) Distribution of number of employees by function

The personnel structure is mainly divided into supervisor, administrative, technical and operators in production plants. The company is machinery and technical operation based and the number of employees in 2022 was distributed in the follows: 248 operators accounting for 59% of total number of employees, followed by 62 supervisors accounting for 14.7%, 71 administrative employees accounting for 17% and 39 technical engineers accounting for 9.3%.

Function \ Year	2020		2021		2022		2022		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Supervisor	51	9	60	52	10	62	52	10	62
Technical	23	18	1	21	23	44	21	18	39
Administrative	14	49	63	14	54	68	13	58	71
Operator	115	86	201	130	112	242	147	101	248
Total	203	162	365	217	199	416	233	187	420

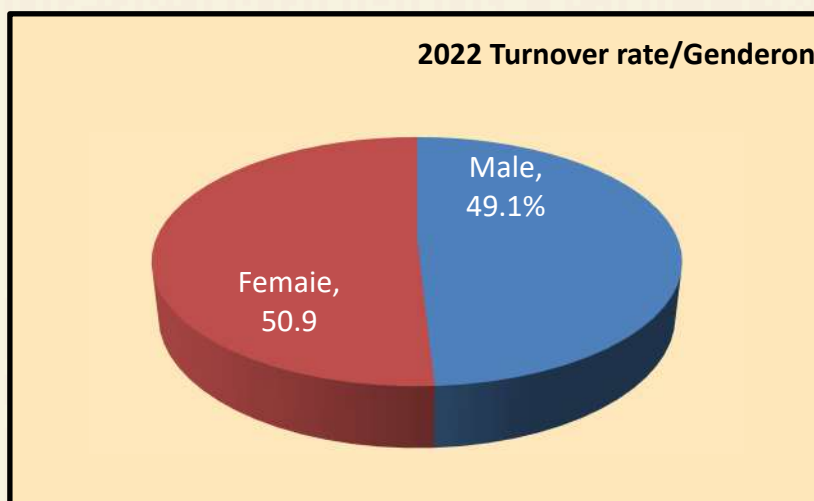


(5) Turnover Statistics

The dimission Rate of the company is relatively low with the Dimission Rate only reaching 13.63% in 2022 . The demission Rate in male employees greater than that of female is a industry norm however it is far better than the average mean of electronic manufacturing (indirect 20~30%, direct 40~60% and mean 30-35%). Lower demission Rate suggests higher cohesion in employees and employees have high recognition for the internal management communication mechanism and appeal in equality and respect culture, which contributes to employee retention.

Age	2020		2021		2022	
	Male	Female	Male	Female	Male	Female
Age Distribution						
20 Years (inclusive) or younger	0	0	4	1	1	1
21~30 years old	13	11	21	7	11	15
31~50 years old	16	30	25	25	12	11
50 years or older	4	0	3	2	4	2
Total number of employees resigned	33	41	53	35	28	29
Total	74		88		88	
Turnover ratio accounting for that year	44.59%	55.41%	60.23%	39.77%	49%	51%
Annual turnover ratio <small>Note 1</small>	22.02%		22.54%		13.64%	

Note1: Total number of people resigned that year ÷ [(total number of employees at the beginning of that year + total number of employees by the end of that year)/2] *100%



(6) Transfer and Resignation

In cooperation with company operation and to improve employee work experience for a solid business nature, the necessary transfer of employees shall be implemented according to the five principles of legitimate transfer and the labor contract. The work after transfer and the previous work nature must be something which the employee can cope with. In case the site of transfer is too remote, the company shall provide necessary assistance and carry out operation transfer within legitimate and reasonable period. Employees resigning with advanced notice or propose written application shall follow the provisions stipulated in the company articles of association and labor related laws.

3.3 Training Development and Performance Assessment

(1) Training Development and Career Management

In response to the quick change in external environment, intense industry competition and trends of globalization, the company exerts to build an internal learning-based organization and learning ambient in order to design long-term training development system for the cultivation and retention of talents, thereby to collectively foster the talents and develop capability required for the objectives of corporate operations.

The design of employee training development system not only offers training for new employees but also meet enterprise demand by combining the demand for competency or management capacity in personal work and task execution, providing general education training, professional function training and hierarchical training as the main framework to employees' career development.

Annual short-term training program offers training for new employees to speed up acquaintance of corporate culture in new employees and increase identify for the company. Secondly, general education course emphasizes on strengthening employee knowledge in general laws or quality as well as acquaintance of regulations governing basic operation and personnel management system and familiarity with operation skills. Moreover, professional function training emphasizes on the professional knowledge, techniques, concepts, safety operation procedures, and SOP required for the work field with proper arrangement of hierarchical training that strengthens the managerial skills of supervisor. The aforementioned complete training system undergoes planning and execution of annual training program to comprehensively enhance employee professional techniques and managerial capability through the diverse training channels such as on-the-job training, internal training and external trainings. Consequently, the operational performance of team management is enhanced which connects the development of corporate growth and employee career, contributing to a joint growth in both employer and employees hand in hand.

● Training Development System:

Item	Training Category and Content
On-the-job training	Professional Training (Non-routine implementation according to departmental needs)
General Education Courses	<ol style="list-style-type: none"> 1. Corporate Culture 2. Introduction to Quality System 3. Safety and Health Training
Hierarchical Training	<ol style="list-style-type: none"> 1. New employee training 2. Entry-level supervisor training 3. Mid to High Level Supervisor training
Training by professional function	<ol style="list-style-type: none"> 1. Professional Training for Administrative Operations 2. Professional Training for Quality Management 3. Professional Training for Technical Development 4. Professional Training for Production Management
Learning channels	<ol style="list-style-type: none"> 1. Internal Training 2. External Training 3. Job rotation 4. Supervisor and peer exchange 5. Technical exchange with overseas plants 6. Overseas dispatch

(2) Training planning and implementation

1) Design and implementation of training for new employees:

We design an introductory training course for new employees, including company profile, work conducts, attendance rules, introduction to work environment, and important laws or regulations or relevant ISO operation management system specified necessary general education in social development and professional knowledge courses. Moreover, units recruiting personnel shall also arrange full personal on-the-job training courses for pre-occupational training, which offers apprenticeship based on-the-job training according to the different work field or the professional knowledge, techniques and concepts required for tasks, so to conform the work competence to the standards.

2) Annual training planning and implementation:

The company designs and execute annual training program through annual training demand investigation, where supervisors and employees discuss and propose proper training courses. The personnel department shall arrange training program and assist the peers with disciplined learning and growth, while gradually enrich the employees with various professional knowledge and skills. Employees are encouraged to develop professional knowledge and technical development at all phases required for personal work or tasks as the future career development planning.

(3) Diversified learning

Employees can enrich personal learning through diversified learning channels. Currently employees can improve self competency and skills through internal training, external training, and exchange with supervisors/colleagues. Moreover, employees can improve the breadth and depth of disciplines through work rotation, technical exchange with overseas plants, and dispatch of key job overseas. When employees are promoted to supervisors, they will adapt and handle with ease and pleasure while fully exhibiting their capabilities. They can further take self challenge and create better work performance.

(4) Training outcome

The total training hours for employees in 2022 was 2078.5 hours. The average training hours per person each year was 3.03 hours. The average training hours for male and female employees by function is shown in the following table:

Class	Year	2020			2021			2022		
	Gender	Hours	No. of People	Average	Hours	No. of People	Average	Hours	No. of People	Average
Supervisor	Male	482	191	2.52	1084	364	2.98	511	91	5.62
	Female	106.5	41	2.60	200.5	70	2.86	92	3	2.79
Technical	Male	220	106	2.08	181	77	2.35	132.5	37	2.59
	Female	202.5	87	2.33	244	106	2.30	86	37	2.59
Administrative	Male	84	48	1.75	119	52	2.29	86	13	6.62
	Female	355.5	175	2.03	401.5	183	2.19	213	60	3.55
Operators	Male	807	331	2.44	662	313	2.05	614	246	2.5
	Female	381	181	2.10	434	212	2.42	311	156	1.99
Total		2471.5	2638.5	1160	2.27	3326	1377	2078.5	687	3.03

(5) Performance Assessment, Promotion and Career Development

To improve employee performance and capacity development as well to retain talents, the supervisor and the employees shall discuss and coordinate for setting up departmental work objectives and KPI plan by the end of each year, executing the departmental objectives on the basis of team. A generous performance bonus will be given according to the efficiency of objective achievement rate. Employees will also undergo routine assessment on KPI performance for objective execution with consideration of the level of assessment as the critical criteria for promotion and salary raise, as well as the training courses for subsequent employee training and capability development.

There was no comprehensive promotion program in 2022 but there were 22 people promoted to supervisors with excellent performance appraisal.

3.4 Payroll and Welfare

(1) Payroll Management

Based on principle of fairness and rationality, the company complies with local government labor laws and pays monthly salary higher than the minimum base wage announced by the government competent authorities. The company takes comprehensive consideration on the education, experience, tasks, title, work experience, personal performance, and market standard into the employee payroll standards. Under the equivalent situation of basic conditions and without the discretion due to gender, the principle of payroll follows the ratio of 1:1 between male and female employees. Nonetheless the payroll to existing employees shows significant difference in technical staff with the main reason described below:

- 1) There are fewer male supervisors at the level of manager or deputy manager with senior technical position, compared with the female employees with shorter seniority and taking position in administration.
- 2) Male employees taking position as technical or R&D engineers are in charge of product development and improvement process, who usually receive higher salary from the technical market.
- 3) For operators, the domestic male employees are usually more senior and work overtime more often while female employees have shorter seniority and work less in terms of overtime.

The above three types of employees show more significant difference while others show minor differences.

* The month salary/annual salary by gender, employee types and function ranking are calculated as shown in the following table.

Comparison of Average Monthly Salary and Annual Salary between Male and Female by Function		2020(F: M)		2021(F: M)		2022(F: M)	
		Monthly Salary	Annual Salary	Monthly Salary	Annual Salary	Monthly Salary	Annual Salary
Supervisor	Director/Deputy General Manager	0:1	0:1	0:1	0:1	0:1	0:1
	Manager/Assistant Manager	1:1.24	1:1.28	1:1.23	1:1.29	1:1.21	1:1.23
	Section Manager/Team Leader	1:1.06	1:1.02	1:1.07	1:1.10	1:1.07	1:1.07
Technical	Engineer	1:0.95	1:0.93	1:1.03	1:1.10	1:1.05	1:1.04
	Assistant Engineer	1:0	1:0	1:0	1:0	0:0	0:0
Administrative	Administrator	1:1	1:0.87	1:0.96	1:0.96	1:1	1:0.98
	Assistant Administrator	1:0.71	1:0	1:0	1:0	1:0	1:0
Operator	Domestic Employees	1:1.22	1:1.56	1:1.24	1:1.54	1:1.13	1:1.12
	Foreign Employees	1:1.01	1:1.31	1:1	1:1	1:1	1:1

It is stipulated in Company Law that any enterprise shall appropriate specific percentage of surplus to employee as dividends in profit-sharing scheme when the enterprise has made surplus that year. This scheme has been implemented in Cheng Fwa for many years and works quite effectively in terms of employee retention.

(2) Welfare System

To care for employees, promote harmony between employees and employer, and retain talents, the company not only designs for the overall welfare system but also establishes the occupational welfare committee organization to execute a diversity of welfare activity program, with specific welfare measures described in the following table:

Type	Item
Insurance and Retirement Protection	Labor insurance, national health insurance and new/old system of labor pension fund appropriation
Medical Insurance	Group insurance, occupational disaster insurance and routine health examination
Activities	Birthday celebration, departmental gathering, year-end party and employee drawing, employee tri and group ball competitions from time to time.
Cash gift	Cash gift for three major festivals, birth cash gift, wedding cash gift, cash gift for hospitalization, funeral allowance
Facilities	Employee café, employee dormitory, auto/scooter parking
Rescue relief	Injury and illness allowance, compensation for death in line of duty
Other welfare	Award for employee proposal, presentation of senior remarkable employee, scholarship for employee pursuing advanced studies and employee's children attendance, military discharge bonus

Other welfare:

In every half year, employees and children of employees will receive one scholarship, which aims to encourage the employees and their children with the spirit of diligent study. Employees have worked in the company over 20 years will be given long-term commitment bonus in every 5 years and will be publicly presented at the year-end party in acknowledgement of their commitment and contribution to the company.

(3) Welfare Activity Achievement

On the day of reporting to work, new employees shall apply for various insurance required by law and appropriate labor pension reserve in addition to take routine physical health examination in order to protect the legal insurance and retirement rights of employees. Group insurance is also available free of charge.

Supervisors are required and reminded to pay attention and care for the physical and mental health of the employees and their families. Supervisor shall constantly control and understand while paying close attention to the work condition of employees, work load and emotional reaction. The HR personnel shall take initiative to make appointment for interview with personnel with anomaly attendance by understanding the reason of leave, caring and asking if employees require relevant assistance.

With regards to occupational welfare activities, the occupational welfare committee organizes large events each year, including annual travel, departmental gathering and year-end party. The company also offers a diversity of welfare subsidy and rescue relief for employees to profoundly realize the importance of welfare plan and activities. The company encourages employees to participate in other welfare group or club activities after work in appeal of balance between work and life.

(4) Returning to work and retention rate after parental leave

The company complies with laws to stimulate the regulations governing parental leave without pay in the work conducts. Any employee having been employed by one year may apply for parental leave without pay for each child before 3 years old. The period will be valid until the child reaches the age of 3 but may not exceed 2 years. From the implementation of the policy to date, there has been 14 application from a female employee who returned to work after the parental leave.

3.5 Communication between Employer and Employees

(1) Pluralistic channel of communication between employees and employer:

Cheng Fwa upholds to the philosophy of openness and respect by establishing pluralistic channels for communication between the employees and the employer. The company also shows values opinions from employees to promote harmonious relationship between the employees and the employer as excellent employee-employer relationship can boost employee morals and cohesion while contributing to the operational performance. Hence, the company positively establishes pluralistic communication channel between the employees and employer to maintain smooth bilateral communication and exchange between both sides so that company information will timely, accurately and effectively conveyed. Employees are provided complaint channels to

have their voice heard, while supervisor of competent department shall properly and timely respond to their opinions or suggests for the company, which will be used for enhancing and improving corporate management effectiveness or the company shall develop objectives and KPI tasks for improvement within deadline.

The company offers four types of pluralistic communication channels:

- 1) Communication via supervisor meeting at all levels: i.e. face-to-face immediate communication, unit/departmental routine meeting communication, interdepartmental meeting communication.
- 2) HR organization: performance appraisal, comment and feedback channel, foreign worker routine meeting and personnel announcement.
- 3) Representatives from employer and employees: Employer-employee meeting, occupational welfare committee...etc.
- 4) udit Unit: Complaint cases filed via employee complaint channel will be submitted to the internal audit unit for opinion and suggestions. The audit unit is in charge of processing and investigation.

The aforementioned pluralistic employee and employee communication channel offers a feedback mechanism of opinions from multiple sides, which will incorporate the regulation governing internal HR organizational operation and management system to handle complaints and investigation on major incidents. Foreign workers will be routinely arranged for communication with employer, employees and manpower brokers in order to handle difficulty of adaptability in foreign workers and thereby establish an excellent and harmonious foundation for employee relationship.

(2) Employer-Employee Communication Meetings

We respect the rights of employee granted by law and the freedom of assembly and association. We do not object, prevent or impede employees from assembly or association. Meanwhile, we are required by law to establish the Employee-Employer Meeting, Occupational Welfare Committee and Supervisory Committee of Labor Retirement Reserve for submission to the competent authority for approval prior to formal operation.

Currently the employee-employer meeting is held routinely every quarter while the occupational welfare committee also holds meeting routinely. Each communicative organization between employer and employees perform their function and communicate on different issues to collectively promote the co-prosperity and co-existence between employer and employees in order to create a reciprocal and win-win situation between two sides.

With the exception for Employee-Employer Meeting, the number of employee in the aforementioned communicative organization between employer and employees outnumber that of employer. The number of representatives on behalf of the company and the employees are described below:

Item	Employee Representative	Employer Representative
Employer-Employee Meeting	5	5
Supervisory Committee of Labor Retirement Reserve	7	8
Occupational Welfare Committee	12	1

(3) Complaint Handling and Solution

The company offers smooth communication channel between the employees with harmonious employee relationship. There has not been any major compliant case in 2019 to 2021; however, there were 3 cases of general comments in 2020 that required improvement.

Item	2020	2021	2022
General Comment and Feedback	3	3	3
Major Complaint Cases	0	0	0

(4) Handling of discrimination of sexual harassment incidents

The company has developed guidelines governing sexual harassment prevention measures, complaints and punishment from years ago. The Company is committed to prevent the incidents of workplace sexual harassment to assure employees' rights. In the incident of sexual harassment, the employees can file complaints according to the "Internal Report System" of the company. There has not been any incident of sexual harassment filed in 2021.

(5) Response actions against corruption and briberies

Our company follows the provisions set forth in Electronic Industry Code of Conduct (EICC) to develop the 「Occupational Morals and Conducts Guidelines」 and 「Guidelines for Gift Ethics Management」. The guidelines are implemented for clean occupational moral standards in anti-corruption and anti-bribery so that employees will have reference for their daily moral behaviors.

There has not been any incident of corruption or bribery in employees for 2022. In case of similar incident in the future, the company shall apply relevant management regulations to conduct investigation and handling. In case the evident supports the investigation, the company shall dispose the personnel according to the corporate management regulations or government related laws and regulations.

3.6 Health and Safety

In addition to submitting the occupational safety and health work conducts to Occupational Safety and Health Administration (OSHA) for approval, the company also establishes labor safety organization and operation supervisor, and company committee members in a total of 8 people to continuously improve and promote labor safety and health work in addition to following provisions set forth in Electric Industry Conduct Code (EICC) and conform to standards of environmental safety and health regulations. The company establishes social responsibility management system and institution to effectively manage health safety and hygiene work, including health safety management system, occupational disaster prevention mechanism, care for employee health, and emergency contingency plan and drills too reduce corporate risks, prevent occupational hazards, assure labor safety and health, fulfill corporate social responsibilities, and maintain sustainable management.

(1) Health Safety Management System

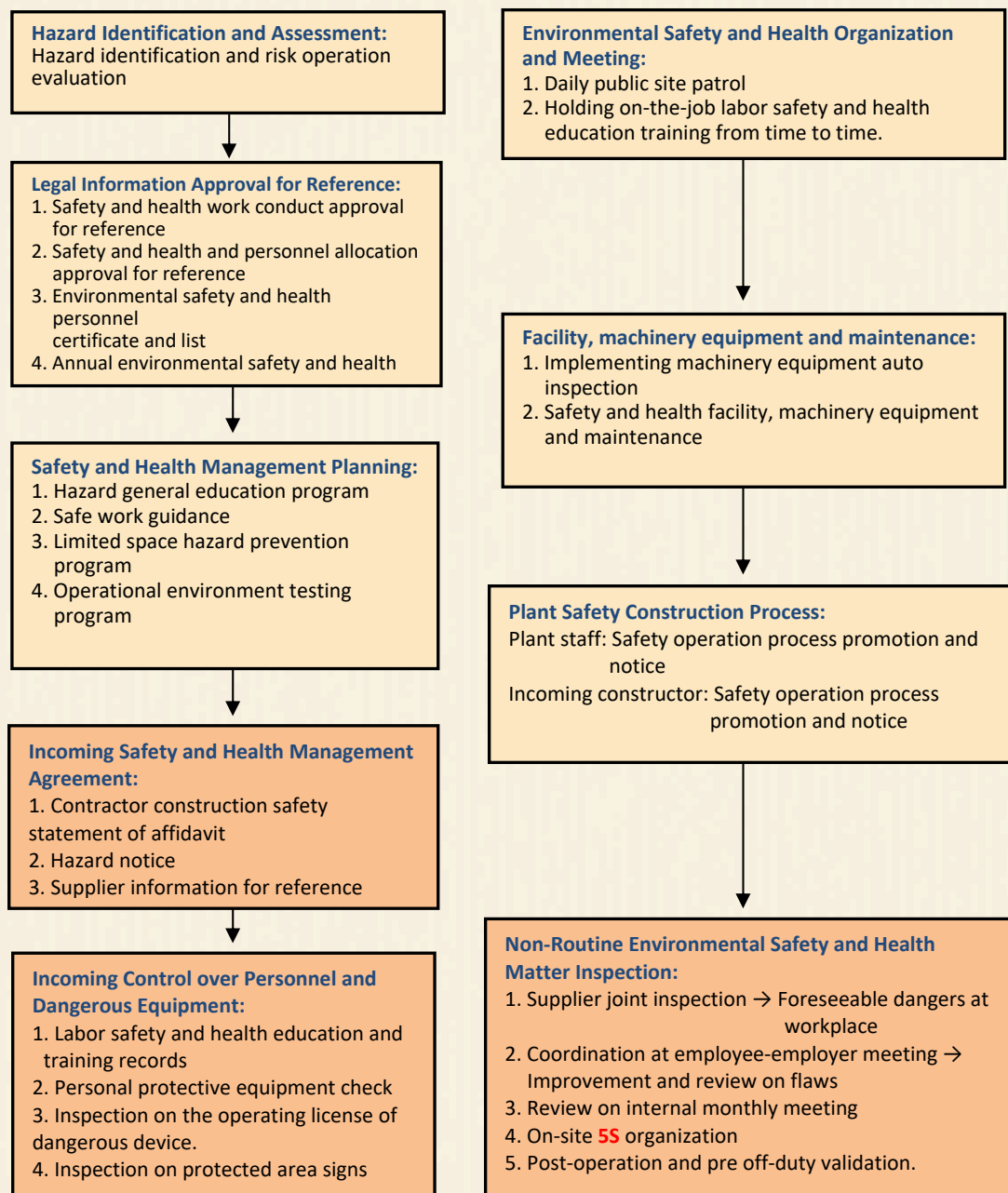
Procedures for operation management:

According to the hazard identification and evaluation result → Legal information approval for reference → safety and health management planning → Incoming safety and health management agreement → Control over incoming personnel and dangerous equipment

Procedures for Routine Communication and Inspection:

Establish environmental safety and health organization and meeting → Facility, machinery equipment and maintenance → Plant safety and construction process control

More operation procedures are described in the following flowchart:



(2) Occupational Disaster Prevention Mechanism

In addition to conduct routine hazard identification and risk assessment and develop different operation procedures by the level of risks according to the operating standards of Occupational Safety and Health Act, the company also schedules annual safety and health related educational training such as arrangement of fire and fire distinguishing drills and emergency evacuation drills, instructing employees to acquaint with the safety and health facility and the usage in the company. Consequently employees will intuitively determine the possible impact before disaster takes place and timely use fire distinguisher and guide employees with proper evacuation in advance to prevent injury of major accidents.

● Disaster Prevention Program:

- 1) Continue the inspection on various operations to identify sites or environmental control with high risks or hazards in addition to conducting relevant engineering improvement measures.
- 2) Employees are required to wear earplugs or relevant personal protection device for routine operation at high-noise area. Non-routine inspection will be implemented to avoid hearing loss or labor accident.
- 3) Employees will be arranged routinely for annual health examination, including hearing or other occupational factors due to operation.
- 4) Professional lecturers are invited to conduct relevant labor safety training and seminars.
- 5) The security guard at the gate will guide the traffic for incoming and outgoing employees, keeping a safe commute for employees going and leaving work by cars, scooters and on feet.



The above occupational disaster prevention plan has been implemented, so there will be no major occupational disasters (including commuting traffic accidents) for workers in 2021. Generally, there will be 1 piece/year of small abrasions that do not hinder the continued work after bandaging.

(3) Care for Employee Health

Health is the most important indicator for employees to be comfortable at work. We take care of the physical and mental development of employees in various units according to law, and outsource qualified hospitals or health inspection institutions to implement employee health inspections every two years; at the same time, they will conduct health care seminars to teach employees about health reports and key health care.

In order to make employees and their families aware of the relevant knowledge of disease prevention, the company publishes important physical and mental health information in the company's sharing newspaper every quarter, and from time to time on the internal website or by posting posters to publicize the knowledge of self-management of health protection for employees' reference

As for employees' family members' knowledge about health care and disease prevention, a health seminar is also arranged: Understanding the novel influenza (H1N1).



The company not only cares for the physical health but also the mental health of employees. The Management Department routinely organizes physical and mental health series seminars in the plant to allow employees easily gain health professional knowledge through lively exchange apart from enjoying the method to alleviate work stress through a physical and mental stage of balance.



(4) Emergency Contingency

1) Flood Drills

To help employees understand the fright and prevention knowledge of flood, This year the company invites Taiwan Association of Disaster Prevention Industry and promotion related to flood distinguishing knowledge at the plant. At the same time, the company implements fire and emergency escape and evacuation drills for all employees to participate so that they will respond accordingly in the event of major flood, which will avoid major loss in life or property.



2) Electricity Blockout Contingency

Due to the occasional emergency electricity blackout by Taipower during the peak season of electricity use in the summer, the company routinely holds rehearsal for electricity blackout and the procedures for electricity restoration for employees to respond accordingly in the event emergency blackout by Taipower. The company expects to continue operation for various facilities and operations through continuous simulation and practice, thereby to minimize the disaster and loss.



IV • *Environmental protection*

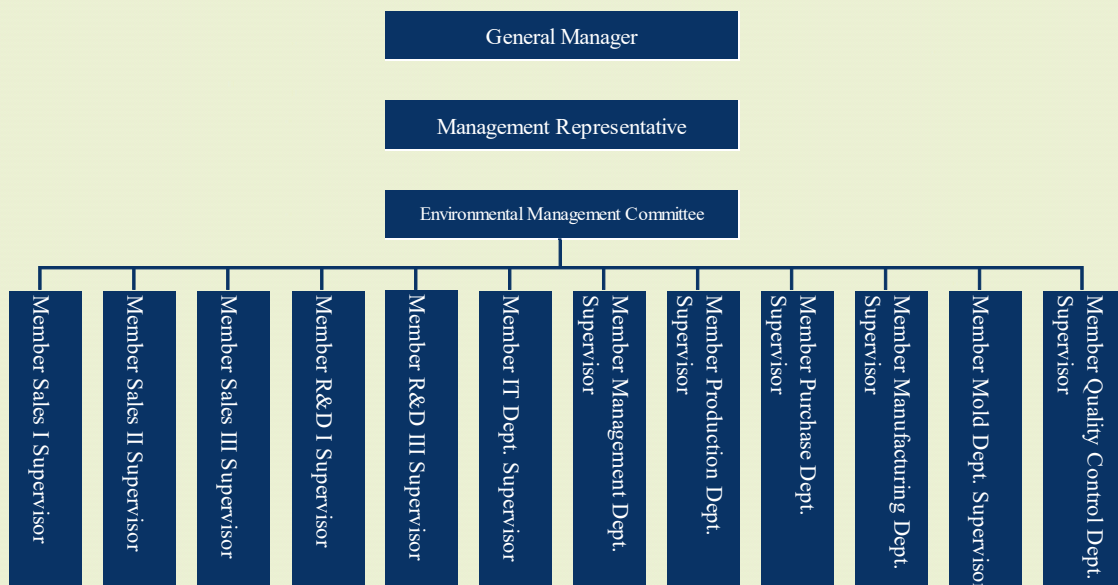


4.1 Environmental commitment and management system

In recent years, emphasis has put on the control of pollution emissions. Different reduction of pollutions and management systems has been the focus of the implementation of pollution control among the enterprises. The company was certified by ISO 14001 in 2011 and has continued to enhance the overall environment which is helpful for the increase of business operations. Meanwhile, it also fortifies the export competitiveness and enhances the company's image. We promise to continue maintaining the ISO 14001 environmental management system as to prevent any possible pollutants and fulfill our social responsibility.

Given the rise of environmental awareness, Cheng Fwa Industrial Co. Ltd. has been committed to the work of environmental protection for several years. It is hoped that through environmental management together with spontaneous and continuous improvement, we could improve the environmental conditions, reduce the actual impacts to the environment, and protect the Earth's limited green resources and environment.

Apart from the organizational structure, we have also established an interdepartmental Environmental Management Committee who is responsible to the integration of the upper level of the organization and the advance of interdepartmental activities. Also, a management representative is selected as to supervise, coordinate, implement, enhance and provide all resources needed for the environmental management system (including human resources, specialized skills, technology, finance, etc.)

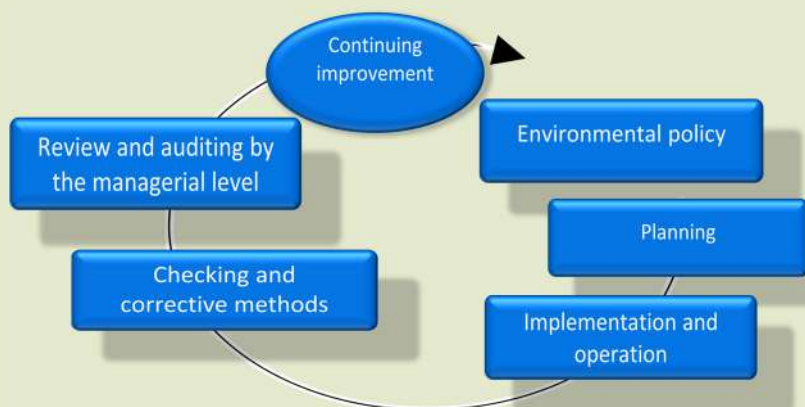


● **Environmental Policy**

Cheng Fwa set up “regulatory compliance, reduction of carbon emissions, pollution prevention, and eco-life” for the environmental policies. It also formulates different strategies and requirements as to enhance the environment. Based on the specifications of the raw materials, manufacturing processes, products, service, chemical products, pollutants administration, it established effective monitoring and management procedures as to reduce the negative impacts to the environment as well as the issues that do not comply with the environmental regulations. It would have an overall auditing and continuing improvements.



~ **environmental management system** ~



4.2 Green products

Owing to the global warming caused by the greenhouse gases, environmental issues began to receive the attention of the world. Due to the rise of environmental awareness in line with the international trend, manufacturers of various electronic products started to request for environmental protection requirements. Different states have promulgated environmental regulations and promoted the development of “green products.” For instance, the EU has Restriction of Hazardous Substances Directive (RoHS) and halogen-free products.

As to achieve the goal of sustainable operation, the company has requested the supply chain to introduce green product management which can effectively control the usage of the limited substances. Thus, Cheng Fwa Industrial Co. Ltd has promoted the green product management system and was certified with ISO-QC080000 Hazardous Substance Process Management (HSPM). It will certainly maintain the effectiveness of the system.

Based on IECQ QC 080000, Hazardous Substances Free (HSF) control shall be requested in the quality control system. Not only shall it comply with the RoHS, it shall also comply with the customers’ requests. In the same year, it was also certified with PUreGMS(GA) HSF certification by Pegatron Corporation.



● HSF Policy

As we know, a clean environment is a must for the sustainable development of human beings. If the substances of the products include pollutants, it would certainly affect the basic conditions for human survival. Regardless the functions of the products, it shall be helpful for the protection of the environment and the society. In the pursuit of green product productions, hazardous substances shall be prevented while regulations shall be complied. We shall also protect the Earth and reduce the impact to the ecosystem. Thus, Cheng Fwa has established the HSF Policy of 「regulation compliance, green manufacturing process and customer satisfaction」.

● Restricted Substance Management

In the pursuit of green product productions, green concepts shall be included in the purchase process. The purchase personnel shall request the samples and specification that are apt to the regulation. In terms of the raw materials, the personnel shall request the suppliers of providing 「environmental policy guarantee” and other HSF reports」and MSDS data. The materials can be used when the raw materials are being reviewed and approved by the authorities.

In the Hazardous Substance Process Management (HSPM), we define the inspection process of the green products, whether it is the part, the raw material or the consumable (alcohol, lubricant, etc.). They are all under strict monitoring and control and are compiled to have green product qualification labels. All personnel who are managing the instruments and doing the inspections are being trained and evaluated. Apart from ensuring the qualification of the parts and the final products, the inspection unit will not notify the purchase personnel as indicated in the regulation. The suppliers shall make the improvement based on the regulations..



The materials used for the products are all free of hazardous substances and free of substances that would damage the environment. Cheng Fwa produces metal stamping products. From the transportation of the raw materials (metal plate) into the plants, the production of the products till the packaging, delivery and transportation, no impacts would be caused over the environment and the health and safety of the personnel.

● Usage of raw materials

We actively assist the company to assess the amount of raw materials and their efficiency as to increase the efficiency of each of them and to decrease the total amount of the materials. Cheng Fwa produces metal stamping products. From the transportation of the raw materials (metal plate) into the plants, the production of the products till the packaging, delivery and transportation, all materials are designed to use the minimum amount of materials as to decrease the usage of materials in each of the product. Based on the statistics, the consumption of the main raw materials has decreased over the past three years. The enhancement made by R&D is visible. The following chart shows the amount of raw materials used during 2018-2022.

Amount of raw materials used in the past four years (unit: tons)

Year	Main raw materials (iron plate)
2018	2,164
2019	794
2020	1,201
2021	1,913
2022	1,387

● Green supply chain

Integrity and honesty have always been the conditions for choosing Cheng Fwa's partner supplier as we consider them as our long-term partners. We believe that only with similar corporate culture, the partnership would be longer. Different suppliers along Taiwan are not only Cheng Fwa's business partners, but in terms of the components of the raw materials of the parts and the products, the material control in regard to the environmental impact, labor safety and health, human rights, issues in concern of the conflicting metals and minerals, we require the cooperation, participation and monitoring of our partners as to achieve the maximum effect.

Before the shipment and the provision of the service, we request our suppliers to sign 「Supplier Environmental Commitment」 and 「Supplier Social Responsibility Commitment」. This would guarantee the high quality and low risks of their supplies. We also list 「the top 10 suppliers based on the purchase amount」 as to find out their key works in the management framework. We arrange annual field evaluations and inspections as to ensure that the products comply with the specifications and the requirements. Not only do we evaluate the price, quality, technology, delivery and service, the supplier shall also be equipped with good technology and quality regardless the local suppliers who have the advantage of being closer, punctual and cooperative. Only under these conditions can the supplier be listed as our purchase source. Meanwhile, the aforementioned suppliers shall also comply with ISO 14001 and EICC regulations. Regular inspections of the environment, labor, health, safety and ethics are being done.

2018 Since 2022, based on EICC and our company's 「Subcontractors Management Program」, our suppliers have started to sign the 「Supplier Environmental Commitment」 and 「Supplier Social Responsibility Commitment」. The top 10 suppliers shall have their auto evaluation and a second party inspection. The results are shown in the following table :

Year	Amount of agreement	Agreement rate	EICC Auto evaluation	EICC Second Party Inspection
2018	118	71%	Avg. score 94	Avg. score 78
2019	122	71%	Avg. score 94	Avg. score 78
2020	125	71%	Avg. score 90	Avg. score 78
2021	127	72%	Avg. score 90	Avg. score 78
2022	131	72%	Avg. score 90	Avg. score 78

Our major production plants are in Taiwan. More than 90% of the suppliers also have their plants in Taiwan. The flood in Thailand in 2011 and the tsunami and nuclear disaster in Japan did not affect the supply of the raw materials. In response to the trend of green consumption, the company has prioritized products, instruments, equipment and other indirect materials with green labels or eco-friendly labels in order to reduce environmental pollution. Not only do we request the compliance of regulations in the transportation management of the raw materials by the suppliers, the impact of the trucks and containers are also taken into consideration. Thus, guards are arranged to control the traffic and to ensure the transportation safety as to prevent any anomaly or accident. Based on our statistics, there was no accident in 2022 and in the past few years with the trucks and the containers.



In terms of the manufacturing and production of green products, we have control of sources and evaluation and assistance to the suppliers. The flow chart is shown in the following diagram. The hazardous substances are strictly controlled during the production process. In order to prevent the entry of hazardous substances into the parts and the materials during the production process, analysis of hazardous substances (with XRF) and monitoring are done during the importation of the materials. We also assist the suppliers to obtain certification of green products. In order to meet green product standards, we also request the suppliers to comply with international standards or other related green product specifications.

Flowchart: evaluation of and assistance to the suppliers



4.3 Carbon Reduction

After the signing of the Kyoto Protocol in 1997, the world's advanced countries have already established greenhouse gases reduction policies and measures. Based on our care of global climate change, the protection of Earth resources and the fulfillment of the corporate social responsibility, we built a systematic inventory of the greenhouse gas emissions owing to the ISO greenhouse gases



control trend and the demand of greenhouse gases reduction. We would continue to promote the reduction of greenhouse gases emissions and to achieve the goal of cost and resource efficacy, energy saving and environmental protection for a sustainable development. We would make an effort to advance into a low carbon economic society.

Taking ISO 14064-1 and GHG Protocol as the reference, we built GHGEV inventory system in 2011 and carried out the inventory of greenhouse gases emission from 2018-2022. It is hoped that through the data and analysis, we can achieve the goal of emission reduction and to ensure its fulfillment.

The direction emission of greenhouses gases in our company mainly comes from the diesel backup generators, transport vehicles escaping refrigerant gas, the plant's septic tanks and all kinds of frozen methane emissions / air conditioning equipment. In 2022, the amount of emission was 230.21CO₂e Mt. The indirection emission mainly comes from the purchased electricity. The amount of emission was 1921.59CO₂e Mt. Based on the inventory results in 2021, the main emission source of the operation is the carbon dioxide produced in the power generation process from the purchased electricity. The amount of emission accounted for 89.3% of the total emission. Therefore, we will promote more effective and energy-saving measures.

Year	Direct energy	%	Indirect energy	%
2018	151.89 tons/year	7.79%	1798.95 tons/year	92.21%
2019	157.11 tons/year	8.78%	1632.68 tons/year	91.22%
2020	172.57 tons/year	8.61%	1831.1 tons/year	91.39%
2021	182.99 tons/year	7.98%	2111.4 tons/year	92.02%
2022	230.21 tons/year	10.70%	192.59 tons/year	89.30%

(power : 0.612 Mt / thousand degrees; gasoline: 2.2631 Mt / kiloliter; diesel: 2.6060Mt / kiloliter CO₂)

「Energy conservation」 is a crucial that needs consistent improvement. We actively promote energy saving measures at the offices and the production areas. For instance, in response to the energy saving actions, the light is turned off for one hour during nap time as to reduce the emission of greenhouse gases. Other energy saving measures are listed in the following:

- (1) During 2010 – 2011, all lights are replaced by electrode less lamps or T5 lamps at the production area and at the offices. This could save 40% of the light power.
- (2) The exit indicators have been replaced with LED exit indicators once the old ones were malfunctioning.
- (3) All personal computers and office machines are set up in energy-saving mode. Power shall be turned off when they were not used.
- (4) All air conditioning temperature shall be increase to 26 – 27 °C as to save power (for every increment of 1 °C, 6% of the power can be saved).
- (5) In December 2017, the replacement of high-efficiency air compressors with 100 horses and two units (with government incentives) is estimated to save about 5% of the total electricity in 2018.

● **Water Resources**

Water source in Cheng Fwa: only tap water. Water accounts for the 19% in the manufacturing process, 51% in the daily usage, and 30% in the cooling of the water tower. There is low water consumption as washing is not needed during the manufacturing process. Meanwhile, we have several water saving methods as shown in the following:



- (1) Faucets are replaces with self-closing faucets. Promotion of water saving concept.
- (2) The usage of algae inhibitors in the cooling tower as to prolong the frequency of water changing. Water is changed every three months.

Thus, the average water consumption in 2022 was 58.7 Km³, Increased by 38.2 Km³ in the previous year, decrease was 20.6 Km³.

Type	2018	2019	2020	2021	2022
Water consumption (thousand degree)	33.7	26.7	26.2	38.1	58.7

4.4 Environmental pollution management

With the purpose of energy saving, eco-friendly and green production, carbon reduction is being implemented as to increase energy usage rate and to decrease pollution and energy consumption.

(1) Air pollution control

We strictly comply with the regulations of all sources of pollutions during the manufacturing process. The internal air pollution mainly comes from the VOC volatile gases in the oil washing and network printing process. Yet nitrogen oxides and sulfur oxides are not produced. Thus, the emissions in every season are less than the amount specified in the air pollution control regulations.

(2) Water pollution control

The company complies with EPA regulations and have installed wastewater treatment equipment as to comply with the emission standard specified in the regulation. Every half a year, an inspection company would come to collect the wastewater and report to EPA. The EPA evaluations of irregular wastewater collection samples are all in the regulatory standard. Till 2022, there was no punishment or penalty from the EPA.

Type	2018	2019	2020	2021	2022
Wastewater emissions (thousand degrees)	6.2	5.1	4.8	6.9	4.3

(3) Waste control

Currently, the main waste source comes from the packaging materials of the iron sheet roll and product delivery as well as the daily wastes from the staff.

As to implement the concept of environmental protection, Cheng Fwa has started to promote ecological measures in the offices, dormitories and the restaurants. We advocate "resources saving" as to reduce waste output; we also advocate "waste classification and zero waste actions" as to educate the colleagues the idea of recycling. In this way, the concept of waste reduction would be rooted in the employees' daily life.

We comply with the EPA waste cleanup regulations. In addition to the sludge cleaning and waste cleanup by the legitimate manufacturers. We recycle all the possible materials and classify them into their corresponding categories as to reduce the output of waste and garbage. We reduce the internal scratch spaces and the polluted environment. At present, there was no penalty or punishment from the EPA.

● At present, the main outputs of internal waste are:

- 1) General industrial waste:
Waste, packaging materials and other non-recycling value wastes.
- 2) Wastewater treatment sludge:
Inorganic sludge (treated by the sludge removal processing industry and reported to New Taipei City Government).
- 3) Recyclable resources :
Iron, aluminum, copper, cardboard boxes, plastic bottles, beverage cans, lamps.



Type	2018	2019	2020	2021	2022
General industrial waste (tons)	67	64	71	70	51
Wastewater treatment sludge (tons)	0.39	0.24	0.95	0.43	0.36
Recyclable resources (tons)	910	560	690	680	530

In order to have a proper placement for the wastes before the cleaning and to achieve the goals of recycling and waste reduction, general industrial waste zone, general waste, recycling and hazardous waste zones are established within the plant. General wastes are landfilled. The recycling resources , such as boxes, metals, glasses, and plastics. After the clear classification of the wasters, the recycling tasks are being outsourced; the sludge is being reported and outsourced for further treatment.

Owing to the increase of recycling proportion and the reduction of wastes, we encourage the staff at the plant to carry out direct classification of the wastes. We also promote the usage of metal meal box and we actually provide one to each as to avoid using disposal tableware. This would decrease the paper or plastic wastes.

(4) Chemicals management

In terms of chemicals management, we would first carry out the classification and risk assessment of the hazardous substances within the chemicals. Accident prevention operating measures are established in concern of the chemicals. The description is as the following:

1) Chemicals entering into the plants

All chemicals, including ink, plate cleaners, degreasing agents shall be inspected before entering into the plants. After the inspection, the person in charge shall place them at a fixed visible place and label the substance safety chart for colleagues' reference. If the chemicals is used up, the empty bottle shall be placed in a ventilated area and place it at the recycling zone so that the suppliers would take in charge of it.



2) Chemicals use management:

Safety and health training and education as well as first aid measures are taught to the chemicals personnel. Protection equipment shall be wore and the chemicals shall be used as indicated by the SOP. If the chemicals remains, it shall be placed at the indicated area with a tray as to prevent chemical leakage. The main operators and the supervisors shall receive training from the outside as well as organic solvent safety and health educational training with certificate.

Based on strict requirements above chemicals management, there was no significant spillage before the end of 2021.



※In the event of spillage when using it, a cloth shall be used to wipe out the chemicals. The waste cloth shall be recycled to the cloth recycling bin (as shown in the following picture).



※Personnel with environmental or safety and health certificates:

Certificate	No.
First Aid Certificate	6 persons
Hypoxia operation supervisor certificate	1 person
Organic solvents operation supervisor certificate	2 persons
Specific chemicals operation supervisor certificate	2 persons

(5) Environmental protection equipment investment costs

Based on the compliance of water pollution control act, the air pollution control act and the preservation of the environment from destruction, Cheng Fwa has established environmental protection equipment as to comply with the regulations and to fulfill its responsibility of environmental protection. In 2018 and 2022, all the old equipment were replaced and the environmental protection equipment investment costs are shown in the following table:

● Environmental protection equipment investment costs:

Equipment	Cost in 2012
Wastewater treatment equipment investment	2.2 million
Air pollution discharge line investment	400 thousand

● Environmental protection equipment operation and maintenance costs (average per year):

Item	Cost in 2018	Cost in 2019	Cost in 2020	Cost in 2021	Cost in 2022
Certificate fees	40 thousand	25 thousand	50 thousand	0 thousand	23 thousand
Sludge removal costs	30 thousand	38 thousand	38 thousand	42 thousand	46 thousand
General waste removal costs	280 thousand	280 thousand	280 thousand	440 thousand	440 thousand
Operating personnel costs	360 thousand	360 thousand	360 thousand	360 thousand	360 thousand
Operation and maintenance costs	70 thousand	70 thousand	70 thousand	70 thousand	70 thousand

After being treated by the latest ecological equipment, the indicators of the wastes are all lower than the legal standard:

Indicator of hydrogen ion concentration:PH, suspended solids(SS), chemical oxygen demand:COD and oil.

Item	PH	SS	COD	OIL
EPA standard	6.0~9.0	<30mg/L	<100mg/L	<10mg/L
Cheng Fwa data	8.3	24.3mg/L	21.6mg/L	1.9mg/L

4.5 Promotion of green concept

Based on the CSR sustainable development, we advocate in the education and promotion of environmental protection concepts. The new environmental protection awareness is being rooted within the staff. We have active interactions with the outside world, such as the schools, communities, competitors and governments. We have systemic promotion of green management among the suppliers and internalize the environmental protection actions into our life and works. This kind of operation would comply with the customers' and society's expectations. Our staff will become the citizen of green Earth. The following is the internal and external activities for promoting green concepts:

● Internal activities

(1) Seminars: EPA was invited to promote the concept of 「green life」.



- (2) To encourage the staff to become carbon reduction white collars, such as taking the public transportation.
- (3) Every Tuesday is the Vegan Meal Day in the staff restaurant.
- (4) To encourage the staff to follow a simplistic life-style. Do not waste resources.
- (5) To promote energy-saving activities in the office and the plants.
 - 1) Propaganda posters.
 - 2) Use less plastic bags and meal boxes.
 - 3) Turn off the computer after work and during nap time as well as the light and computer setting.
 - 4) Use waste paper as post-it. Less photocopies. Digitalization of information .
 - 5) Greening of the office.
 - 6) Garbage recycling.
 - 7) Use more stairs and less lifts.
 - 8) Have your own tableware. No provision of disposal tableware in the restaurant.
 - 9) Water saving toilets and faucets as to save the water.



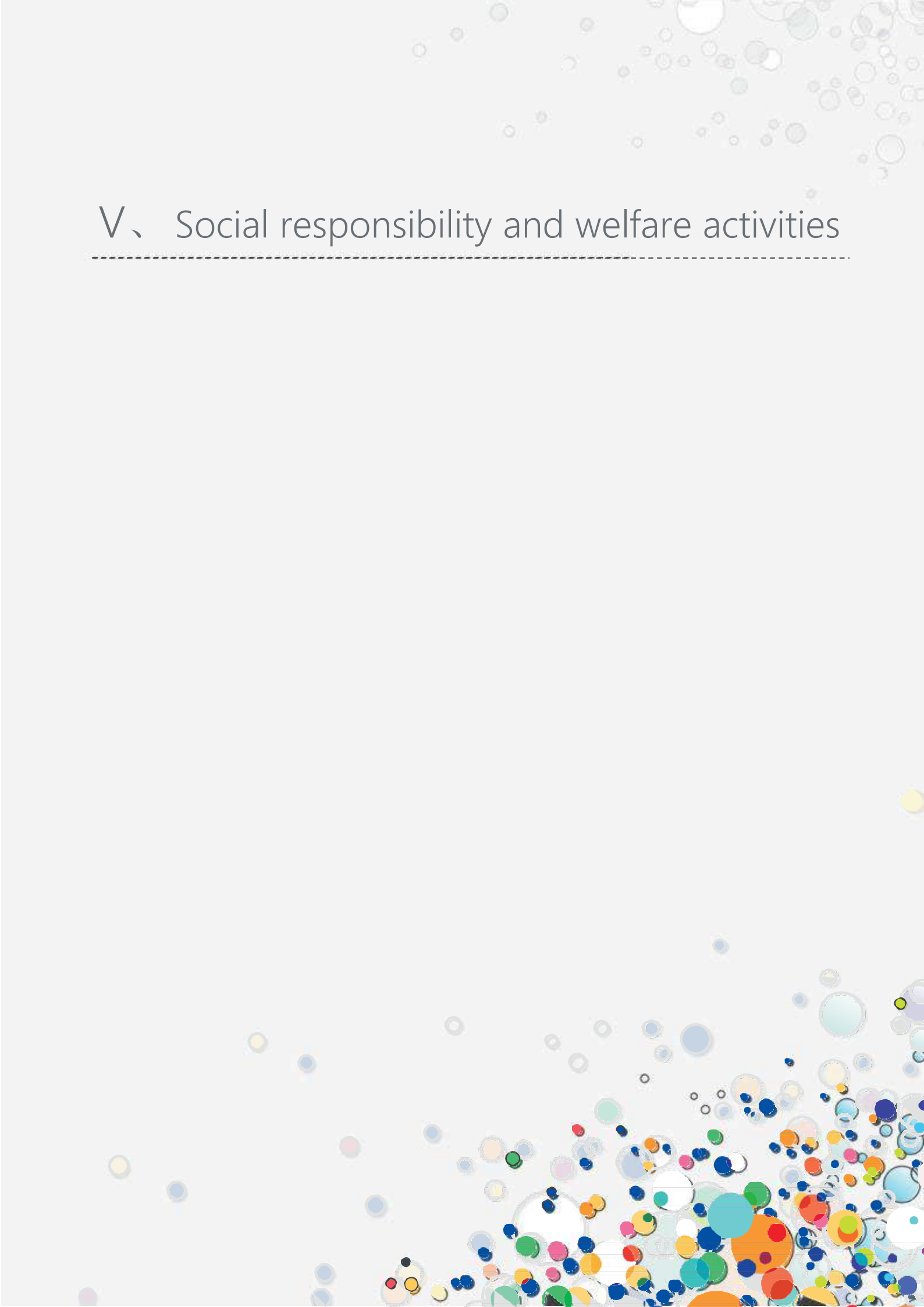
● participation in external environmental activities

- 1) One-hour light off during the nap.
- 2) Sponsorship for environmental associations; promotion of green activities



Tamsui Manor - Beach clean-up

V、 Social responsibility and welfare activities

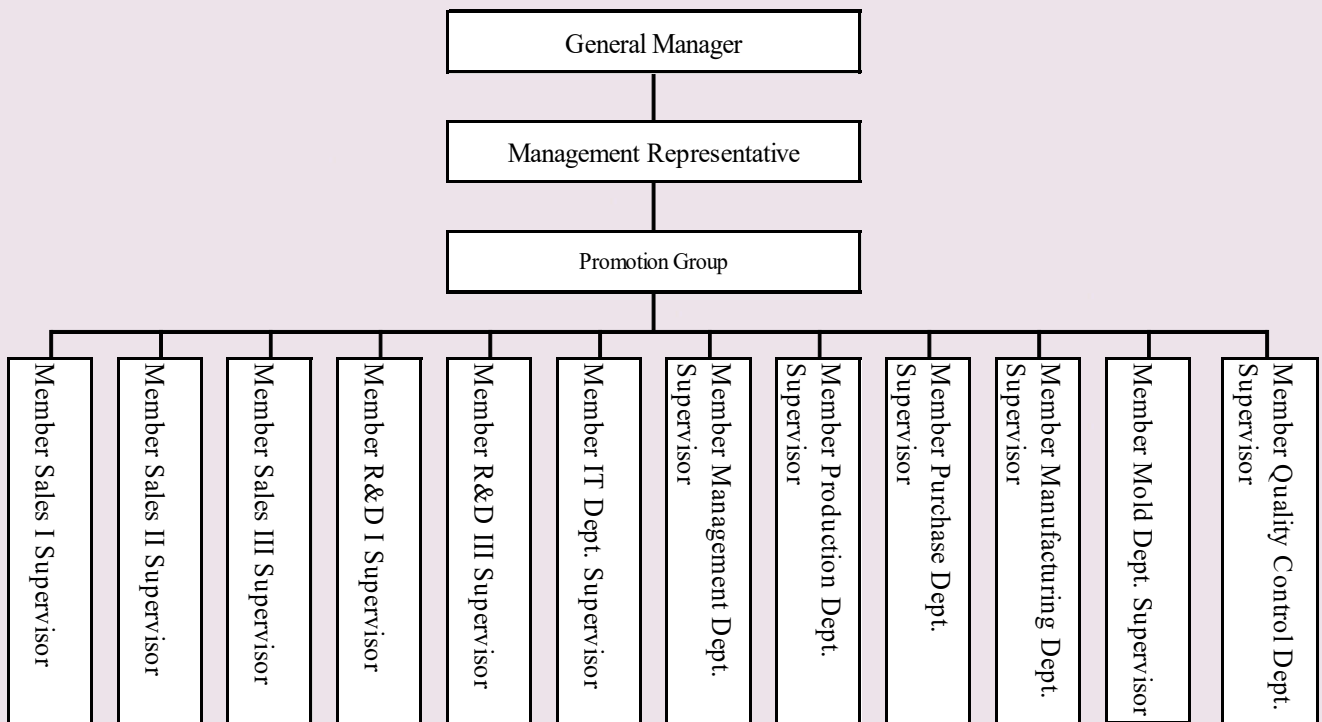


5.1 Introduction: Policy and Management System (EICC)

Owing to Cheng Fwa’s promise towards social responsibility, we promote different social responsibility activities based on “Electronic. Industry Code of Conduct (EICC) standard, including the establishment of “CSR Promotion Committee.” The social responsibility management manual of EICC management system is being established, while a manager is recruited to monitor and supervise the KPI indicators as well as the compilation of ISO 14064-1 greenhouse gases inventory report. It will present all the CSR results and data in the CSR report Promotion plans are described in the following:

(1) The promotion of CSR organization structure:

Outside the organizational structure, we have an interdepartmental promotion group who will be in charge of the integration and promotion of interdepartmental activities. The CSR representative will provide and coordinate the resources needed for the CSR management system (including human, professional, technical and financial resources). The CSR organization structure is as the following diagram:



(2) Development of the overall social responsibility policy :

「Humanitarian care」 、 「Health and safety」 、 「Society caring」 、 「Participation」

1) 「Humanitarian care」 :

HR unit has a plan of retention and promotion for personnel management system. Upholding the social responsibility of “humanitarian caring”, “people” and “home” are the foundations of management; an integral staff caring management system that complies with labor acts is being established. Following EICC regulations, we provide legitimate guarantees to protect the staff’s rights. We also provide a healthy and safe working environment for the personnel together with a dynamic and open labor communication channels and public transparent profit sharing system. These would certainly improve the labor relationship and create a harmonious and peaceful organizational atmosphere and a sense of 「home」.

2) 「Health and safety」 :

In addition to the compliance of the regulations stated in 「Occupational Safety and Health Act」, a Labor Health and Safety Organization and a Business Executives and Labor Committee are established as to promote labor safety and health business. Based on EICC regulations, a CSR management system is established as to effectively administer the environmental safety and sanity. This would reduce business risks; prevent occupational hazards and environmental pollutions as well as the guarantee for staff safety and health.

3) 「Society caring」 :

We have regular organization and participation in the social welfare activities. We care about the disadvantaged groups and care about environmental resources and protection. We also promote plant greening and other environmental protection activities. During the production procedure, we adopt green and hazardless substances. All wastes are categorized and legally treated as to reduce the production of further waste and to prevent from damaging the Earth.

4) 「Participation」 :

In order to implement social responsibility management system, we have fortified the internal and external communication and exchange. Regular educational trainings are organized as to reach a consensus among the staff and the compliance to the rules. We make sure that all the employees are enrolled in the trainings.

Meanwhile, we are also conscious of EICC CSR management manual which states the overall policy of social responsibility as well as other labor, health, safety, environment, ethics policies and related regulations. These allow Cheng Fwa to meet the international CSR standard.

5.2 Labor policies and measures

Labor policy: compliance with labor laws and regulations, prohibition of forced labor, child labor and prison labor, intimidation and harassment, discrimination, respect for freedom of association, continual improvement of employees' rights.

Based on the aforementioned labor policy, we have established the operation procedure or management and measures. The summary is described in the following:

- (1) 「Work Rules」 are being re-examined and evaluated by the Labor Affairs Department, New Taipei City Government. The 「Labor Safety and Health Code」 has already been issued.
- (2) Labor conditions:
 - 1) For attendance management, overtime is controlled and categorized in standard, warning, aler and prohibited sections as to strictly control the overtime hours. It is forbidden to exceed the monthly 46 hrs stated by the law.
 - 2) Compensation and benefits modifies the Salary Management Approach for the newly recruited employees as well as the punishment of the employees upon the salary.
- (3) In terms of the labor human rights, these are the procedures and results of our effort:
 - 1) The 「Prohibition of Child Labor and Juvenile Workers Age Identification and Protection Measures」 is established. The identity of the employee shall be strictly verified as to comply with the prohibition of child labor. In terms of the juvenile works, it shall be protected by the law. 「Juvenile Workers Age Identification and Protection Measures」 is being implemented.
 - 2) None of the procedures and measures shall be discriminatory; this includes the Work Rules, Employee Payment Operation Procedure, Salary Management Procedure (including the recruitment, payment, promotion, transfer and salary adjustment), Human Resources Management Procedures (educational trainings) and Punishments. In the Employee Payment Operation Procedure, non-discrimination, same payment same work for both genders and minimum payment stated by the law shall be respected. The company provides a non-discriminatory, non-harassment and equal growth working environment for the employees.
We care about the employees' human rights. We treat each of the employees fairly. We respect their opinions and feedback. We comply with rules and regulations. The Code of Ethics forbid the supervisors from forced labors, slavery, restrictions on movement, mental abuse, misconduct, corporal punishment or other inappropriate behaviors as well as the signature of illegal contracts to regulate the labor relationship.
 - 3) The staff is respected with the freedom of assembly and association given by the law. Based on the regulations, labor committee and labor benefit committee are established and approved by the authority.

5.3 Health, Safety and Environment

Health and safety policy: **safety first, mental and physical wellness, sanitized and clean work place.**

Environmental policy: **compliance to the law, energy saving, carb reduction, pollution prevention, eco-life.**

Based on the aforementioned safety and health policies, we have established the operation procedure or management and measures. The summary is described in the following :

- (1)Occupational Safety: A SOP for the environment is established as to control the waste water, drinking water, waste gas, wastes, noises, hydroelectric energy, chemicals and others. It would reduce the impact to the environment and have effective control of the situation. Hazard identification and risk assessment shall be reviewed and evaluated as to learn the safety and health hazards and risks to the employees and the work place. Safety and health management risk control measures shall also be established as to achieve the goal of 「zero disaster, zero accident」.
- (2)Emergency preparedness: Emergency procedure is established as to handle any kinds of accidents in an active and rapid way. Every year, there are fire and chemical spillage drills as to reduce damages and the impact to the environment to the minimum. It can also return to normal operation and production as soon as possible.
- (3)Occupational Injury and Illness: Health Management Procedure is established as to regulate the health and safety of the staff. It implements all regulations related to health and safety. Incident Management and Investigation Procedure is established to investigate the occupational accidents of the employees as to understand the reason of injury. It also enhances and prevents the occurrence of the same accident as well as to assess the probability of returning to the same job position.
- (4)Industrial hygiene: Waste Water Operation Procedure is established so that the treated waste water can meet to the EPA emission standard. The Waste Managemet Procedure requires an effective categorization and cleaning of wastes as to enhance the hygiene of the environment. It can achieve a stable, harmless, economic resourcing of the wastes and meet the EPA standard.
- (5)High physical demands of work: Human Factors Engineering Assessment Procedures increases the work safety, health, affectivity and comfort of the staff. It keeps the mental and physical health of the employees as well as to increase the work quality and efficiency.
- (6)Machine guarding: The development of equipment management program as to ensure the accuracy and appropriate safety protection facilities of the machine. This would reduce malfunctioning and prolong the life as well as to guarantee the personnel's safety. Personal protective equipment management approach can provide sufficient and good safety personal protective equipment as to guarantee personnel's safety as well as their health.
- (7)Public health, dormitory and restaurant: drinking fountain management operation restaurant management operation, restroom sanitation operation, dormitory management operation are established as to provide clean, safe and sanitized workplace and living environment which can provide a good and suitable place for working and living.

Based on the aforementioned environmental policy, we have established a operation procedure or management and measures. The summary is described in the following:

- (1) Environmental emissions permits and reporting: Environmental operation procedure is established. Waste water and waste gas shall be reported to the authority as to request for the permission of emission. Regular noise and water inspections are carried out as to meet the EPA standard.
- (2) Pollution prevention and resource conservation: Environmental operation procedure is established. All sewage, drinking water, waste gas, waste, noise, water and electricity energy resources, chemicals, etc. are under control as to reduce the impact to the environment and to be effectively managed.
- (3) Hazardous Substances: Quality manual is established as to reduce the harm to the staff when using, operating or transporting chemicals and organic solvents in the production line
- (4) Wastewater and solid waste: As mentioned in (4) Industrial hygiene procedures for wastewater treatment and waste management procedure, the environment is enhanced as to meet the EPA standard.
- (5) Air emissions: The environmental operation procedure is established. Regular exhaust and air emission are being inspected so that the physical or chemical substances in the air can meet the EPA standard.
- (6) Product content control: The quality manual is established as to regulate the raw materials and the products can be harmless to human

5.4 Ethics and Social Responsibility Promotion

Ethics policy: compliance with the highest ethical standards, incorruptible management, prohibition of corruption and bribery, information transparency including all business activities and financial performances, respect and protection of intellectual rights, fair trade and anti-trust, legal competition and propaganda, confidentiality of the reporter without revenge, continual enhancement of the company's ethics standard.

According to the above ethical policies, we have established protocols and management measures. The summary is described in the following:

- (1) Business Integrity and non-improper benefits: the establishment of ethics codes, gift ethics management methods as to regulate corruption or bribery. This would provide a gift standard for the suppliers and the customers. Employees are also trained to follow the codes of ethics.
- (2) Information transparency: In the company's website (<http://www.chengfwa.com.tw/>), all business activities and financial information and performance are published. All the results and management of the CSR implementation and issues in concern of the interested parties are also announced on the website.
- (3) Intellectual Property Rights: In the professional ethics and labor contracts, the rights of the tangible and intangible properties of the company are being regularized. This would reduce the losses of the company as to achieve the goal of sustainable operation and development.

- (4) Fair trade, propaganda and competition: The Code of Ethics require the staff to follow the regulation of fair trade act. It is not permitted to demand, allure or negotiate joint pricing, monopoly and agreement of pricing. It is not permitted to prevent others from competition as well as bid rigging and bid collusion.
- (5) Confidentiality of identity and no revenge: In the Code of Ethics and Practices of Personal Rights Protection, the staff, suppliers and the customers are provided with a complaint channel as well as protective measures, so the reporters do not need to worry to be taken as the target of revenge.
- (6) Metallic minerals responsibility: In the Subcontractor Management Procedure, the suppliers are requested not to purchase conflicts metals with written promises. They should also provide the source of origin of the raw materials.
- (7) Protection of personal privacy: It is regulated at Computer and Information Security Management and Intellectual Right Property Protection Measures that the employees shall have permission and passwords as the safety precaution. The personal information of the company, supplier and the employee shall be accessed in the right procedure. The Code of Ethics requests the employees not to notify, transmit or leak any of the information to a third party without the consent of the party.

● Promotion of social responsibility to the suppliers

Cheng Fwa has corrected “Subcontractor Management Procedure” as to categorize the suppliers. The suppliers who signed the CSR Commitment are categorized to be class B. The 10 top suppliers with auto evaluation and second party auditing are categorized as class A. In 2019, the results of this implementation is shown in Green Supply Chain in 4.2 Green Product.

● Management of the violation of professional ethics of the suppliers or customers

In the event for which the violation of professional ethics by the suppliers is being proven with substantial evident, the company shall change the purchase order or reduce the purchase amount depending on the severity of the situation. In the event of severe violation, it would be sent to the authority for further legal actions. In the event of customer’s violation, the management shall be the same as above.

5.5 Community relations and social welfare activities

● Philanthropic sponsorship

Cheng Fwa is also involved in social contribution, social service and social welfare, such as the sponsorship of schools at remote areas providing classrooms and equipment as well as charity organizations providing help for the needed.



In 2019, the total amount of donation was around 3.52 million and in the 2020 following year, more than 2.17 million. The units of donations and the amount are listed in the 2021 following table:

2020 Units of donations	Amount
New Taipei City Shen Lin Temple (voluntary fire appliances and money for the temple)	\$638,000
Scholarships (for the disadvantaged students and improvement of schools and equipment at remote areas)	\$1,031,822
Philanthropic donations (hospitals, funds and foundations)	\$507,124
Total:	\$2,176,946

2021 Units of donations	Amount
New Taipei City Shen Lin Temple (voluntary fire appliances and money for the temple)	\$140,000
Scholarships (for the disadvantaged students and improvement of schools and equipment at remote areas)	\$909,038
Philanthropic donations (hospitals, funds and foundations)	\$1,324,945
Total:	\$2,373,983

2022 Units of donations	Amount
New Taipei City Shen Lin Temple (voluntary fire appliances and money for the temple)	\$330,000
Scholarships (for the disadvantaged students and improvement of schools and equipment at remote areas)	\$1,455,550
Philanthropic donations (hospitals, funds and foundations)	\$569,241
Total:	\$2,354,791

In 2013, the honorary chairman and chairman of the board gifted “life-saving devices” to New Taipei City Fire Department in behalf of the company and the Vice Mayor of New Taipei City, Hou Yu-ih was invited as to present the gift.

In 2016, the honorary chairman and chairman of the board donated “Rehabus”.



In 2017, the honorary chairman and chairman of the board donated “Rehabus”.



In 2019, donated "New Taipei City Government Fire Department Disaster Investigation Vehicle".



● Community caring

(1) Catering service for the single elders

Since 2011, Cheng Fwa has cooperated with Sanchong District Office as to be enrolled with the long-term “catering service for the single elders.” A donation of fifty thousand is provided per month. Cheng Fwa also purchased moon cakes from Children Foundation in the festivals so that the single elders of the community can also feel the attraction and caring of the community.



(2) Cultural activities in Xianse Temple(先嗇宮)

Xianse Temple(先嗇宮) is located at Sanchong District in New Taipei City. It has a 250-year-old history and is considered as class III historical site. It preserves the beauty of two temples, two halls and two chambers. Not only is it the oldest temple in Sanchong District, but also organizes mountain climbing, skill contests and seminars for women.



Cheng Fwa participate keenly in cultural activities of temple, such as Chinese New Year Lantern Festival activities and Shennong Great Mansudae Festival activities, sponsor Chinese Orchestra performing in Beijing and communicate activities. Moreover, Cheng Fwa invite Xianse Temple(先嗇宮) Orchestra to perform on the Cheng Fwa company year-end banquet evening performances, and it has good feedback.



(3) Charity group performance

In the year-end party, Cheng Fwa usually invites sponsored charity group or welfare associations, such as children from “Da Shin Elementary School”, “Yuemei Elementary School” and “Chimei Elementary School.” With this opportunity, Cheng Fwa provides a stage for the community, while the staff enjoys the performances and provide their applauses.



(4) Volunteering :

In addition to the donation of tickets to Genesis Foundation, the employees also volunteer in public service works. In 2020, the "Donation of Shoes to Save Life" event will be held. Colleagues (family and friends) generously donated materials . In 2021, the "Beach clean-up" Social responsibility and welfare activities, and enthusiastically participated in the sorting activities. Through everyone's teamwork, we fully demonstrated our love. In 2022, "Hand in hand to send love, invite you to donate receipts together", and all the proceeds from the company's charity sale of masks will be donated to the "Mennonite Social Welfare Foundation".



(5) Scholarship

As to assist the students in Sanchong District, a scholarship for disadvantaged students is provided in Ginling Girl's High School assisting the students who are economically disadvantaged or who have suffered from economic changes at home to finish their education. The General Manager, Tsai,Tzung-Shiun, also leads by example as he has been committed to social welfare together with Wing Lung



Foundation, which is composed with a group of entrepreneurs and other charitable people. Scholarships and teaching equipment are also provided for students in schools at remote areas. In this way, the chances of education would not be reduced due to the lack of resources. Schools include Wa-Gang Junior High School, Pinghe Jr. High School, Yu-Dong Junior High school, Wanrong Jr. High School, Yuemei Elementary School, Chi-an Elementary School, Ren-hua Elementary School, Da Shin Elementary School, Nanhua Elementary School and Chungwa Elementary School. In this way, they can develop different featured education such as football team, tennis team, carpentry, dancing, etc. as well as to enhance school environment and facilities.

(6) Donation AED

To follow up the government publicity, placing AED in public, Cheng Fwa place AED in 19 primary schools and high schools, Xianse Temple to help patient who needs emergency aid and CPR during on the pre-hospital way.



(7) Police Friends Triple Office

General Manager Tsai is currently the director of the Triple Office of the Friends of the Police. Therefore, Cheng Fwa also participated in and sponsored a number of activities to praise and sympathize with the police officers and organize various activities to strengthen the feelings of the police



Cheng Fwa Industrial Co. Ltd.
GRI G3.1 Guideline Comparison Table of the Indicators

● : disclosed × : not disclosed

NO	GRI INDICATOR	Disclosure Status	CORRESPONDING SECTION AT THE CSR	Page	Note
1	Strategy and analysis				
1.1	Top decision-makers Statement	●	0. A Word from the Chairwoman/General Manager	1	
1.2	Major impact, risks and opportunities of sustainable development	●	0. A Word from the Chairwoman/General Manager	2	
2	About the organization				
2.1	Organization name	●	2.1 Foundation and history	8	
2.2	Main brand, product and service	●	2.1 Foundation and history	8	
2.3	Operating structure, including major operating companies and subsidiaries	●	2.1 Foundation and history 2.2 Organization and branches	10 11	
2.4	Company location	●	2.1 Foundation and history	8	
2.5	Regions and countries of operation	●	2.1 Foundation and history	10	
2.6	Legal ownership	●	2.1 Foundation and history	8	
2.7	Market of the product and service	●	2.2 Organization and branches 2.3 Introduction of the products	11 15	
2.8	Size of organization	●	2.2 Organization and branches	11	
2.9	Major changes of the organization during the reporting period	●	2.4 Business performance	17	
2.10	Awards during the reporting period	●	2.9 Honor and recognition	34	
3	Basic information of the report				
3.1	Reporting period	●	1.2 Scope of the report	4	
3.2	Former reporting period	●	1.3 Standard and self-declaration	4	None: first published at CSR Report

GRI G3.1 Guideline Comparison Table of the Indicators

NO	GRI INDICATOR	Disclosure Status	CORRESPONDING SECTION AT THE CSR	Page	Note
3.3	Reporting cycle	●	1.5 Notes to the editors	6	
3.4	Report query contact	●	1.5 Notes to the editors	7	
3.5	Definition program of the report	●	1.5 Notes to the editors	6	
3.6	Report boundaries	●	1.2 Scope of the report	4	
3.7	Limit of scope and limitation of the boundaries	●	1.2 Scope of the report	4	
3.8	Decisive principles of the boundaries	●	1.2 Scope of the report	4	
3.9	Data referent amount standard	●	1.2 Scope of the report	4	
3.10	Reasons of different messages comparing to the former report	●		4	None: first published at CSR Report
3.11	Significant differences with the former report	●		4	None: first published at CSR Report
3.12	Comparison table of disclosure indicators	●	Comparison table of the indicators	74	Appendix
4	Governance, commitments and engagement				
4.1	Board structure and governance staff	●	2.8 Corporate governance	26	
4.2	Higher governor as operating supervisor	●	2.8 Corporate governance	26	
4.3	Independent and external board	●	2.8 Corporate governance	27	
4.4	Communication mechanism of shareholder / employee / highest governor	●	2.8 Corporate governance	28	
4.5	Salary and organizational performance of the board and senior managers	●	2.8 Corporate governance	28	
4.6	Procedures that avoid interest conflict in the board	●	2.8 Corporate governance	27	
4.7	Economic, environmental and social requirement and experience of the board	●	2.8 Corporate governance	29	
4.8	Values and code of conduct within the organization	●	2.8 Corporate governance	24	

GRI G3.1 Guideline Comparison Table of the Indicators

NO	GRI INDICATOR	Disclosure Status	CORRESPONDING SECTION AT THE CSR	Page	Note
4.9	How will the boeard supervise the company’s performance and the compliance of regulations	●	2.8 Corporate governance	28	
4.10	Evaluation procedure of economic, environmental and social performance by the board	●	2.7 Corporate culture and management system 2.8 Corporate governance	22 26	
4.11	Description of organizational precautions or instructions	●	2.8 Corporate governance	26	
4.12	External economic, environmental and social support of the organization	●	2.8 Corporate governance	26	
4.14	List of stakeholders	●	1.4 Identification of interested parties and assessment and response to the major issues	4	
4.15	Identification of stakeholders	●	1.4 Identification of interested parties and assessment and response to the major issues	5	
4.16	Stakeholders’ participation methods	●	1.4 Identification of interested parties and assessment and response to the major issues	5	
4.17	Major issues and responses of the stakeholders	●	1.4 Identification of interested parties and assessment and response to the major issues	6	
Economic Performance Indicators					
EC 1	Generation and distribution of economic values, including the revenues, operating costs, employee’s compensation (salary), donations, other community investments, retained earnings, and payments to capital providers and governments	●	2.4 Business performance 2.8 Corporate governance - equity and equity shares profit	37 31	

GRI G3.1 Guideline Comparison Table of the Indicators

NO	GRI INDICATOR	Disclosure Status	CORRESPONDING SECTION AT THE CSR	Page	Note
EC 2	Financial burden, risks and opportunities to the organizational operations due to climate change	×		–	
EC 3	Welfare plan and scope of the responsibility within the organizational definition	●	3.4 Compensation and benefits	44	
EC 4	Acceptance of major financial support from the government	●	2.8 Corporate governance	–	The company did not accept any significant financial support from the government
EC 5	Initial salary and minimum wage at the major operating locations. Gender comparison.	●	3.4 Compensation and benefits	44	
EC 6	Supplier policy measure at the major operating locations and the proportion of training and expenditure	×		–	
EC 7	Procedure to recruit local people and the proportion of managerial level	●	3.2 Staff profile	36	
EC 8	Commercial activities, donations or free services that can provide investment of infrastructure in the public interest and service development and impact	●	5.5 Community relations and social welfare activities	70	
EC 9	Understand and describe significant indirect economic impact, including the range of the impact	×		–	
Environmental Performance Indicators					
EN 1	Usage of raw material/energy (weight/volume)	●	4.2 Green product	54	
EN 2	Proportion of materials from recycling program	×		–	
EN 3	Consumption of direct energy	●	4.3 Carbon reduction	58	

GRI G3.1 Guideline Comparison Table of the Indicators

NO	GRI INDICATOR	Disclosure Status	CORRESPONDING SECTION AT THE CSR	Page	Note
EN 4	Consumption of indirect energy	●	4.3 Carbon reduction	58	
EN 5	Energy saved from environmental protection and the increase of efficiency	×		–	
EN 6	Product and service plan with energy efficiency or renewable energy and the effects	×		–	
EN 7	Plan and effect of reduction of energy consumption	●	4.3 Carbon reduction	58	
EN 8	Total water consumption from all the sources	●	4.3 Carbon reduction	58	The company uses tap water
EN 9	Impact of the water source due to water consumption	●	4.3 Carbon reduction	58	The company uses tap water
EN10	Proportion of water recycling	×			
EN 11	Possession, rental and management of land for conservation areas or biodiversity zones: location and surface	×			
EN 12	Significant impact from the activities, products and services towards conservation areas or biodiversity zones	×			
EN 13	Proportion of habitat protection or restoration area	×			
EN 14	Plans and future plans for the monitoring and management of biodiversity impacts	×			
EN 15	The number of habitats listed by IUCN and the species impacted by the operations	×			
EN16	Total direct and indirect greenhouse gas emissions	●	4.3 Carbon reduction	58	

GRI G3.1 Guideline Comparison Table of the Indicators

NO	GRI INDICATOR	Disclosure Status	CORRESPONDING SECTION AT THE CSR	Page	Note
EN17	Other indirect greenhouse gas emissions	●	4.3 Carbon reduction	58	
EN18	Plan and efficacy of the reduction of greenhouse gases emission	×		–	
EN19	ODS emissions	●	4.4 Environmental pollution management	59	
EN20	Emission of nitrogen oxides, sulfur oxides and other significant air pollutants	●	4.4 Environmental pollution management	59	
EN21	Emission and treatment of waste water	●	4.4 Environmental pollution management	59	
EN22	Waste verities and total weight of the treatment	●	4.4 Environmental pollution management	60	
EN23	Number and amount of significant spillage	●	4.4 Environmental pollution management	62	
EN 24	Dangerous "production, transportation, import and export of waste" defined by 『Basel Convention』 Appendix I, II, III and IV	×		–	
EN25	Significant impact upon the ecological environment of the waste water and runoff	●	4.4 Environmental pollution management	63	
EN26	Plan and results of the reduction of environmental impact of the product and service	●	4.2 Green product	54	
EN27	The proportion of the classification of sold products and recycled products	×		–	
EN28	Record of violations of environmental laws	●	4.4 Environmental pollution management	57	
EN29	Environmental impact of product transportation and staff commute.	●	3.6 Health and safety 4.5 Green concept promotion	48 63	
EN30	All environmental costs and investments	●	4.4 Environmental pollution management	57	

GRI G3.1 Guideline Comparison Table of the Indicators

NO	GRI INDICATOR	Disclosure Status	CORRESPONDING SECTION AT THE CSR	Page	Note
LA : Labor Practices and Decent Work Performance Indicators					
LA 1	No. of employees based on the type, employment contract and region	●	3.2 Staff profile	37	
LA 2	Using age, gender and location to calculate the number of staff, the percentage and the turnover rate. The percentage of regular performance and career development review	●	3.2 Staff profile 3.3 Training development and performance evaluation	37 42	
LA 3	Benefits of full-time employees	●	3.4 Compensation and benefit	44	
LA 4	Calculate the percentage of employees in the independent labor unions or protected by collective negotiation depending on the region	×		–	
LA 5	The shortest notification period for the change of work, including the specification in the collective agreement	×		–	
LA 6	Participation of formal health and safety committee by the employer and the employee representatives as well as the percentage of labors in the committee	●	3.5 Labor communication	46	
LA 7	Work injury rate, the rate of occupational diseases, lost days and absenteeism based on the region and gender. Mortality number related to the work.	●	3.5 Health and safety	48	

GRI G3.1 Guideline Comparison Table of the Indicator

NO	GRI INDICATOR	Disclosure Status	CORRESPONDING SECTION AT THE CSR	Page	Note
LA 8	Sickness education, training, assistance and prevention for the employee, the employees' family and the community members. Plans for risk control.	●	3.5 Health and safety	48	
LA 9	Formal agreement with the labor union in regard to health and safety issues.	×		—	
LA10	Training hours of the employees based on gender/position	●	3.3 Training development and performance evaluation	45	
LA11	Skill management for employees and lifelong learning programs and courses	●	3.3 Training development and performance evaluation	44	
LA12	Percentage of regular career development training	●	3.3 Training development and performance evaluation	44	
LA13	Employee distribution based on gender, age, minorities and other categories	●	3.2 Staff profile	37	
LA14	Percentage of the basic salary and annual salary between male and female employees categorized by the work type and job title	●	3.4 Compensation and benefits	45	
LA15	Return to work after maternity leave and retention rate	●	3.4 Compensation and benefits	46	
HR : Human Right Indicators					
HR 1	Amount and percentage/proportion to the total amount of important agreements with human right articles or reviewed by human right units.	×		—	

GRI G3.1 Guideline Comparison Table of the Indicators

NO	GRI INDICATOR	Disclosure Status	CORRESPONDING SECTION AT THE CSR	Page	Note
HR 2	Significant proportion of suppliers with implementation of the human rights review	●	4.2 Green product	56	
Human rights indicators					
HR 3	Based on the company's policy, the total hours of human rights education, including the percentage of the staff	×		–	
HR 4	Amount of cases of discrimination, including the actions adopted/management/corrective measures	●	3.5 Labor communication	48	
HR 5	Actions plans that may jeopardize the freedom of association and the right to collective negotiation	●	3.5 Labor communication	47	
HR 6	Child labor measures by the organization and the suppliers	●	5.4 Social responsibility extended to the suppliers	67	
HR 7	Forced labor situations by the organization and the supplier and the preventive measures	●	4.2 Green product 5.4 Social responsibility extended to the suppliers	56 67	
HR 8	Total hours of human rights education to the security guards and the percentage of security guards	×		–	
HR 9	Violation of local employee rights	●	3.5 Labor communication	47	
HR 10	Total percentage of human right reviews or operating activities	×		–	
HR 11	Cases of formal complaint and the management	●	3.5 Labor communication	47	

GRI G3.1 Guideline Comparison Table of the Indicators

NO	GRI INDICATOR	Disclosure Status	CORRESPONDING SECTION AT THE CSR	Page	Note
SO Social indicators					
SO 1	Plan and result of the impact of the business operations towards the local community	●	4.5 Green concept promotion 5.5 Community relations and social welfare activities	63 70	
SO 2	Bribery risk analysis: the total amount and the ratio	●	3.5 Labor communication 5.4 Ethics and social responsibility promotion	46 69	
SO 3	Training hours and proportion of anti-bribery policies	×		–	
SO 4	Responses to bribery	●	3.5 Labor communication 5.4 Ethics and social responsibility promotion	46 69	
SO 5	Participation in public policy and lobbying	●			Zero participation in public policy and lobbying
SO 6	Political donations	●			No political donations
SO 7	Legal actions and conclusions of unfair competition, anti-trust actions and monopoly	●	5.4 Ethics and social responsibility promotion	69	
SO 8	Penalty and punishment records of breach of rules	●	4.4 Environmental pollution management	59	Zero penalty
SO 9	Operations with significant negative impacts towards the community	●	4.5 Green concept promotion 5.5 Community relations and social welfare activities	63 70	
SO10	Preventive measures for significant negative impact on the community	●	4.5 Green concept promotion 5.5 Community relations and social welfare activities	63 70	

GRI G3.1 Guideline Comparison Table of the Indicators

NO	GRI INDICATOR	Disclosure Status	CORRESPONDING SECTION AT THE CSR	Page	Note
PR Product Liability Index					
PR 1	Health and safety impact assessment and improvement of the product and service life cycle	●	4.2 Green product	54	
PR 2	Violations of health and safety act cases related with the product and service	●	4.2 Green product	54	
PR 3	Information category of product and service; proportion of the compliance of information regulation for the significant product and service	×		–	
PR 4	Violates of product and service information and labels	●	2.6 Service content: customer satisfaction study	21	
PR 5	Results of customer service satisfaction investigation	●	2.6 Service content: customer satisfaction study	21	
PR 6	Market communication and promotion plans in compliance with the regulations	×		–	
PR 7	The number of violations of the provisions of the relevant marketing communications	●	2.6 Service content: customer satisfaction study	21	
PR 8	The amount of complaints of violation of customer privacy and loss of customer information	●	2.6 Service content: customer satisfaction study	21	No complaint of violation of customer privacy
PR 9	Records of violation of regulations related to product and service	●	2.6 Service content: customer satisfaction study	21	

