

## Implementation of Supplier Development in 2020

In terms of quality management, in 2020, Pou Chen conducted RS management consulting for 15 abroad suppliers, including RSL management system, MSDS document standard management, product RSL test report, RSL commitment and MRSL management system, to fulfill corporate responsibilities. In addition, the Company attached great importance to customs compliance security of suppliers. In order to reduce the threat of insufficient security mechanism, it referred to supply chain security management systems such as ISO 28000 (Supply Chain Security Management System), AEO (Quality Enterprise), C-TPAT (Anti-Terrorism), etc. Through remote training, interrogation, counseling, and document record establishment, the Company provided consultation to 5 suppliers to avoid violating the Group's regulations, resulting in fines and delisting of products, as well as the risk of suspension of transaction. The Company also conducted pre-audit review counseling for 1 domestic supplier of SGS ISO 9001:2015 quality management system to help strengthen the supplier's quality.

In terms of sustainable development management, the Company expanded different levels of projects to suppliers according to the cooperative relationship. Green energy projects were implemented for suppliers with high cooperative relationship, and reduced occupational disaster risks, developed grievance mechanism, focused on the promotion of human rights compliance, and formulated "Guidelines on employment standards to suppliers".

### Green Energy Project

Since 2019, we have coached suppliers with a certain system scale to implement air compressor green energy projects, and encouraged all suppliers to introduce various energy-saving and waste-reduction projects. The implementation results in last two years are as follows:

Project	2019	2020	Benefits Comparison
The number of implemented suppliers	17 suppliers	37 suppliers	Increased by 20 suppliers
Annual electricity saving (thousand kWh)	544.61 thousand kWh	2,068.12 thousand kWh	Saved 1,523.51 thousand kWh
Annual electricity savings (In NTD)	About 2.29 million	About 8.69 million	Saved 6.40 million
Annual CO <sub>2</sub> <sup>e</sup> reduction	290.27 metric tons	1,052.67 metric tons	Saved 762.40 metric tons

### Reducing the risk of occupational accidents

Leveraging the experience and expertise, Pou Chen assists cooperative suppliers to adopt high-risk protection projects focusing on the intrinsic safety of the machine. For common types of occupational hazards (mainly cutting, clamping, and roiling), the Company set up a total of 16 high-risk stations and their corresponding safety protection device standards, and coached 21 cooperative suppliers to inventory and rectify existing equipment, and required all safety protection devices must be included in the acceptance criteria for newly purchased equipment.

In addition, 5 cooperative suppliers were provided with training on the real cause of occupational disasters, and the supplier's sustainable development project personnel would assist in jointly carrying out the case-based occupational disaster analysis, the investigation of the real cause, the improvement suggestions of hardware and management methods, and the improvement tracking to expand in parallel. A total of 10 occupational accident cases occurred in 2020, and 100% of them have been tracked and improved. According to statistics, the Disabling Frequency Rate (FR) of the 5 cooperative suppliers was 1.12, the Disabling Severity Rate (SR) was 35, and the Frequency-Severity Indicator (FSI) was 0.19.

### Establishment of supplier grievance mechanism

In 2020, we assisted 5 suppliers in establishing the grievance management mechanism, including diversified grievance channels, grievance handling procedures, and non-retaliation policies. After the introduction in 2020, a total of 38 allegations rose through grievance or whistle-blowing channels and 100% of them have been handled and resolved, relating issues such as human rights management, working environment, health and safety. Two examples are as below:

Date	Grievance case description	Improvement status
November 2020	Employees of the supplier complained about workplace bullying. We discussed with the supplier to carry out investigations, and at the same time revised relevant regulation of the employee handbook, and suggested that bullies should be punished according to the employee handbook.	Case closed. The supplier implemented the suggestion and obtained the employee's accept.
December 2020	Employees of the supplier complained about the unfair distribution of production bonuses. We recommended the supplies should make all employees understand that the evaluation of production bonus was in a fair and open manner, and announced the evaluation results every month.	Case closed. The supplier implemented the suggestion and obtained the employee's accept.

### **Human rights compliance advocacy meeting**

In order to understand the current status of legal compliance of cooperative suppliers, starting from 2019, Pou Chen actively searched for cases with the regular management mechanism where suppliers from various regions have been punished by the local government for environmental safety and health or labor-related issues, and put them on file for management. In 2020, we have broadened and deepen the investigation on human rights issues and first taken Taiwan region as a pilot. There were 1,485 suppliers in Taiwan, of which we identified 41 suppliers who had records in the past three years and were punished by labor violations, and found 57 illegal facts about working hours, wages, and benefits. In addition, a human rights compliance advocacy meeting was held with 25 high-risk suppliers, and a total of 34 managements of suppliers participated. The Company's 23 supervisors and colleagues at the procurement department and human rights management team also participated. The content of the promotion and communication included reaffirming the Group's Code of Conduct, and emphasizing the zero-tolerance policy, such as working hours, wages, remedial measures for prohibiting child labor and remedies for misuse, addressing forced labor, human trafficking and women's empowerment. At the same time, we aimed at analyzing and explaining violation cases in conjunction with local laws and regulations, and followed up by tracking the improvement effectiveness after the meeting. The improvement rate was 100%.

### **Guidelines on employment standards to suppliers**

In order to gradually improve the sustainable management of business partners, with reference to FLA and various international standards, the "Guidelines on employment standards to suppliers of Pou Chen Group" has been established in 2020, including prohibition of forced labor, prohibition of child labor, non-discrimination, remuneration and benefits, working hours, freedom of association, collective bargaining, punishment system, recruitment, training and retention, etc. The Company plans to promote it to suppliers in 2021, requiring supplier partners to comply with relevant labor standards, eliminate human trafficking and other regulations, so as to protect and promote the substantive rights and interests of supplier employees at work.