

# 2018

Corporate Social Responsibility Report



## Scope and Editorial Guidelines

This report discloses information for year 2018 (January 1, 2018 to December 31, 2018). The content covers concrete practices, performance data and issues the stakeholders focus on, including the economy, governance, society, and the environment. For the sake of completeness, some content as far back as January 1, 2017 will also be covered. The reporting boundary mainly focuses on Evermore Chemical Industry, excluding other re-investment subsidiaries. The source of consolidated financial data comes from public financial reports signed by certified public accountant of EMC. Certain statistics were cited from annual report and public information from government agencies and relevant websites, and is described with common text and figures. Additional explanations will be available in the report for any exceptions.

The CSR Report is based on the core options from GRI Standards by the Global Reporting Initiative. Please refer to the GRI Standards Disclosure Table in the Appendix for details.

#### ◆ Audit Program and Publishing Cycle

Aside from major topics, this report also reflects on issues the stakeholders are concerned with. This report hasn't been verified by third-parties. Evermore Chemical Industry issues a report every year, the last issuance was in June 2018, this issuance is in June 2019, while the next issuance is scheduled to be in June 2020.

#### ◆ Issuance Method and Contact

This report will be published simultaneously on our company website .If you have any suggestions for our 2018 Corporate Social Responsibility Report, please contact us through the following:

Contact Unit: Evermore Chemical Industry CSR Commission

Address: No. 7, Industrial South 2nd Rd., Nangang Industrial Park, Nantou City, 540

Tel: 049-225-5357 Fax:049-225-3912

Email: csr@twemc.com.tw Website: http://www.twemc.com

Spokesperson: Director Wu Pao-Hua Email: baohua@twemc.com.tw

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## A Letter from the Chairman & President

During the preparation of the CSR Report for 2018, we surveyed stakeholders for issues they are concerned with, and learned that in addition to business performance, regulation compliance, product research and development, quality and service are all areas where they share deep concerns; We offer a response in this report, and make it our goal for continued efforts in the future, so that Evermore Chemical Industry can strive toward sustainable development.

Evermore Chemical Industry underwent major changes in 2018; at the beginning of the year, AICA Kogyo Company Limited acquired more than 50.1% of EMC's shares. Aside from our main focus on PU resin for the sport and lifestyle industry in the past, we began expanding the reach of our PU products through AICA's business network in Asia, to maximize synergistic effect; AICA's clients are mostly in the construction materials and automobile sector, we hope to enter these new application sectors in the future, to increase operational performance and profitability. 2018 is the first phase. At this time, both parties try to identify projects that they can cooperatively develop, and will begin the second phase in 2019 for actual implementation.

On research and development, in addition to cooperation with AICA, we also reviewed our core competencies to continue developing according to customer needs. This year, we developed green products that is environment friendly such as solvent-free PU adhesive and energy-saving production process for insole system materials, and a toluene-free green production process for UVcuring monomers, gradually replacing materials that harm the environment, to ease environmental burdens and use materials more effectively.

As a chemical industry, we are more aware than the general public of the risks and hazards we may have introduced into the environment in the production process, which makes us pay more attention to environmental protection and safety. In 2018, in order to raise safety awareness of employees and improve the internal environment of our facilities, we initiated 6S Activities. Each week, each unit will perform inspection and hold meetings reviewing oversights and tracking improvements; Further, we continue to research and invest on the improving production efficiency and waste reduction.

As always, we are committed to our business philosophy "Simplicity Truthfulness Firmness Perseverance, Research and Innovation, Sustainable Development, Profit Sharing", striving for sustainable development. We hope this report offers stakeholders better understanding of our company, to encourage us for more improvement.

Chairman /

President



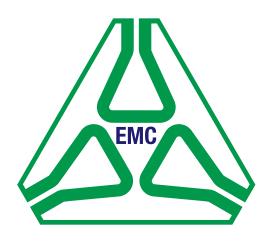
#### Company Overview

Evermore Chemical Industry Co., Ltd. (hereinafter referred to as "EMC") was established in 1989, we registered with Taipei Exchange in 2000, and was listed on the Taiwan Stock Exchange in 2002. Our business activity revolves around manufacturing and selling of synthetic resin and chemical materials, and management and re-investment of related businesses.

AICA Kogyo Company Limited from Japan (hereinafter referred to as "AICA") made a tender offer on November 16, 2017 acquiring EMC's ordinary shares; The tender offer period expired on January 5, 2018, and AICA obtained 50.1% of EMC's shares on January 16, 2018 to become EMC's parent company.

#### Business Philosophy

EMC believes combining corporate social responsibility with business strategies is the first priority for businesses on the road towards sustainable development; Therefore, with "Simplicity Truthfulness Firmness Perseverance, Research and Innovation, Sustainable Development, Profit Sharing" (樸實剛毅、研究創新、永續經營、利潤共享) in mind, we devoted our efforts in corporate governance, managing the company with conviction, continuous improvement and honesty, satisfying customer requirements with professional chemical expertise and dedication. With honesty, continuous innovation, profit sharing with stakeholders such as employees, shareholders and customers, we contribute back to the society, creating maximum value for the polymer industry.





EMC's corporate identity system uses green development and production as the foundation, blue sky and water source as the ultimate symbol of caring, to represent sustainable development of our business.

#### ◆ Operating Location

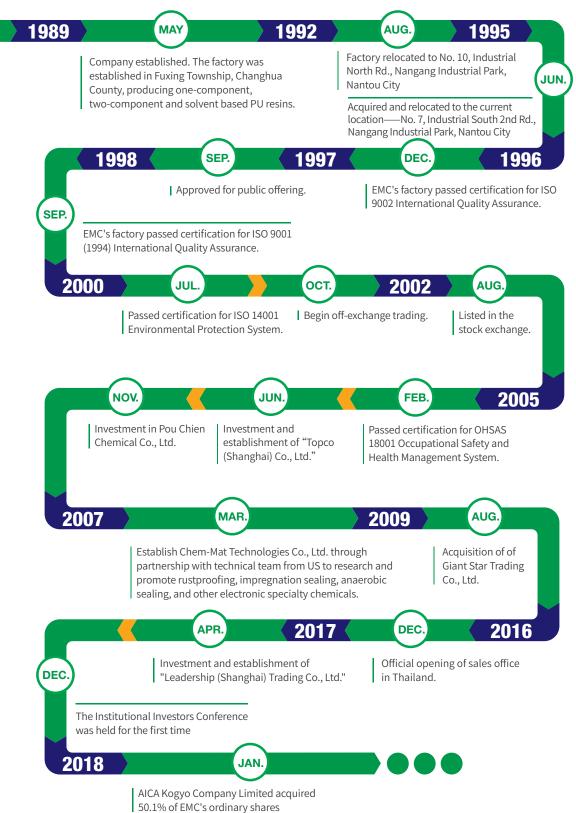
Establishment: 1989 Listing time: 2002 Capital: NT\$993 million Headquarters: Taiwan, Nantou

Corporate Group: Three production bases, 5 sales office and a technical service centers.



#### **◆** EMC Chronicles





#### ◆ External Association or Organization

In addition to the synthetic resin industry, we also participate in many types of organizations through different means, to keep close touch with various communities for cooperation on sustained development, mainly of the following:

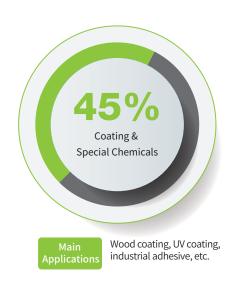
Participating Organizations	As EMC
Taiwan Synthetic Resin & Adhesives Industrial Association	Director
Taiwan Regional Association of Synthetic Leather Industries	Member
Nantou County Industrial Association	Member
Nantou County Nangang Industrial Park Manufacturers' Association	Member
Mid-Taiwan Toxic Disaster Mutual Protection Organization	Member
San Fang DMF Toxic Disaster Mutual Protection Organization	Member
Evermore TDI Toxic Disaster Mutual Protection Organization	Team Leader
UPC Plasticizers Toxic Disaster Mutual Protection Organization	Member

#### Product Introduction

#### **Product Category**

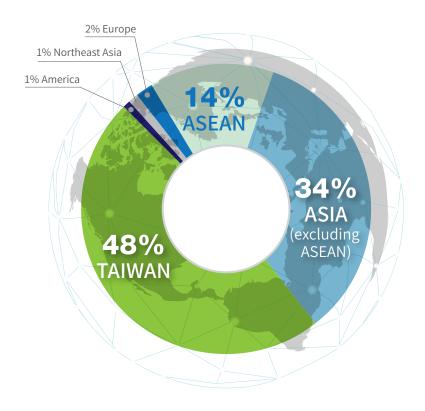
EMC started with PU resin products as its core business, and gradually developed toward various aspects, with products such as Low free TDI crosslinking agent(LFT), polyester polyol(PE), polyurethane system(PUS), thermoplastic polyurethanes(TPU), etc. We divide our product into two categories, Sport & Lifestyle and Coating & Special Chemicals, their main applications and yearly sales figure are as follows:





#### **Market Distribution**

In addition to continue developing in the Taiwan market, our product sales have reached Asia, Europe and America markets, and won recognition from many well-known international companies and brands.







#### Business Performance

Our (combined) performance for the year 2018 is as follows:

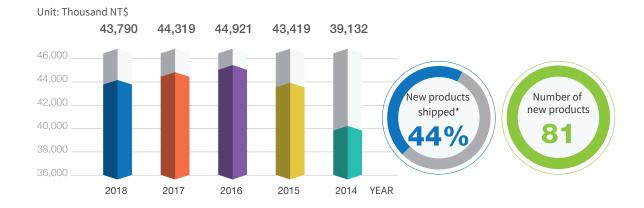
Unit: Thousand NT\$

Item	2018	2017	2016	2015	2014
Operating income	3,675,769	3,325,124	3,007,333	3,361,317	4,492,846
Operating profit	73,902	112,011	178,783	196,472	105,902
Pretax net profit	54,165	106,399	116,070	180,351	88,572
Earnings per share (NT\$)	0.10	0.63	0.74	1.25	0.75
Dividends per share (NT\$)	0.15 NOTE1	0.5	0.5	1.0	0.6

Note 1: Approved by the Board of Directors and but yet to be resolved in the Shareholders' Meeting.

#### R&D Investment and Contributions

For continued growth and innovation, EMC actively invests in R&D activities every year, hoping to use low-pollution, high-value green products and technologies as our driving force for sustainable development. Yearly research and development costs are as follows:



#### **Investment Tax Credit**

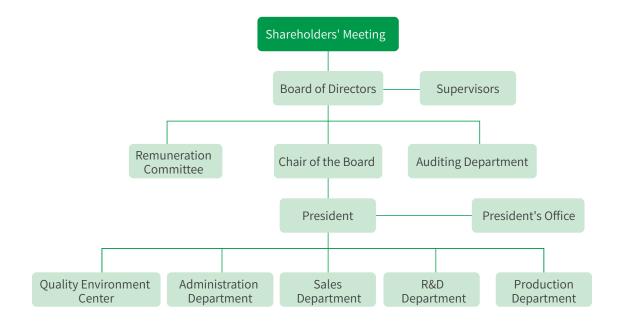
In addition, expenses on research and development can serve as credit for yearly business income tax or be used to apply for grant-in-aid. Relevant information is as follows:

· R&D investment tax credit in 2018

Project	Non-yellowing TPU research and development
Cost (Thousand NT\$)	2,431

#### ◆ Corporate Governance

**EMC Organization Chart** 



Principal Departments	Operating Businesses
Auditing Department	Auditing and evaluation of internal control systems and functional operations of each department.
President's Office	Business strategy, project supervision and business coordination.
Quality Environment Center	Environmental protection and safety and health.
Administration Department	Responsible for publishing company information, establishing human resources and management systems, procurement, general affairs, legal affairs, accounting, and financial affairs.
Sales Department	Market expansion, reference checks, product sales and after-sales services.
R&D Department	Development and research of new products, research and improve production technologies and services, setting product quality goals and quality inspection for logistics.
Production Department	Product production, raw material acquisition, stocking, manufacturing processes and factory work.

#### · Shareholders' Meeting

EMC holds annual Shareholder's Meetings according to its articles of association complete with meeting rules. All affairs that should be resolved by shareholders follow these rules faithfully.

#### · Board of Directors Organization

The Board of Directors are elected through a nomination system. Directors and Institutional Directing Representative are elected in the Shareholders' Meeting from a list of candidates. In accordance with our articles of incorporation, board meetings are held at least once every quarter, to supervise operation plan execution, financial statements, auditing reports as well as their tracking. Important resolutions of the Board of Directors and the articles of association have been published on our website, in the investors section for their reference.

The Board of Directors' responsibilities include establishing a good governance system, supervision, appointment and management guidance, ensure our business direction aligns with long/short term market needs and industry trends, and treat openness of information as our highest principle, to protect the rights of shareholders.

#### · Operations of the Board of Directors

The Board of Directors is primarily responsible for supervising and hearing reports from the business team, trying to understand actual business problems, and suggest adjustments to the team when necessary, to allow for more communication and opinion exchange opportunities, so that business issues can undergo thorough discussion. Board meetings are held least once quarterly. We held 7 meetings in in 2018, and out of the 51 expected attendances, 50 were present, with actual attendance averaging 98%.

#### Members and Attendance of the Board of Directors in 2018

The Board of Directors met seven times in 2018. Attendance is as follows:

Position	Name	Actual presence (attendance) Number of times	Number of attendance by proxy	Actual presence (attendance) (%)	Note
Chair of the Board	Ho Wen-Chieh	7	0	100%	Reelected on June 26, 2018
Institutional Director (AICA Kogyo Representative)	Tohdoh Satoshi	5	0	100%	Specially elected on March 7, 2018
Institutional Director (AICA Kogyo Representative)	Ebihara Kenji	5	0	100%	Specially elected on March 7, 2018
Institutional Director (AICA Kogyo Representative)	Omura Nobuyuki	3	0	100%	Elected on June 26, 2018
Institutional Director (Pou Chien Chemical Representative)	Tsai Nai-Yung	2	1	67%	Elected on June 26, 2018
Independent Director	Wu Hsien- Ming	4	0	100%	Left position on June 26, 2018
Independent Director	Ho Chin-Fu	4	0	100%	Left position on June 26, 2018
Independent Director	Chen Chao- Hwei	3	0	100%	Elected on June 26, 2018
Independent Director	Higashiyama Mikio	3	0	100%	Elected on June 26, 2018
Supervisor	Liu Ve-Tung	5	0	100%	Specially elected on March 7, 2018

Supervisor	Lu Hui-Pin	5	0	100%	Specially elected on March 7, 2018
Supervisor	Su I-Hsiu	5	0	100%	Specially elected on March 7, 2018

#### **Recusal of Conflict of Interest**

Both the board meeting rules and Code of Business Integrity have clear articles for directors on recusal of conflict of interest. If a director or the institution that director represents has interest relations with a meeting affair, it should be stated and explained in the same meeting. If there is ground to believe that it may interfere with EMC's interest, the director in question should not participate nor present during discussion and voting, and cannot act on other director's behave to vote.

#### ◆ Remuneration Committee

Remuneration Committee members were re-appointed on August 10, 2018, held by two Independent Directors (Mr. Higashiyama Mikio and Mr. Chen Chao-Hwei) and Mr. Tao Hong-Wen, their term of office lasts until June 25, 2021. The duties of the Remuneration Committee include self-inspection and provide corrective suggestions; Establish and conduct periodic review of annual and long-term performance goals of our directors, supervisors and managers, as well as our remuneration policy, system and structure; Periodic evaluation of the actual performance of our directors, supervisors and managers, and set out remuneration detail and amount for each one of them.

#### Members and attendance of the Remuneration Committee in 2018

- (1) EMC's Remuneration Committee consists of 3 members.
- (2) Term of office: From August 10, 2018 to June 25, 2021. The Committee met 3 times in the past year. Member positions and attendance are as follows:

Position	Name	Actual number in attendance	Number of attendance by proxy	Actual attendance rate (%)	Note
Convenor	Wu Hsien-Ming	1	0	100	Left position on Aug 10, 2018
Member	Ho Chin-Fu	1	0	100	Left position on Aug 10, 2018
Member	Tao Hung-Wen	3	0	100	Reelected on Aug 10, 2018
Convenor	Higashiyama Mikio	2	0	100	Newly elected on Aug 10, 2018
Member	Chen Chao- Hwei	2	0	100	Newly elected on Aug 10, 2018



#### ◆ Professional Ethics and Compliance

Compliance is fundamental in practicing corporate social responsibility, and EMC pays close attention to it in various fields. From leadership to employees, we all follow regulations faithfully. To help employees gain better understanding of regulations, we always attend service announcements by competent authorities, and relay the latest regulations and trends during regular meetings, to boost knowledge and capability on policies and regulations related to our business

#### **Preventive Measures**

Actual Practice	Description
Internal Management Regulations	EMC has formulated various management measures for conducting business to avoid regulation violations.
Consult legal advisors	When contracts or affairs involve legal rights or obligations, we consult legal advisor's professional opinion before proposing solutions and plans.
Enforce legal training	New recruits receive compliance training on their first day at work, also, we hold regulation training from time to time, to equip employees with proper legal knowledge.

These measures treats zero breach as the ultimate goal.

EMC has established the "Ethical Code for Directors and Managers", "Code of Business Integrity" and "Handling Procedures for Internal Material Information", and they have been published on our website. Subject of these guidelines include our directors, supervisors, and employees. Policy of business integrity, employee performance assessment and human resource policy have been combined together to establish a clear and effective reward and punishment system.

#### **Anti-corruption Mechanism**

EMC was not involved in any corruption incidents in 2018; We clearly specified in the "Code of Business Integrity", that it is forbidden to provide, promise, request or accept any direct or indirect illegal benefits for transactions or contracts EMC, our affiliates or shareholders may involve in. We keep clear communication with our correspondent bank, other creditors, suppliers, communities and stakeholders related to us, and respect and maintain their legal rights. When stakeholders' legal rights and interests were harmed, we handle it with integrity in mind. In addition to complying with regulations, we also strengthen our legal concepts through external training course participation.

To prevent corruption and keep business secrets, these internal units are in charge of the corresponding matters:

#### Administration Department

Establishing measures for anticorruption and business integrity, as well as promoting them.

#### **Auditing Department**

Ensuring effective measure implementation and reports to the Board of Directors on a regular basis.



#### ◆ Internal Audit

To enforce corporate governance, strengthen internal control and audit operations, the Auditing Department is established, directly below the Board of Directors, tasked with assisting the board and managers in inspecting and reviewing the internal control system, and evaluating the effectiveness and efficiency of operations. The auditor should be independent, objective in performing his duties, adhere to the principle of honesty and confidentiality, and report the audit plan to the Board of Directors for discussion. Risk management and compliance have been included in daily operation management of each department.

If any major violation or likelihood of damage to the company is identified, the audit manager should report in the board meeting immediately. No complaints were made in 2018. Auditing personnel are in charge of implementing the annual audit plan, in addition to auditing projects, internal control systems, and ISO management systems approved by the Board of Directors. The annual self-assessment of the auditing unit is what the Board of Directors and the President relies on when assessing the effectiveness of the overall internal control and making the internal control statement.

**Auditing Procedure** 



Contact Information for"

EMC Corruption and Audit Complaint Office: hjs@twemc.com.tw.

Please use this email for any suggestions or complaints.

We will exercise proper confidentiality for the complainant and investigation.

#### ♦ Risk Management

EMC strongly believes that rigorous risk management is not only the best proof of proper fulfillment of social responsibility, but also the key to sustainable development. We conduct thorough reviews on possible risks, based on their frequency and severity of impact to our operation. We categorize them into five aspects, "Strategy Risk", "Operation Risk", "Finance Risk", "Plan and Project Risk" and "Disaster Risk", and manage them accordingly, developing countermeasures, in the hope of minimizing uncertainty in our business operations.



Among these five aspects, Operation Risk, Finance Risk and Disaster Risk have the most impact, we hereby describe our risk management on these aspects:

#### 1. Operation Risk

Mass price fluctuation of raw materials required for operation or shortage of supply for materials no longer commercially available.

Risk management measures: EMC uses high-quality raw materials produced by world-class factories. To reduce the risk of interruption of raw material supply, a task force is formed by our procurement, logistics and sales department. As a strategy, we are in contact with multiple suppliers, and monitor our inventory based on order demands, to improve the accuracy of demand estimation. This year, our supply chain was not interrupted, despite events of mass price fluctuation of raw materials.

#### 2. Finance Risk

Uncertainty on the time and amount of receivables being claimed.

Risk management measures: Investigate the customer's financial status and offer sales on credit for those with good

standing, and control the total within their line of credit; For those who haven't finished payment when it's overdue, we try to follow up with them or file lawsuits; We establish a reserve for bad and doubtful account to accounting standards.

#### 3. Disaster Risk

Now is the time to take active roles in fighting climate change. The product and service we provide is deeply connected with low-carbon economies, directly or indirectly affecting our business operation as well as consumer behavior. Excessive heat, typhoons, thunder strikes and heavy rain from the extreme climate may affect operations of our sites, exposing them to higher risk.

#### Risk management measures:

- 1. Develop green products and production processes, to reduce the impact of chemicals to the environment.
- 2. Analyze actual and potential impact of extreme climate on our operations, and establish proper operational adjustments for low-carbon economies and greenhouse gas reduction.
- 3. Strengthen the safety protection in our sites: Actively set up the reactive strategies to reduce disaster damages from these risks, with the following practical actions:

Prevention Objective	Description
Equipment and Facility Operation	Maintenance and inspection of safety facilities for thunder strike and static protection, ensure they are in good condition, is reliable and safe for operation.
Fire, Explosion, Poisoning	Inflammable, explosive, poisonous, hazardous work sites needs to have enhanced ventilation, to prevent fires, explosions and poisoning.
Flood and Damp	Prepare drainage or pumping equipment for production and storage areas where ponding tend to occur; Sensitive chemicals that react to water require specific waterproof or water and damp protection, to ensure storage safety.
Personnel Safety	Regularly organize work safety and fire education training, to cultivate emergency response and self-safety management capabilities of employees, organize 6S task force, and increase site self-inspection motivations.
Carbon Emissions	Replace equipment with low energy performance, and improve operating efficiency.

We establish disaster risk management measures from a prevention and management perspective. The "Emergency Preparation and Response Management Procedures" is in place to prevent or lower possible personnel injuries, system equipment damage and property losses etc. that may cause operation interruption. In addition to active participation in various drills organized by competent authorities, we also regularly organize disaster prevention drills. All of our employees participate in firefighting drills to improve their emergency response capability, for incident control and hazard elimination.

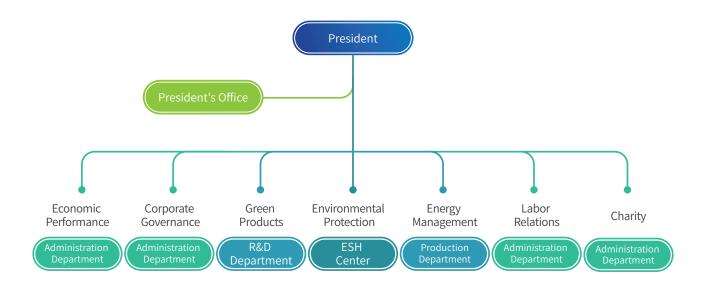




#### Corporate Social Responsibility Development and Organization

To enforce sustainable development strategies, we established a functional corporate social responsibility committee (CSR committee) in 2015 as the highest level of corporate sustainability organization within our Company. Members include the President and unit managers from the President's Office to integrate organization resources and increase efficiency, with committee operation, project coordination and data collection and execution as their responsibilities.

**Organisation Structure** 



The CSR Committee operates under the "P-D-C-A" (Plan-Do-Check-Action) management model, gradually implementing EMC's strategy of sustainable development in a systematic manner.

	Sustainable Development Strategy				
Economic Aspect	Integrate customers, products and industries, maximize synergy, provide green, reliable, innovation and cost-effective products to create the highest value for all stakeholders.				
Environmental Aspect	Enforce clean production, develop green products to achieve environmental sustainability.				
Social Aspect	Create a happy workplace, help the disadvantaged, and build an inclusive society.				

#### ◆ Material Topic Identification and Communication for Stakeholders

#### Analysis process for material topic identification for stakeholders:



To better understand issues the stakeholders are concerned with, and to self-inspect the performance of business sustainability within our organization, we utilize the materiality analysis process to identify issues of concern. To this end, we conduct stakeholder identification on people our units have actual contact with. We identified 6 major types of stakeholders: Shareholders, Customers, Employees, Suppliers (contractors), Competent Authorities and Local Communities.

All stakeholders can use the CSR dedicated mailbox: csr@twemc.com.tw to provide feedback. We will reply to your comment as fast as we can.

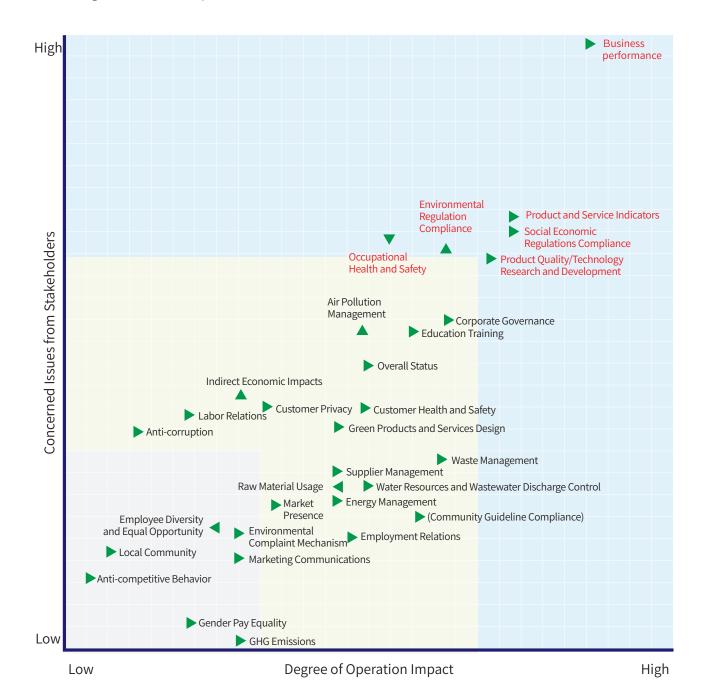
#### Key Issues of Stakeholders and Communication

Group	Stakeholders	Issues of Concern	Communication	Frequency of Communication	
	Current	Career Development	Performance Review	Once every quarter	
Employees	Employees	Learning and Growth	Education Training	From time to time	
	Litiployees	Company Operation	Monthly Meeting	Once every year	
		Profitability	Shareholders' Meeting	Once every year	
	General Shareholders	Outlooks	Institutional Investors Conference	Once every year	
Shareholders	Corporate Shareholders Rating Agencies	Corporate Governance/ Operation	Financial Report	Once every quarter	
	Financial	Risk Management	Shareholder Mailbox	Any time	
	Insurance Agencies	Open and timely information disclosure	Major Announcement (Market Observation Post System)	Any time	
Customers	Existing Customers	Product/ Service/Price Competitiveness	Customer Satisfaction Surveys	From time to time	
	Potential Customers	Restricted material management	Safety Data Sheet	Attached with product	
Local Community	Community Neighbors	Social Welfare Activities	Charity Sale Donations	At least once a year	
Competent Authorities	Central Government Local Governments	Blood Donation Compliance with current laws and regulations from government and the competent authority Honest Tax Returns Coordination	Official Document  Uniform Invoice Issuance	Any time	
		on decree announcements and related activities	Seminar		
Suppliers and	Raw materials companies, transportation companies, waste disposal companies,	Current Regulations Safety Issues Collaboration Opportunities Collaboration Methods and Conditions	Meetings, interviews, phones, emails	Any time	
Contractors	custom brokers, construction	Supply Chain Management	Supplier Score	Once every quarter	
	contractors, accountant,	List of Potential Suppliers	Supplier Deep Assessment	1-2 company every year	
	banks, etc.	Supplier Information Platform	Interviews, phones, email	Any time	

#### **Results of Material Topic Identification**

EMC uses "Level of Stakeholder's Concern" and "Degree of Operation Impact" scores to determine the importance of issues. We listed 33 sustainable topics this time to identify material topic; 6 of them have been identified as being material. We take them as reference for operation strategy, and offer disclosure and response in this report.

#### **Matrix Diagram of Material Topic**



#### **Material Topic Boundary Description**

Category	Aspect of Consideration	Within Organization		Outside of Organization				
		EMC	Shareholders	Customers	Suppliers	Community	Competent authorities	
	Economic Performance	•	•		•			
Economy Topics	Product Quality/ Technology Research and Development	•	•	•				
Environment	Environmental Regulation Compliance	•	•	•	•	•	•	
Topics	Occupational Health and Safety	•	•		•	•	•	
Social Topics	Social Economic Regulations Compliance	•	•			•	•	
Product Topics	Product and Service Labeling	•	•	•	•			

Means high level of concern

#### Significant Impact of the Material Topic Scope List Compared to the Previous Reporting Period

- 1. The method of identification of stakeholders is the same as the previous year.
- 2. The key issues stakeholders are concerned with in 2018 are mostly similar to those in 2017. Business performance remain their highest concern, much more so than other issues, followed by regulation compliance. Secondly, there is significant increased emphasis on corporate governance, education training, waste and air pollution management.

	2017	2018		2017	2018
Business Performance	5	1	Overall Status	9	11
Product and Service Labeling	6	2	Compliance with product regulations	2	12
Social Economic Regulations Compliance	1	3	Customer Health and Safety	8	13
Product Quality/Technology Research and Development	7	4	Green Products and Services Design	14	14
Environmental Regulation Compliance	3	5	Water Resources and Wastewate Discharge Control	er 21	15
Corporate Governance	13	6	Supplier Management	17	16
Occupational Health and Safety	4	7	Raw Material Usage	29	17
Education Training	22	8	Energy Management	10	18
Waste Management	15	9	Employment Relations	27	19
Air Pollution Management	11	10	Customer Privacy	12	20



#### **Supplier Evaluation**

To maintain the quality and reputation of our products, and achieve long-term, stable satisfaction of customer needs, we perform regular rating and evaluation on suppliers and subcontractors according to ISO 9001 "Supplier Management Procedures" and "Supplier Evaluation Form".

When conducting procurement, we also perform evaluation on the supplier's factory, and ask them to correct their deficiencies. Scoring is divided into: Delivery Time, Quality, and Short Delivery, rated quarterly. Factory evaluation includes site operation, manufacturing and technique, quality, process management, and environmental protection etc. Our Administration, Quality Assurance, R&D, Production Management, and ESH departments perform deep evaluation to one to two suppliers every year, to ensure successful future collaborations.

#### **Raw Material Management**

Main raw material supply status

Origin/Raw Materials	2018/TDI	2018/AA
Taiwan (local)	0%	0%
Non-Taiwan	100%	100%
Source of supply	4 foreign sources	5 foreign sources

Note 1: Local definition: Taiwan regions

Note 2: Definition of important operating office: the parent company, i.e. EMC

#### Raw Material Supply Risk

Potential Risks	Strategy	Practice				
Interruption of supply	Procurement diversification	Seeking domestic and new sources of supply				
	Set up contracts	Sign contracts with supplier for bulk and important raw material				
	Procurement Strategy	Pay attention to the market trends, and adjust procurement strategies accordingly				

The main raw material used by EMC is not produced domestically. All are imported, for example, TDI, AA are imported from Korea, China and Japan etc.

#### Product Liability and Labeling





EMC products comply with international standards (such as REACH or RoHS) and follow relevant laws and requirements from customers. If the customer so specifies, an objective third-party will be commissioned to conduct monitoring and reporting on whether the product contains hazardous materials. All products come with warning labels, along with SDS (Security Data Sheet) and detailed product information for the customer's reference.

EMC products come in mainly two volumes, 50 gallon and 1 ton barrels, packaged and labeled according to CNS 15030 Classification and Labeling of Chemicals, International Maritime Dangerous Goods Code UN certification and GHS Globally Harmonised System of Classification and Labeling of Chemicals. When selling products to customers, product specs, hazard identification, first aid and leakage handling are all included in detail in the SDS file. For transportation, We also have requirements on route, time, and safety, to protect the delivery personnel, the client, and the environment.

#### Customer Service and Satisfaction

EMC offers professional service teams, satisfying customer needs at any time. We provide professional assistance and technical support in a timely manner, offering diverse services, so that customers know they are in good hands.

We hope customers will identify with the "Evermore" brand, and increase their trust in our products. In addition to regular visits for communication, we also conduct satisfaction surveys every year, to see whether customers are satisfied with our service and products. Overall, judging from surveys in recent years, our customers are still very satisfied with us. We are committed to making improvements based on customer feedback, while also taking them as a reminder of our goal towards 100% satisfaction.

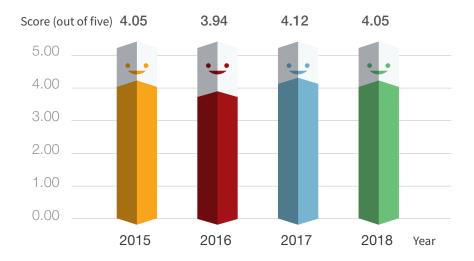
The survey is based on the ISO 9001 procedure, mainly for companies who had business contact with us within the past year. The assessment includes two major categories and some sub-categories. The full mark is 5 points.

- Service satisfaction: Service attitude, business problem solving, business expertise, service efficiency, after-sales technical services.
- · Product satisfaction: Product quality, research and development, research scheduling, customization, packaging quality.

Our 2018 survey averaged 4.05 points, in line with the past three years' score, around 4 points, in a stable condition.

In addition to quality management, customer's complaints are reported and reviewed in meetings immediately. We obey the following principles in continuous pursue of customer satisfaction.





- Timely revision of product quality standards
- Strict requirement for compliance to prevent mishaps
- Implement education training for high quality

In addition, EMC also puts strong emphasis on customers' data, their privacy and confidentiality. By signing Non-disclosure agreement, their data and privacy are fully protected. There are no incident of data breach or privacy invasion complaints or protests so far.





## **SUSTAINABLE ENVIRONMENT**

Base on ISO 14001, EMC established environmental management mechanisms to reduced environmental impacts of the production process. Further, we comply with laws and regulations from competent authorities, enforce environmental management, for a sustainable earth.

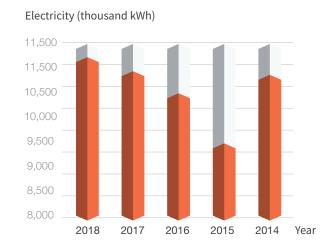
#### Raw Material Usage

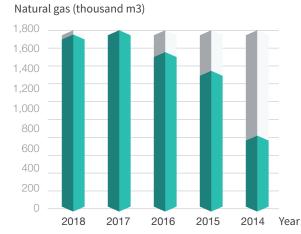
Main material: 17,642.9MT; Submaterials and additives: 2,450.0MT; 2,000 barrels; 210,081 5~4.5 gallon barrels; 70,381 other packaging barrels.

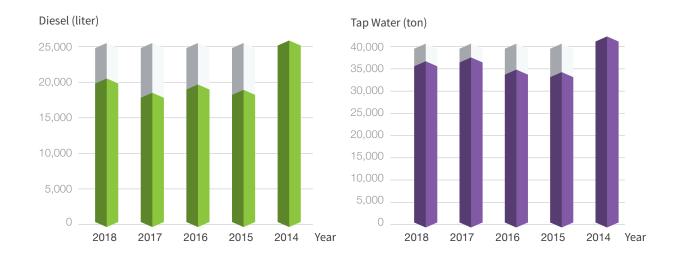
EMC puts continuous effort in package recycling and reduction. We have been using our inhouse SUS 304 ton barrels for local service for many years, they are recyclable for repeated use, which reduces packaging material use and consumption. Each usage amounts to 5~6 55 gallon barrels saved. We shipped near 2000 barrels this year.

#### Energy Management

We have compiled our energy and water consumption, exhaust, wastewater and waste disposal information into a simple chart, for the public's quick reference of our performance in recent years.





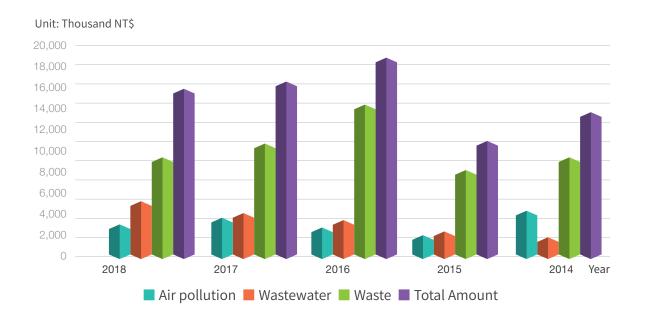


#### **Energy Density**

Year	2018	2017	2016	2015	2014
Unit electricity consumption (kWh/ton)	496.04	448.08	460.00	425.00	387.00
Unit oil consumption (liter/ton)	0.85	0.73	-	-	52.9
Gas consumption per unit (kWh/ton)	74.04	69.61	64.20	58.50	-

#### Environmental Protection Investment

EMC treats environmental protection investment as its corporate responsibility. Existing environmental expenditure includes inspection and treatment for various wastes, air pollution prevention supplies, VOC prevention equipment, continuous monitoring equipment updates, incinerator improvement and maintenance, wastewater solid separation and recycling, training expenses; The chart for environmental expenditure is as follows:



#### Energy-Saving Solutions

In order to reduce the impact of greenhouse gas from production activities, and achieve the ecological effects of the green gold vision, we have been actively implementing energy-saving measures in various production bases in 2018.

Our major energy conservation measures in 2018 are as follows:

	Save
Air compressor pressure lowered by 0.5 KG/CM2, from 6.5 KG/CM2 down to 6 KG/CM2	15,583 kWh
Pneumatic valve leakage inspection and replacing the 50HP air compressor's soft pipe to hard pipe	15,580 kWh
Reuse of recycled production water	209,149 KG

#### Greenhouse Gas

Direct GHG (Scope 1) emissions: Direct GHG emissions in 2018 was 3,164 tonCO2e. Energy indirect (Scope 2) GHG emissions: Indirect GHG emissions in 2018 was 6,136 tonCO2e GHG emission intensity in 2018 [Carbon dioxide emissions per profit unit]: 0.0054 kg CO2/NTD.

#### Waste Disposal

In addition to dedication to the management of chemical substances, we also attempt to reduce and recycle waste, and use water resources effectively. We also cooperate with R&D efforts to increase production efficiency, to reduce its environmental impact. We commission government certificated agencies for cleaning and treatment of our industrial waste; The following is our waste disposal information in recent years:

#### **Air Pollution Form**

	Particulate pollutants	Sulfur oxides	Nitrogen oxides	Volatile Organic Compounds
2017 Emissions (kg)	0	368.18	368.18	16,868.53
2018 Emissions (kg)	0	323.20	1,583.54	15,843.68



#### **Wastewater Discharge in Recent Years**

Wastewater is discharged into, and monitored by wastewater treatment plants in Nangang Industrial Park.

Annual water discharge	2018	2017	2016	2015				
Suspended solids (mg/L)	116	117	121	101				
Chemical oxygen demand (mg/ L)	439.5	303.5	199.0	28.0				
Emissions (m3)	13,657	10,431	15,487	13,976				
Destination of emission	Wastewater treatment plant in Nangang Industrial Park							

<sup>\*</sup>Water quality specifications:

Nangang Industrial Park wastewater discharge specification: Suspended solids (SS) less than 400 mg/L; chemical oxygen demand (COD) less than 800 mg/L.

#### Waste

Unit Waste Disposal Status

	General Industrial Waste	Waste Recycling	Other Wastes	Total
2010	18 429.44 66.72 86.2% 13.4%		1.98	498.14
2018			0.4%	100%
2017	319.30	82.10	0.00	401.40
2017	79.5%	79.5% 20.5%		100%
2016	134.30	55.80	4.10	194.10
2010	69.2%	28.7%	2.1%	100%
2015	329.15	65.25	2.83	397.23
2015	82.9%	16.4%	0.7%	100%

Unit: tons

Note: 1. Rounded off to the second decimal.

 $2. \, General \, industrial \, was te \, includes \, sludge \, from \, was tewater \, plants; \, Solid \, was te \, from \, UM \, manufacturing \, was \, added \, in \, 2017.$ 

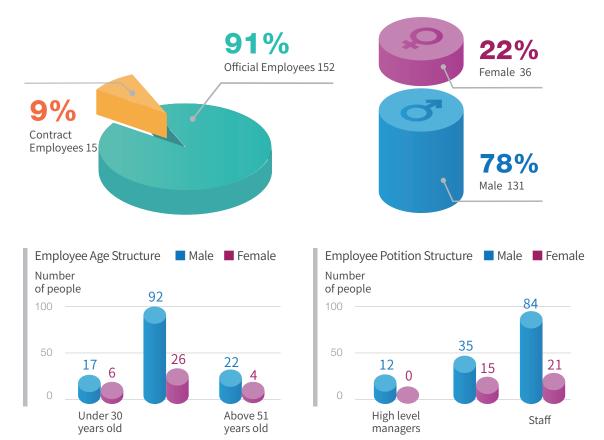
#### Environmental Offences

Description of Incident	Time of Occurrence	Penalty	Improvement measures
Cleaning and storage statuses of waste plastics (R-0201) and waste iron containers (R-1306) were not filed according to regulations, violating Article 31, Paragraph 1, Item 2 of the Waste Disposal Act.	August 1, 2018	NT\$ 6,000	Amend the waste disposal plan, removed R-0201, changed R-1306 to R-1301, and document disposal operations accordingly.
The SS and COD in the wastewater discharged exceeded allowed amount in "Wastewater Quality Standards for Nangang Industrial Park Sewage Users", fined for and NT\$ 328,057 in November 2018, under "Abnormal Violations and Aggravated Fees for Sewage Processing".	November 14, 2018		Countermeasures: Water for cleaning discharge tanks is drawn back to the tank, additionally, an inspection form is created for cleaning of the discharge tank and its outlet.  Possible subsequent control expenses: Precipitation in the tank will be gradually cleared; Seek improvement or replacement for the sludge dewatering machine.



EMC is a stabilize and mature company, there hasn't been significant increases in the number of our employees. At the end of 2018, we have a total of 167 legally hired employees. coming mainly from central Taiwan, taking over 90%. In our important operating office (Note 1), local (Note 2) residents take up 100% of high-level management positions (Note 3).

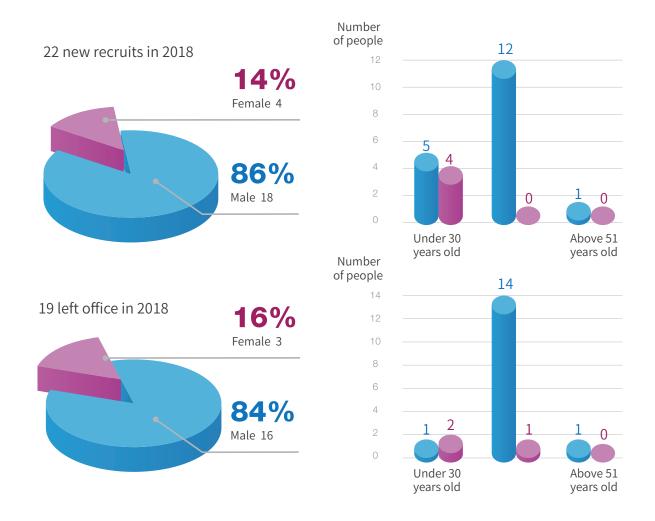
Our employee distribution is as follows:



Note 1: Definition of high level management: manager or above

Note 2: Local definition: Taiwan regions

Note 3: Definition of important operating office: the parent company, i.e. EMC



#### ◆ Employee Diversity and Equal Opportunity

All human resources management systems of the Company comply with relevant labor laws and regulations, employee rights are under legal protection. Diverse employees can enrich our corporate culture, therefore, we hire the disabled and aboriginals. There are female employees in all positions, aside from those that require intense physical work, We have achieved employee diversity and equal opportunity in our practical workforce.

#### Employee Communication

EMC maintains good communication with employees, everyone actively participate in our operations out of loyalty. We also hold regular labor-management meeting and monthly meetings in accordance with the law. In these meetings. high-level mangers report to and discuss with employees about bussiness operating status, labor conditions and benefits. In addition, we also have employee mailbox set up, offering easy access for them to provide suggestions.



#### Employee Benefits

Employees are EMC's biggest asset, as talents are the foundation for a business. We hope to attract talents through our competitive total remuneration system, and promise to offer quality job opportunities and challenging tasks, together moving toward success with those who identify with our mission, vision and core values.

#### **Remuneration System**

Our current working rules are formulated according to the Labor Standards Act, some are even better; We reference standards in our industry for salary offers, and provide attendance bonus, year-end bonus, as well as quarterly bonuses related to performance, inventory, quality management and safety. There will be extra bonuses if we have surplus earnings, per our company's policies. All these have been included in our policy statement or articles of association, with clear rules to follow.

項目	2018		2017		2016		2015	
<b>次口</b>	Male	Female	Male	Female	Male	Female	Male	Female
Entry-level employee Standard Salaries	1.58	1.65	1.56	1.62	1.54	1.72	1.60	1.71
Local minimum wage	1	1	1	1	1	1	1	1

Entry-level employee: Team Leader/Lead Operator/Officer/Operator/Quality Inspector ... etc (grade 1~3, not including deputy directors)

Minimum Wage in 2015~2016: NT\$20,008 Minimum Wage in 2017: NT\$ 21,009 Minimum Wage in 2018: NT\$ 22,000

#### **Employee Retirement Benefits**

From July 1, 2005, complying with the implementation of the new pension schemes, for those applicable, 6% of their monthly salary would be set aside to the Bureau of Labor Insurance. All employees are under the pension plan.

#### **Full-time Employee Benefits**

All our employees enjoy group insurance, to better protect their rights. Also, to increase their welfare, welfare fund is allocated monthly. An Employee Welfare Committee is formed by company and employee representatives, to manage its spending on the following:

Benefits Benefits									
<ul><li>Domestic and international tourism</li></ul>	● Birthday Gold	<ul><li>Outdoor activities on family day etc.</li></ul>							
<ul><li>Subsidies for weddings or funerals</li></ul>	<ul> <li>Consolation and subsidies for sickness or injury</li> </ul>	● Parental leave							
<ul><li>Maternity pension</li></ul>	<ul><li>Group insurance</li></ul>	<ul><li>Quarterly gathering</li></ul>							
● Three holiday bonus	<ul> <li>Subsidies for talent, hobbies, sport training etc.</li> </ul>	<ul> <li>Subsidies for social activities</li> </ul>							

In addition, EMC offers food allowance; We also issue quarter bonuses and employee bonuses based on our business performance; Midlevel managers would also be able to choose from employee stock ownership trust plans; Overall, there are diverse choices for benefits.



#### **Parental Leave Retention**

To coordinate with government policies and provide care for our employees, those with child care needs can apply for unpaid parental leave, to a maximum of two years, and before their children reached fully three years of age. Once their leave is over, we offer related training and work updates, to facilitate reinstatement. In pursuit of creating a happy workplace, we offer lactation rooms on-site, creating a friendly environment for employees who have breastfeeding (or milk collecting) needs during work time.

Unpaid Parental Leave and Reinstatement Rate

ltem -	2018			2017			2016			2015		
	Female	Male	Total									
Actual Parental Leave	1	1	2	4	1	5	2	1	3	0	1	1
Expected Reinstatement	2	1	3	3	1	4	1	1	2	0	1	1
Reinstatement Applications	2	1	3	3	1	4	1	1	2	0	1	1
Reinstatement Rate (%)	100	100	100	100	100	100	100	100	100	-	100	100
Retention Rate (%)	-	-	-	-	-	-	100	100	100	-	100	100

Note: "Retention Rate" refers to the ratio of employees staying over a year, after returning from parental leave.

#### Minimum Notice Period for Changes in Labor Contract

According to Article 11 or the proviso in Article 13 of the Labor Standards Act, the notice period for EMC's termination of labor contract shall be as follows:

- 1. Where a worker has worked continuously for more than three months but less than one year, the notice shall be given ten days in advance.
- 2. Where a worker has worked continuously for more than one year but less than three years, the notice shall be given twenty days in advance.
- 3. Where a worker has worked continuously for more than three years, the notice shall be given thirty days in advance.

#### ◆ Talent Cultivation

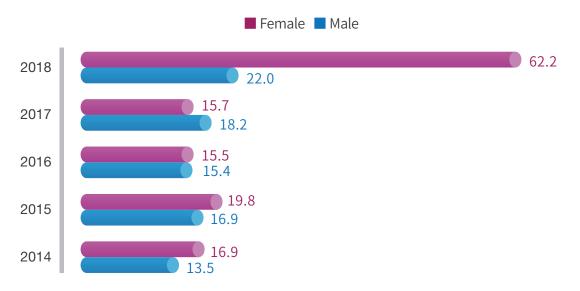
#### **Training Policy and Category**

To coordinate with business development and human resource planning requirements, we arrange orientation training, general training, professional training, quality system training and management training etc. for employees, to enhance the expertise, attitude and skills required for accomplishing their personal and team duties, increase productivity and work quality, boost business revenue and brand image. EMC develop training policies to satisfy customer needs and fulfill its corporate social responsibilities.

#### **Systematic Education Training**

To enhance our employees' technical and management capabilities, EMC established "Education Training Management Guidelines" and devised annual education training programs, which improves employee expertise and skills, thereby increasing workforce quality; Internal and external training is held yearly, based on training needs in each departments.

#### Average traning hours in recent years



#### Year Average Training Hours per Employee



#### ◆ Year Average Training Hours per Employee

To EMC, employees are irreplaceable treasures. We believe a trustworthy product can only come from healthy employees in a working environment, free of safety concerns. Therefore, we pay attention to health and safety issues, follow relevant laws and adopt stringent control measures, actively building a safe and healthy environment. Also, we enforce education training, hazard identification, emergency response drills and various self-management activities, to equip employees with safety awareness, and familiarize them with equipment and personal protection gear usage. By preventing unsafe activities, together, we achieve our goal of zero incidence, improve employee safety and health, in search of a sustainable future.



#### Occupational Safety and Health Organization

EMC has an Occupational Safety and Health Management Unit in place, which specifies the drafting, planning, supervision, and initiation of safety and health management matters, and offer guidance to other departments for actual implementation. In compliance with regulations, we have an Occupational Health and Safety Committee, directed by the Chair of the Board and includes department managers, safety and health personnel, employee representatives and the executive secretary. At least one meeting is held every quarter, and the meeting resolution is documented and tracked. The committee provide suggestions for the employer's health and safety policies, in addition to review, coordinate and suggest relevant matters.

EMC's Occupational Health and Safety Committee discussed a total of 12 issues relevant to labor health and safety among the meetings in 2018, taking 100% of all issues discussed.

Operating Location "Occupational Safety and Health Committee" Organization Chart				
Director	Chair of the Board			
Percentage of Manager and Professionals	47%			
Percentage of Labor Representatives	53%			
Meeting Frequency	1/Every quarter			

#### Occupational Safety and Health Management

EMC passed the certification for "OHSAS 18001: 2001 Occupational Safety and Health Management System" in 2005. and "OHSAS 18001: 2007 Occupational Safety and Health Management System" in 2014. Our management meets international certification standards.

#### **Employee Health Promotion and Management**

According to the Occupational Safety and Health Act and the Labor Health Protection Regulation, EMC conducts special physical examination for new recruits, to see if they qualify for their position; We also conduct regular health checkup for existing employees, and checkups for employees working with hazardous substances, We categorize and organize according to exam results, and adjust their work based on their health conditions.

#### Occupational Safety and Health Management

EMC conducts review and risk assessment based on annual safety and health management performance, and set up occupational safety and health management plan for the next year. In 2017, we set up 22 occupational safety and health and environmental protection management plans, including identification, evaluation and control of working environment or operation hazards, published after approval from Occupational Health and Safety Committee, for each department to implement based on their size, type and characteristics. Responsible Environment Quality Center conduct regular inspections each month; Based on requirements, certain inspections are non-regular. Review meeting is conducted quarterly by the Occupational Health and Safety Committee, where performance of each unit is discussed and evaluated.

Hazardous Operations	Organic Solvent Operation	Specific Chemical Material Operation	Noise Operation	Powder and dust Operation
Operating Environment Monitoring Frequency	Once every half year	Once every half year	Once every half year	Once every half year
Operating Environment Monitoring Results	No anomaly	No anomaly	-	No anomaly
Number of people receiving test	26	76	12	5
Number of perople who suffered occupational diseases	0	0	0	0
Protection Management Methods	Offer 6 hours of education training for new recruits and existing employees; Recommend officer for organic operation certifications, who shall act as manager for operation supervision; Provide comprehensive personal protection gear, and carry out working environment monitoring every half year, to ensure work safety.	Offer 6 hours of education training for new recruits and existing employees; Recommend officer for specific chemical operation certifications, who shall act as manager for operation supervision; Provide comprehensive personal protection gear, and carry out working environment monitoring every half year, to ensure work safety.	Offer 6 hours of education training for new recruits and existing employees; Provide comprehensive personal protection gear, and carry out working environment monitoring every half year, to ensure work safety.	Offer 6 hours of education training for new recruits and existing employees; Provide comprehensive personal protection gear, and carry out working environment monitoring every half year, to ensure work safety.

#### Incident investigation, Statistics and improvements

EMC's statistical analysis on occupational hazard uses Disabling Frequency Rate (FR) and Disabling Injury Severity Rate (SR) as the main statistical basis (commuting traffic accidents are not included), based on the Major Disabling Injury Statistical Indicators announced by the Ministry of Labor.

ltem -	2018			
item		ltem		
Annual average	167	Injury Rate (IR, %)	0	
Occupational Injury (Cases)	0	Occupational Disease Rate (ODR, %)	0	
Occupational Disease (Cases)	0	Injury Frequency Rate (FR, %)	0	
Lost working day (days)	0	Severity (SR, %)	0	
Absence hours*	2,775	Absence Rate (AR, %)	0.85%	
Total Working Hours (HR)	328,313			

- · Statistical formulas from International Labor Organization's code of practice, "Recording and Notification of Occupational Accidents and Diseases"
- · Injury Rate (IR) = (Total number of disabling injuries/Total working hours) X 200,000
- Occupational Disease Ratio (ODR) = (Total occupational disease cases/Total working hours) X 200,000 Absence Rate (AR) = Absence days/(Number of employees \* Annual working days) \* 100%

- Disabling Injury Severity Rate (SR) = Lost working days X 1,000,000/Total working Hours
   Disabling Injury Frequency (FR) = Number of Disabling Injuries (Cases) X 1,000,000/Total working hours
- · The absence hours include paid leave, sick leave, injury leave and personal leave.



EMC performs root cause analysis on occupational accident cases, to draft and implement improvement programs. Also, we collect statistics of occurrence and accident type on a regular basis, accidents with high severity, happening across departments or happening repeatedly will be listed as emphasis of education training and management.

#### Social Care

#### **Labor Sports Day**

As one of the social citizens, EMC believes that sustainable development means more than just answering to shareholders, the scope should be expanded beyond organizational operation, to include the local community and neighboring residents. We value local community interaction and communication, and participate in Labor Sports Day organized by the Nantou County Government every year. Blending sports into our corporate culture not only helps in increasing team cohesion, but also everyone's general health. EMC has participated in charity garden parties held by family help centers in Nantou County for over



Sponsorship for Garden Parties by Family Help Centers and Participation in Charity Sales

seven years, a demonstration of our dedication to charity work. EMC has always been one of the main organizers for the charity garden parties. Our contribution is not only monetary, but also effortful. EMC sponsored charity sales of its employees in these garden parties. We hope to not only help families in need economically, but also encourage participation of EMC members, showing kindness and become a better social citizen.

#### **Blood Donation Activities**

To further our "corporate social responsibility" ideal, we hope to promote "Donate Blood, Save Lives", and as the saying "Many a little makes a mickle" goes, encourage employees to participate in charity personally. We hold blood donation campaigns twice a year on-site. Volunteers can get gift cards from us in addition to giveaways from the donation center, a statement on our position of promoting charity participation, with the attempt to create a multi-win situation.

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	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		
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GRI 409: Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	None
GRI 410: Security Practices	410-1	Security personnel trained in human rights policies or procedures	-
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GRI 412:	412-1	Operations that have been subject to human rights reviews or impact assessments	-
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Local Communities	413-2	Operations with significant actual and potential negative impacts on local communities	37
GRI 414:	414-1	New suppliers that were screened using social criteria	22
Supplier Social Assessment	414-2	Negative social impacts in the supply chain and actions taken	22
GRI 415: Public Policy	415-1	Political contributions	None
GRI 416:	416-1	Assessment of the health and safety impacts of product and service categories	23
Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No such situation
	417-1	Requirements for product and service information and labeling	23
GRI 417: Marketing & Labeling	417-2	Incidents of non-compliance concerning product and service information and labeling	No such situation
	417-3	Incidents of non-compliance concerning marketing communications	No such situation
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No such situation
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	28

