



2020 CSR REPORT

KMC International Inc.

Corporate Social Responsibility Report



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Letter from the Chairman

Impacted by COVID-19, 2020 was a year full of unprecedented challenges that put the whole world upside down. Thanks to our employees and the management team, we overcame obstacles and generated record-high performance. In 2020, our operating revenue reached NT\$6.13 billion. Net profit after tax was NT\$1.51 billion and EPS was NT\$12, which delivered a second consecutive year of record.

As a dedicated advocator of green transportation, KMC continued to promote ESG. In the Sustainalytics's ESG ratings, KMC was ranked top 1 in the bicycle industry, and the top 9% in the global ratings. In 2012, KMC became the first chain manufacturer in the world to obtain carbon footprint verification. In terms of social welfare, KMC carried out activities based on six major themes, initiated by three foundations. In terms of corporate governance, KMC strengthened its Board diversity, and treated every shareholder equally. In 2020, KMC was honored to be nominated as the company with the best IR team by IR Magazine. In the future, KMC will continue to promote ESG based on the principles of "sustainable environment" , "green supply" , "common welfare" , "equal sharing" and "ethical management" .

KMC has set the goal of "becoming the most valuable chain brand"; therefore, constantly insisting on refinement of product design and innovative manufacturing process are the ways to provide consumers and clients with the chain products featuring the highest quality and the best compatible transmission systems. KMC will oriented towards "Professionalism with Hearty Choice" . Also, we will put our efforts on sustainability and green policy. By establishing green factories, utilizing green packaging materials, investigating carbon emission and optimizing the production process, KMC has adopted the green concept into our product and manufacturing process to achieve net zero emission.

With the rising level of global urbanization, those issues getting more attentions including environmental protection, traffic and public health. Therefore, governments have gradually slotted bicycle into the optimal option of green vehicles. Bicycle is also the best outdoor leisure and sports equipment in tourism due to its great benefit to physical and mental health. In December 2019, the European Green Deal was approved by the European Commission. It promotes zero-carbon emission, more sustainable and eco-friendly way of transportation with the aim of making Europe to be the first climate-neutral continent by 2050. Riding bicycle is exactly in line with the aim of European Green Deal. The characteristics of low carbon emission and environmentally friendly also make the bicycle industry to have high potential to become the most sustainable industry. No matter for environmental awareness, urban transportation, or public health safety, bicycle is undoubtedly the best and the simplest solution.

Our Focus and Strategy

As a member of the green transportation industry, we understand our obligation to protect the environment. Therefore, our green commitment starts from products manufacturing and also start with each employee to provide high-quality, ecofriendly products so as to enable all consumers who using KMC products to benefit from the green economy.

Under the fast-changing circumstances, many unprecedented risks and the speed of risk changes became challenges to business continuity. Climate change issue also became a problem that we need to actively deal with. We track and manage the environmental operation data periodically and actively search for methods to reduce environmental impact. We are also dedicated to protecting the planet and will make continuous efforts to reduce carbon emissions. Meanwhile, our products have surpassed the strictest EU and US standards. Our goal is to keep lowering our carbon footprint, reducing impact on the environment and to develop better and greener methods of production.

KMC has not only strived for the highest achievements in its core business, but also has dedicated itself to corporate social responsibility. By promoting cycling events, we've created more opportunities for more people to experience the culture of cycling and to find a sustainable, healthy lifestyle through the joy of cycling. We care very much about our cyclists, and therefore what they care about as well.

Environmental sustainability is of the utmost importance to us, because without a beautiful, healthy planet, cycling really wouldn't be fun. The legacy we want to leave is one where people can continue to cycle and to love it even more.

KMC starts from love and continues to move the world forward.

Chairman
Wu, Ying-Chin



Chapter 1. Corporate Governance

◆ Significance of issues to KMC

Recently, corporate governance has become the great concern for the company's stakeholders. To achieve transparent corporate governance, the solid structure of the Board of Directors, transparent and instant financial information, the integrity culture, and effective internal audit must be accomplished. A sound corporate governance system can help reduce KMC's operational risks, improve its competitiveness, and create a foundation for sustainable corporate operation. KMC also continues to bring positive changes to economy, environment and society.

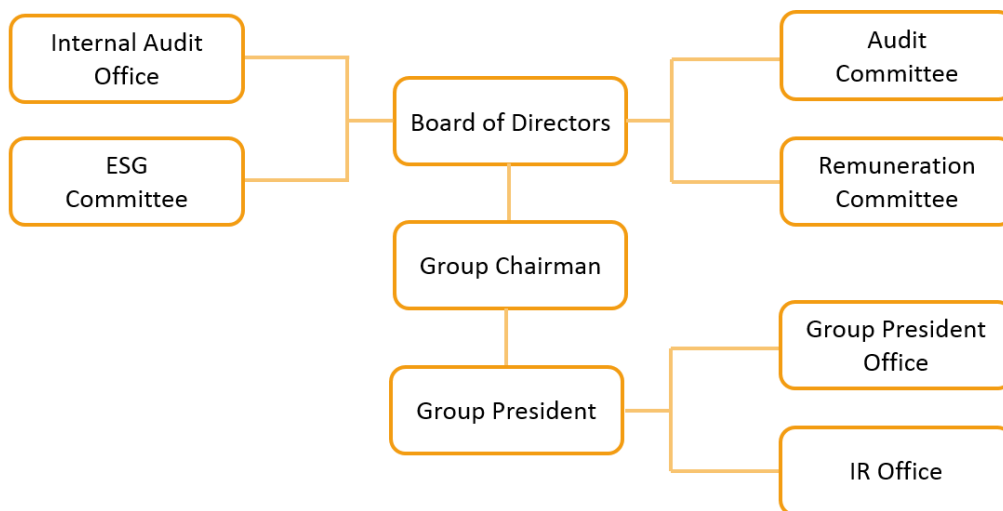
◆ Management system and target

KMC has set "Becoming the most valuable transmission brand" as our goal; therefore, constantly insisting on refinement of product design and innovative manufacturing process are the way to provide consumers and clients with the chain products featuring the highest quality and the best compatible transmission systems. KMC will continue to serve "Professionalism with Brilliant Choice" as our brand management policy.

In terms of corporate governance, KMC always adheres to the principle of ethical operation management, and continues to optimize organizational structure so as to establish a sound corporate governance system. Complying with the trend of international corporate governance, we have formulated our "Corporate Governance Best-Practice Principles" in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" which is jointly formulated by TWSE and TPEX. We also designated "Investors Relationship Office" as a dedicated unit which is responsible for corporate governance related affairs.

Furthermore, in order to improve the efficiency of the Board, we set up a position of "Corporate Governance Officer" who is the highest executive of relevant affairs based on the resolution made by the Board of Directors meeting on August 12, 2020.

◆ Corporate Governance Structure



◆ Corporate Governance Mechanism

In order to strengthen the management functions, KMC's Board is comprised of a diverse group of professionals from different backgrounds in industries, academia, law, etc. The Remuneration Committee and the Internal Audit Office are also founded under the Board to assist in supervision and corporate governance. Moreover, we have established the Audit Committee based on the resolution made by the Board of Directors meeting on June 24, 2020. We also actively responds to the Corporate Governance Roadmap advocated by the government. The measures include "Deepening corporate governance and CSR culture," "Enhancing board functions," "Promoting shareholder activism" and "Strengthening information transparency." In support of the government policies, we regularly published CSR reports, implemented nomination practice of director candidates and reinforced regulatory compliance.

- **Board of Directors**

KMC's Board of Directors consists of seven distinguished members, including four general directors and three independent directors. The Board of Directors has diverse expertise, including enterprise development and strategic planning, business and production management, financial and economic law, accounting and investment analysis. Every year, members of the Board still continue to receive courses with regard to corporate governance, business management, risk control and regulatory compliance. In 2020, the Board of Directors held seven meetings, with an actual director attendance rate of 93%, showing the directors' highly active participation in the company operation. Furthermore, after the re-election of the shareholders' meeting on June 24, 2020, there is a female director in the Board and the female to male ratio is up to 14%.

- **Remuneration Committee**

Based on its expertise, the Remuneration Committee establish and regularly review policies, systems, standards and structures relevant to the performance assessment and compensation policies for directors and managers. The Committee shall also evaluate the compensation of directors and managers periodically and take the correlations between the company's operating performance and future risks exposure into account. In 2020, the Remuneration Committee held two meetings, and the actual attendance rate of the convener and committee members was 83%.

- **Audit Committee**

The Audit Committee assists the Board in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company. In 2020, the Audit Committee held two meetings, and the actual attendance rate of the convener and committee members was 100%.

- **Internal Audit Office**

By offering independent and objective consultation, internal auditors add value to the Company by assisting directors and managers to examine the defect of internal control system and evaluate the effectiveness and efficiency of operation so as to ensure that the internal control policy is implemented effectively for the purpose of maximizing profitability while preventing fraud. In doing so, they help to improve the Company's performance, minimize risks, enhance crisis management, provide timely suggestions for improvement and assist the company to achieve the goal of the internal control system, and ensure the internal control system is sustainable effectively implemented.

- **ESG Committee**

In order to align with international sustainable trends, we have established the ESG Committee as the dedicated unit to promote ESG affairs based on the resolution made by the Board of Directors meeting on July 1, 2021. The ESG Committee is hosted by the chairman of KMC and is composed of the following members: group president, operations and functional executives. The executive secretary was appointed by Chairman for ESG implementation.

The ESG Committee is an interdepartmental communication platform that serves to build a top-down operation model across the company and strives towards a culture of sustainability. By convening semiannual meetings and setting up specific project teams, the committee could define material sustainability issues based on the results of the survey on the level of concern to stakeholders and the analysis of the impact on operations so as to jointly plan application strategies and execution plans. They are also responsible for allocating ESG related budget, spearheading

annual ESG objectives and strategies, and tracking the effectiveness of the execution to ensure that ESG strategies are fully integrated into our daily operations. The committee will report results of the execution and work plans to the Board of Directors at least twice a year.



▲ Corporate Governance Vision and Concept

◆ Implementation of Ethical management

KMC upholds integrity as the core philosophy and focuses on issues of ethical management. We perform commercial activities based on fair, honest, faithful and transparent principles, and establish ethical company culture and complete risk control mechanism, in the hope of integrating the ethical management guideline into our corporate ethics and culture. To achieve the target, we have established "Ethical Corporate Management Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct" as our policy and practice to express the ethical corporate management. We also perform all operational activities with a consistent ethical standard. Furthermore, we requires all of our employees must meet the requirements of the integrity policy and our directors and managers must implement the business policy aggressively.

In addition, we have designated the Investor Relation Office that under the Board of Directors as a dedicated and responsible business unit for the promotion of ethical corporate management and reports to the Board regularly. We have also set specific report system to accept the report from different stakeholders such as shareholders and investors.

Code of Conduct	Summary of content
Ethical Corporate Management Best Practice Principles	We refer to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" to establish this principle so as to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices.
Guidelines for the Adoption of Codes of Ethical Conduct	The Code of Ethics is adopted for the purpose of directing the directors and managers of our company to act in conformity with the standard of ethics, and ensuring that the stakeholders of our company understand the ethical standard of our company.
Corporate Governance Best Practice Principles	To establish sound corporate governance systems and promote sound development of the securities market, we followed "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" which is jointly adopted by The Taiwan Stock Exchange Corporation (TWSE) and the Taipei Exchange (TPEX). Our Company is advised to adopt "Corporate Governance Best Practice Principles" and disclose through the Market Observation Post System (MOPS).
Corporate Social Responsibility Code of Practice	To put our corporate social responsibility into practice and to promote economic, environmental, and social advancement for purposes of sustainable development, we refer to the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" to establish this principle.

I. About KMC

In 1977, Charles Wu founded "KMC Chain Industrial Co., Ltd" with only a few pieces of used machinery. KMC was the world's smallest chain factory at the time but Charles believed that with continued dedication and a drive for perfection, we would become the world's largest chain supplier. In 2011, KMC was listed on the Taipei Exchange (TPEX) with "KMC (Kuei Meng) International Inc" playing the dominant role.

For forty years, KMC has been focused on designing and developing chains for different types of bikes based on the needs and preferences of end users. By continuously improving our manufacturing technology and the performance of our products, KMC takes pride in developing and manufacturing new products with wide applicability, high performance, and superior quality. Over time, KMC chains became stronger, safer, more advanced, competitive, and innovative. Meanwhile, for the next stage, KMC also makes successive arrangements in motorcycle components, automobile timing system and garage door opener, looking forward to the next golden decade.

In 1989, in response to global market demand, KMC expanded to China, opening branches in Shenzhen, Shanghai, Tianjin and Chengdu. In 2001, we established a plant in Ho Chi Minh, Vietnam, opening the doors to Southeast Asia. To support global production and sales, we have 11 plants and 16 distribution entities across Taiwan, China, Netherlands, US, Indonesia and Vietnam.

Over the last four decades, KMC has grown to provide products and service to users in over 150 countries, becoming an important link in the global bicycle industry.

◆ Company Profile

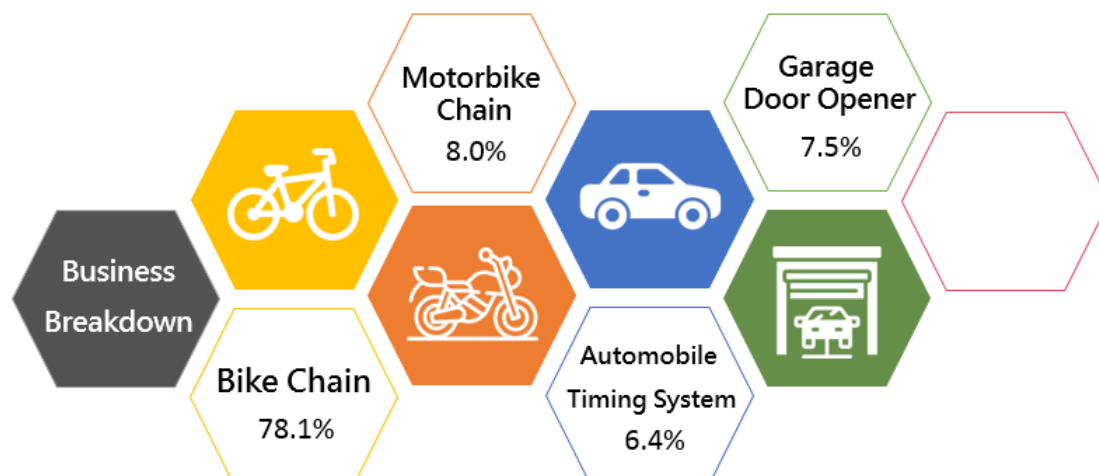


KMC (Kuei Meng) International Inc.

	2018	2019	2020
Consolidated revenue	5,056,832	5,239,635	6,130,483
Consolidated gross margin	2,138,990	2,143,280	2,819,482
Consolidated net profit after tax	947,666	1,007,490	1,514,646

◆ Product Mix

KMC provides various chains and related components, including bicycle chain and component, motorcycle chain and component, automobile timing system and garage door opener. Bicycle chain and component are our main products which accounted for 78.1% of our total revenue.



◆ Production and marketing locations of related companies

Location	Company		Main business and products	Client
Taiwan	KMC (KUEI MENG) International Inc.		Global operational headquarter	Bicycle manufacturer
	KMC Chain Industrial Co., Ltd.		Manufacturing, selling various chains and components of motorcycle and vehicle	and motorcycle manufacturer
	Pro (Taiwan) Procurement Co., Ltd		Selling various bicycle components	Bicycle manufacturer
	K.M.C. Automobile Transmission Co., Ltd		Selling equipment and materials for chains and designing products	Automobile manufacturer
America	KMC Chain American Corporation		Selling various bicycle chains and components	Bicycle manufacturer
Europe	KMC Chain Europe N.V.			
Mainland China	KMC Investment (China) Co., Ltd	KMC Transmission (Tianjin) Co., Ltd. ∙ KMC Chain (Shenzhen) Co., Ltd. ∙ KMC Chain (Suzhou) Co., Ltd. ∙ Maya Chain Co., Ltd.	Manufacturing and selling various chains of bicycle.	Bicycle manufacturer
		Taichang Tec Industry and Trade Co., Ltd. ∙ Suzhou KMC Industry and Trade Co., Ltd. ∙ Suzhou Maya Trading Co., Ltd.	Selling various bicycle chains.	Bicycle manufacturer
		KMC International Trading (Taicang) Co., Ltd.	Selling various motorcycle chains and components	Motorcycle manufacturer
		KMC Automotive Transmission Co., Ltd.	Manufacturing and selling automobile timing system.	Automobile manufacturer
		KMC Transton Company Limited.	Manufacturing and selling chain of garage door opener.	Garage Door Opener

		Shenzhen KMC Industrial Co., Ltd.	Selling chain of garage door opener.	manufacturer
Vietnam	KMC Chain (Vietnam) Co., Ltd.		Manufacturing and selling various chains and components of motorcycle	Bicycle manufacturer and motorcycle manufacturer
	KMC Industries (Vietnam) Co., Ltd.		Selling various chains and components	
Indonesia	P.T. Kuei Meng Chain Indonesia		Selling various motorcycle chains and components	Motorcycle manufacturer



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II. Risk Management

For KMC, our risk management covers perspectives of finance, market, raw material, climate change, information security and equipment maintenance risk. After the identification, analysis, and assessment for potential risks of each unit, we take appropriate actions to respond to such risks. Then, we supervise and improve our risk management program by monitoring risk from different aspects based on the characteristics and impact levels of risks in order to effectively control risks at all times.

Category	Potential risk	Risk control and treatment	Responsible department
Financial risk	<ol style="list-style-type: none"> 1. Exchange rate 2. Interest rate 	<ul style="list-style-type: none"> ● Collect exchange rate changes information at any time and keep a close connection with financial institutions to understand the movement of the exchange rate and take appropriate hedging measures. ● If there is an increase in interest expenses due to the requirement of bank loans for business in the future, the effect of interest rate changes on the company's profit and loss will increase. We will pay attention to changes in interest rates and take necessary measures to reduce the impact of interest rates on the company's profit or loss. 	Financial and accounting department
Market risk	<ol style="list-style-type: none"> 1. Market competition 2. Trade protection 	<ul style="list-style-type: none"> ● Teamed with senior management in different functions to set various strategies and also take appropriate actions to cope with the change of regulation, policy and market. ● Pay attention to the local and international markets and to improve the quality of our products and delivery efficiency, monitor the inventory level so as to adjust our marketing strategy when necessary. 	Business department

Raw material risk	<ol style="list-style-type: none"> 1. Supply disruption 2. Poor quality 	<ul style="list-style-type: none"> ● Establish an optimal level of inventory. ● Increase raw material suppliers, avoid domination by few suppliers 	Procurement department
Climate risk	<ol style="list-style-type: none"> 1. Energy supply 2. Climate change 	<ul style="list-style-type: none"> ● Replace old equipment with energy-saving equipment. ● Strengthen waste management and recycling. ● Innovate new products such as anti-rust series chains to counteract extreme weather 	Production department and R&D department
Information security risk	<ol style="list-style-type: none"> 1. Information equipment safety 2. Virus detection 3. Information security 	<ul style="list-style-type: none"> ● Increasing backup storage media: Virtual tape library (VTL) and Network Attached Storage (NAS) devices ● Regularly back up important system files, programs, and data ● Corporate firewall and information security analysis systems are established to effectively block virus from attacking the connection and network service. In addition, it can automatically screen and prevent the infected files. ● When external data storage media is brought into the company, an application must be submitted to the IT Department and the virus scan must be executed. ● Reinforcing information security-related training for employees, reminding them to beware of emails, verify the authenticity of their source, and avoid receiving emails or software that are not related to the company's business via the company's network. 	Information technology department
Equipment maintenance risk	Machinery equipment	<ul style="list-style-type: none"> ● Monitor machinery status and set operation standard procedures ● Regularly carry out drills for compound disasters 	Production department

III. External Initiatives

◆ Human Rights Policy

We pay attention to the issues of human rights by supporting and complying with the regulations and principles of human rights recognized internationally, including the "Universal Declaration of Human Rights", "United Nations Global Compact" and the "Declaration of Fundamental Principles and Rights at Work" of the International Labor Organization. We will also comply with local labor laws to eliminate human rights violations. Our human rights policy would be applicable for all units. We treat our employees and customers with dignity and continue to improve the management of relevant human rights topics.

KMC devoted to the following human rights topics:

1. Prohibit child labor.
2. Prohibit forced labor.
3. Employees gather for freedom of association.
4. No discrimination, prevention of workplace bullying and harassment.
5. Establish a safe, clean, healthy working environment.



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◆ Participation in external associations

In 2020, KMC actively participated in different industry associations, such as Taiwan Bicycle Association and the Cycling Life Style Foundation, to exchange ideas with our peers and to build up a relationship of mutual support and cooperation. We engaged ourselves in these industry platforms which can not only build consensus but also unify counterparts to promote industrial upgrading and to benefit the development of bicycle industry substantially.

Name of association	Association Purpose	Location	Position Held
Taiwan Bicycle Association	The Association actively assists the industry to search for business opportunities and new market developments; offers suggestion to the government for more grants and assistance. Each year "Taipei Cycle D&I awards" is organized by TBA and Taiwan External Trade Development Council (TAITRA) to encourage R&D and industrial innovation, to promote industrial upgrading, and build high profile international image; and sponsor "Formosa 900" event for Taiwan Cycling Festival to benefit the development of bicycle industry substantially.	Taiwan	Coordinator of Supervisor Committee
Cycling Life Style Foundation	Build Taiwan into a cycling paradise, and continued to promote cycling culture and urge the government to create a safe and friendly riding environment. In addition, we encourage people to enjoy the healthy leisure life brought by cycling instead of using personal transportation so as to achieve our vision.	Taiwan	Director

IV. Tax governance

KMC pays a lot of attention to tax governance and acts at all times in compliance with all applicable laws and regulations. We uphold tax governance guidelines, including honest tax reporting, assessing tax risks and developing mutually respectful relationships with tax authorities based on transparency and trust. The income tax paid in the past three years is as follows.

Unit : NT\$ thousand

Year	Individual income tax expense paid
2018	182,225
2019	197,912
2020	198,469



V. Regulatory Compliance

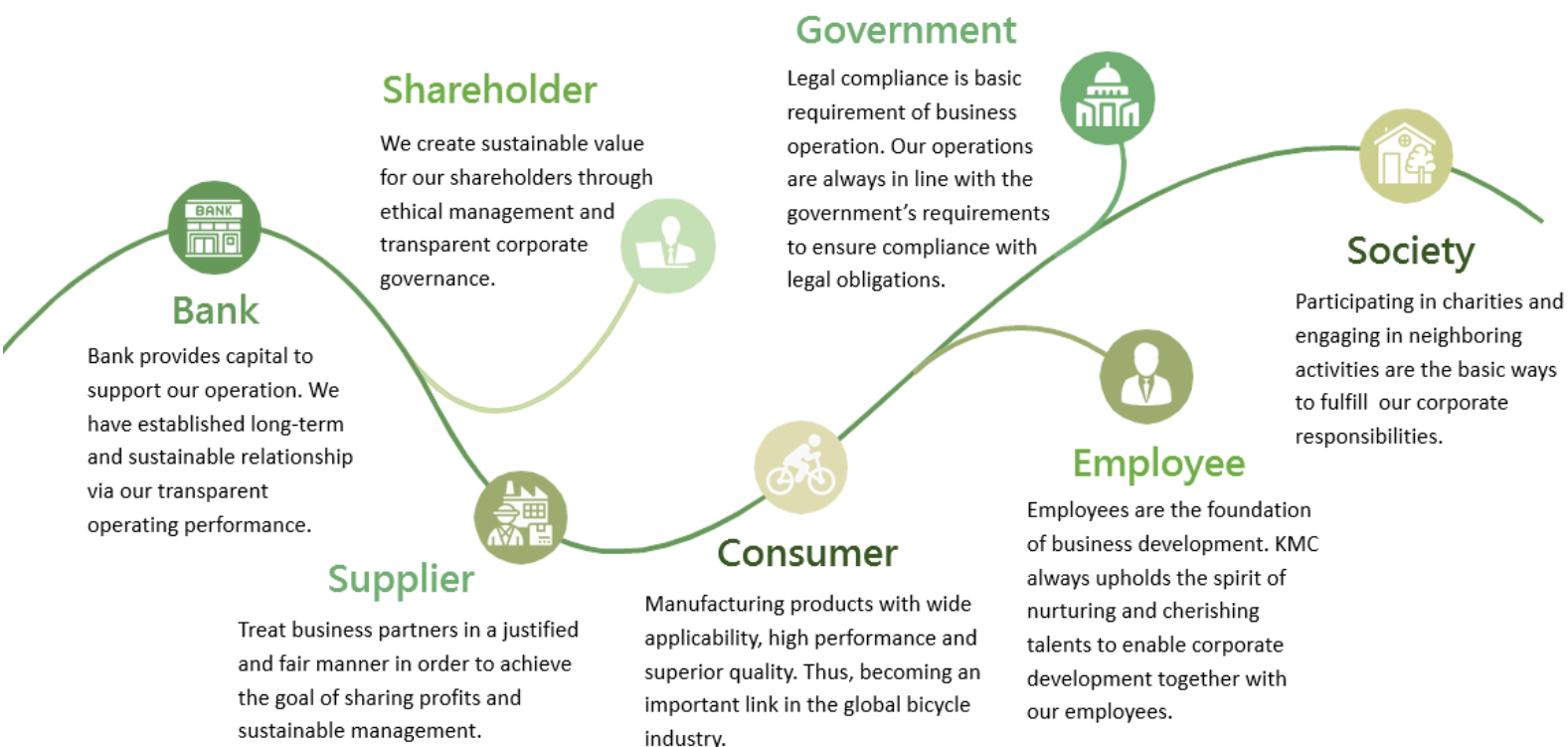
Operating business in compliance with all applicable laws and regulations is our primary goal. We have specialized units in place to ensure our legal compliance through constantly monitor any changes in regulations.

Aspect	Prevention measure
Corporate governance	We actively participate in regulatory seminars organized by Financial Supervisory Commission, TWEC, TPEX and other government agencies. Proposals are raised in board of director meetings from time to time to discuss establishment or amendment of existing policies to ensure that our internal policies are effective and up to date.
Environmental protection	We track and identify any relevant regulatory changes from the Environmental Protection Administration (EPA). Any new laws gathered are evaluated to determine their relevance, and are raised for discussion during internal review meetings with conclusions published onto the intranet.
Labor rights	We comply with the "Labor Standards Act" and have introduced labor rights protection principles, such as "Sexual Harassment Prevention Policy" and "Prevention of Workplace Bullying". No official case was reported for the issues including hiring child labor, discrimination, violation against freedom of association, or forced labor.

VI. Stakeholder Communication

◆ Identify Major Stakeholders

Based on the degree of influence stakeholders have over KMC and the degree of dependence KMC has on stakeholders, we have identified seven types of stakeholder.



◆ Material issues for 2020

Understanding and giving appropriate responses to the issues related to stakeholders' interests are key factors to ensure sustainable development. We first identify major stakeholders and perform investigations on them to truly understand what our stakeholders concerned from various channels. Then, we take into account the level of interest and impact on operation to identify material issues for 2020.

After analyzing the materiality of topics, the management will reach the consensus of major issues. Then, we would assess each issues' impact on

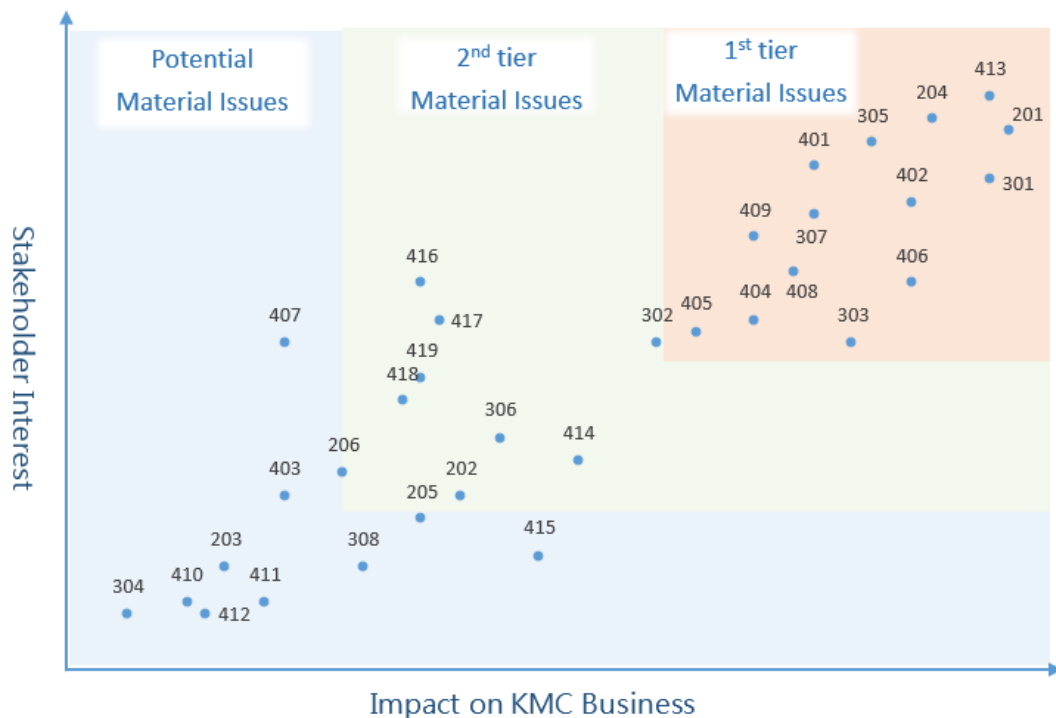
the boundaries of KMC's value chain to collect and disclose relevant information in line with the reporting requirements dictated by GRI. Based on the principles of completeness, responsiveness and stakeholder inclusiveness, we could make full disclosure of the information regarding the material issues in this report.



Material Issue Analysis

- 01 Identifying stakeholders**
 Perform an inventory on stakeholders and build an effective communication channel according to the relationship between stakeholders and KMC.
- 02 Perform inventory on material issues**
 Integrating international ESG trends, issues concerning the industry, and KMC's future operation strategies so as to perform inventories on potential material issues.
- 03 Analyze level of concern to stakeholders**
 Conduct an investigation on internal and external stakeholders to understand their degree of concern on each material issue.
- 04 Evaluate the level of impact on operation**
 Carry out internal discussions to analyze the impact of each material issue on the economy, environment and society, and evaluate its degree of impact.
- 05 Confirmation of material issues**
 Complete identification of material issues.

After completing the above steps, we could identify the material issues for 2020 as follows.



◆ Material Issues Impact Boundary

The impact scope of our major stakeholders to each material issue and the corresponding chapters of our responses are as follows :

Aspects	Material Issues	Corresponding Chapter	Impact Boundary							
			Within the Organization		Outside the Organization					
			KMC	Staff	Shareholder	Client	Supplier	Bank	Society	Government
Economic	Economic Performance	Business Performance and Profitability	●	●	●			●		●
	Procurement Practices		●				●		●	
	Market Presence	Building an Inclusive workplace	●	●						●
Environment	Materials	Dedicating to Sustainable Environment	●				●		●	●
	Water		●					●	●	
	Emissions		●			●		●	●	
	Environmental Compliance		●			●	●	●	●	●
Society	Employment	Building an Inclusive workplace	●	●						
	Management / Labor Relations		●	●						●
	Training and Education		●	●						
	Non-discrimination		●	●						
	Child Labor		●	●						
	Forced or Compulsory Labor		●	●						
	Local Communities	Creating a warm and caring society.	●						●	

◆ Stakeholder Communication

Our CSR performance will be disclosed in our website, annual report and CSR report. We also use various channels to understand what our stakeholders concerned and respond to them appropriately.

Stakeholders	Concerned Issues	Communication Channels	Frequency
Employee	Economic Performance, Employment, Labor/Management Relations, Training and Education, Non-discrimination, Child Labor, Forced or Compulsory Labor	Internal regulation and public announcements	As needed
		Labor/Management meeting, employee welfare committee	Periodically
Shareholder	Corporate governance, Economic Performance, Risk management	General shareholders' meeting, annual report, and CSR report	Annually
		Financial statements	Quarterly
		Investor conferences, major announcements on the MOPS, official website information disclosed	As needed
Customer	Corporate governance, Emissions, Environmental Compliance	Visit clients ∙ latest news on the official website ∙ E-mail	As needed
Supplier	Procurement Practices, Materials, Environmental Compliance	On-site inspection	Periodically
		Communication meeting	As needed
Bank	Economic Performance, Corporate governance, Environmental Compliance	General shareholders' meeting, annual report ∙ CSR report	Annually
		Financial statements	Quarterly
		Investor conferences, major announcements on the MOPS, irregular visit	As needed
Society	Procurement Practices, Materials, Water, Emissions, Environmental Compliance, Local Communities	Compliance inspection	Periodically
		Various charity programs, information disclosed on the official website	As needed
Government	Economic Performance, Materials, Water, Emissions, Environmental Compliance, Labor/Management Relations,	Compliance inspection	Periodically
		Symposia, seminars, education and training lessons	As needed

Chapter 2. Business Performance and Profitability

◆ Significance of issues to KMC

The stable operation of KMC is critical for all of our stakeholders. Good financial performance is also the key to corporate sustainability. We strive to create long-term economic value to ensure our colleagues can work with a sense of security and encourage them to make the best use of their talents, and grow together with KMC. Through revenue growth and consistent improvement in profitability, we can also boost our investors' confidence so that they will be more willing to move forward with us.

◆ Management strategy

Continue to generate the highest profit for the company and the shareholders by complying with laws such as the Company Act and Securities and Exchange Act, as well as the regulations of relevant authorities. In order to bolster the company's supervisory function, the company website contains business ethics contact that can also be used as a complaint channel when the rights of the stakeholders are violated. This is to foster communication between the company and the stakeholders including employees, customers, suppliers, and investors.

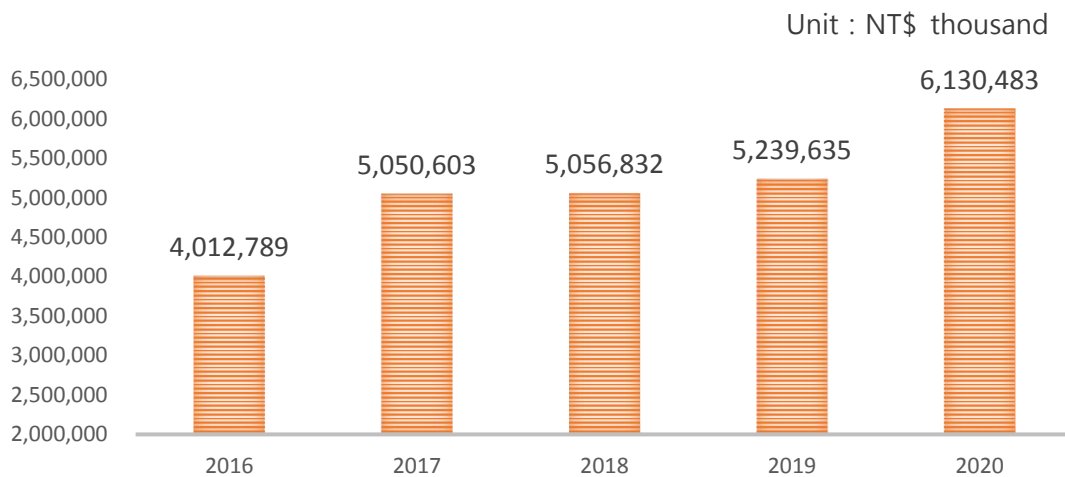
◆ Management Strategy Valuation

1. Regularly convene business meetings to make a discussion on the issues of industry situation and marketing strategies.
2. Perform financial settlement and budget planning periodically. Track the budget achievement rate and take relevant management measures.
3. Other business units would convene management meetings based on the requirement of realistic operating situations.

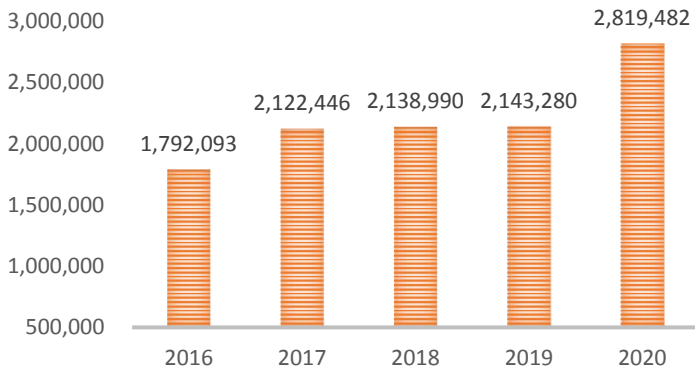
I. Operating Performances

KMC possesses robust financial performance and continues to pursue profitable growth. Facing the rapid change of the international situation and industrial environment, we still focused on our primary business so as to create greater economic value for our shareholders and continuously strived toward the goal of "Becoming the most valuable chain brand of the world". Through a series of relentless efforts, our consolidated revenue reached NT\$6.13 billion and consolidated gross margin was NT\$2.82 billion. Net income was NT\$1.52 billion and earnings per share were NT\$12.02.

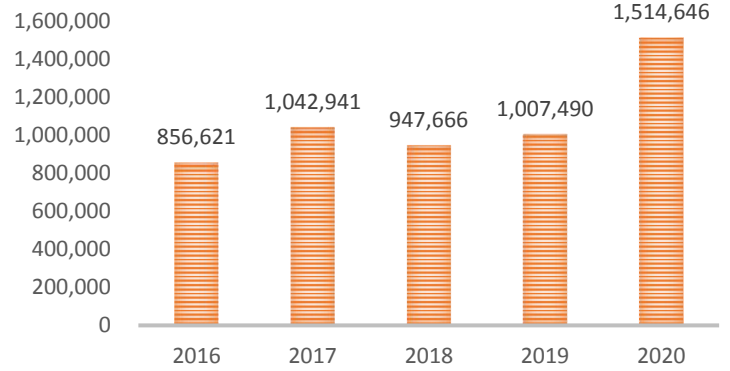
OPERATING REVENUE



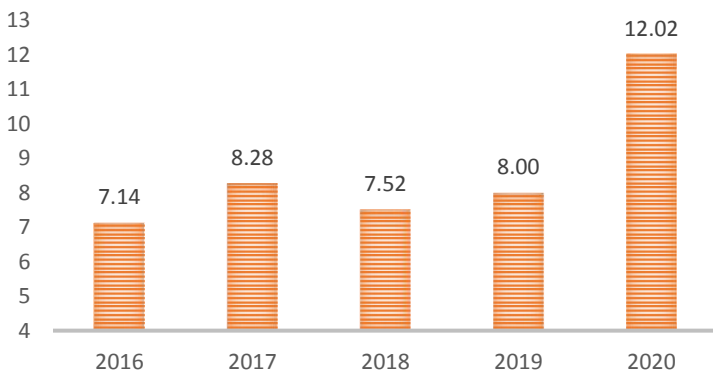
GROSS PROFIT



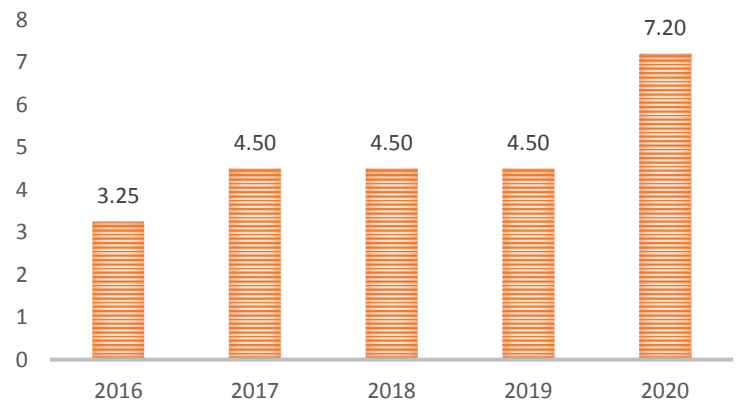
NET INCOME



EARNINGS PER SHARE



CASH DIVIDEND



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◆ Economic Value Generated and Distributed by the Organization

Unit : NT\$ thousand

		2020	2019
Economic value generated		<u>3,249,101</u>	<u>2,464,921</u>
Operating revenue	Net sales	2,462,114	2,185,137
	Realized (unrealized) gain on sales to affiliated companies	3,8310	24,232
	Interest income	5,287	13,187
	Other income	5,978	14,217
	Other gains and losses	(25,991)	(14,709)
	Investment gains	763,403	242,857
Economic value distributed		<u>2,795,062</u>	<u>2,177,895</u>
Operating cost	Cost generated from operating activities	1,508,463	1,224,490
Employee wages and benefits	Employee welfare expenses	153,104	152,060
Payments to providers of capital	Cash dividend	907,200	567,000
	Interest expense	27,515	35,033
Payments to government	Business income tax	198,469	197,912
Community investments	Donation	311	1,400
Economic value retained		<u>454,039</u>	<u>287,026</u>

※ For more details of related financial figures, please refer to KMC's 2020 Annual Report which can be found on KMC's website (<http://www.kmc-international.com>) and MOPS (<http://mops.twse.com.tw>).

II. Business Scope and Applications

1. Bicycle Chain :

Mountain bike chain series



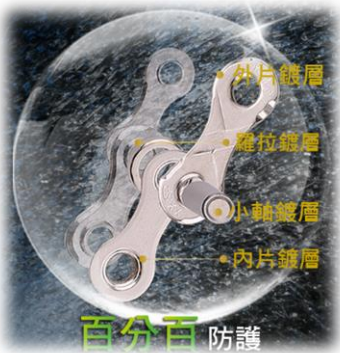
Road bike chain series



BMX chain series



Rust Buster chain series



E-bike chain series



EcoProTech chain



2. Motorcycle Chain and Gears :

KMC motorcycle components comply with JCAS and ANSI standards. With high-quality material and excellent workmanship, we would be able to produce outstandingly wear resistant products.

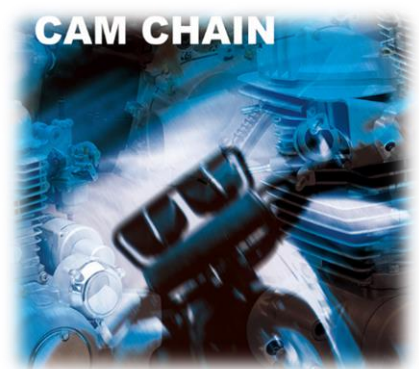
Heavy Duty Chain Series



Standard Driving Chain Series



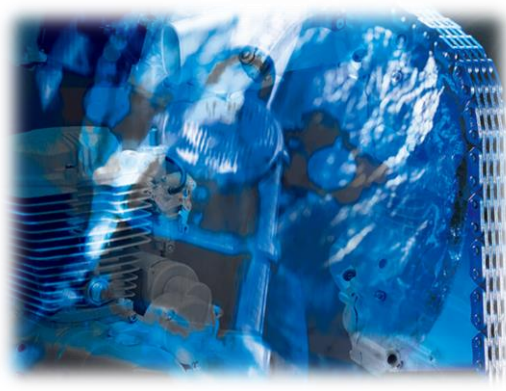
Cam Chain Series



Chain and Sprocket Kit



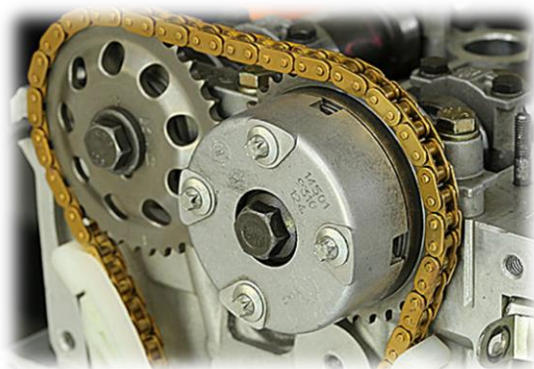
Silent Chain Series



We keep putting our greatest efforts into R&D to improve our product and service quality. Therefore, our motorcycle components have been well recognized among leading brand manufacturers, like HONDA, YAMAHA, SUZUKI, KAWASAKI, VMEP, SYM, PIAGGIO,...etc. who honored us with several awards. We will keep growing and innovating to satisfy our consumers' needs, and let them enjoy riding motorcycles with KMC.

3. Automobile Timing System

KMC TRANSMISSION designs and develops the timing system in engines, which function is to control the action of intake valve and exhaust valve in engine cylinder. The engine operation can be divided into four piston strokes - intake, compression, power and exhaust. This cycle goes on continuously in engine cylinders as long as the engine runs. To achieve the best combustion efficiency of engine, timing system is needed to make the valves in cylinder act correctly.



4. Garage Door Opener

In order to create greater service value and become a total solution provider, KMC established the Garage Door Opener Department in 2007. We devoted to the following services: providing chains for garage door opener, assembling the chain and plastic parts as well as designing the gear and related transmission accessories. We strive to build and maintain trusting relationship with our suppliers and clients. Through supply chain integration, we will be able to provide better client services and strengthen partnership with them.

III. Climate Change Issue

In 2020, many governments or organizations declared climate emergency in response to the frequent climate disasters around the world. That is, emergency actions must be taken to mitigate climate change so as to avoid irreversible environmental damage. It is obvious that the issue of climate change is important to the global development and the operation of enterprises in the future. Hence, we actively optimize our management mechanism of climate-related risks and take specific actions to reduce operational impact and also bring contributions to the mitigation of climate change.

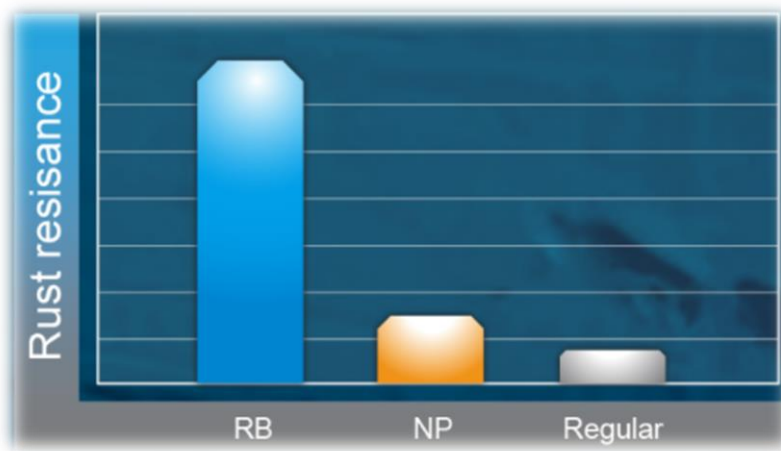
◆ Climate-related Management Strategies

The increasingly significant impact of climate disasters has affected the ecological environment, energy, water resources and supply chain. How to deal with the challenges of global climate change has become an important issue for companies' sustainable growth.

We are paying close attention to the impact of climate change on operating activities from business operation and product aspects. In terms

of business operations, we strengthened our internal energy management and reduced greenhouse gas emissions from production activities in order to manage climate-related risks, which thereby enhance our capability to effectively adapt to the potential impacts of climate disasters.

As for the product, we have anti-rust chain for extreme weather. Our proprietary coating tech includes intricate and complex process. In this case, every single component of every single link is 100% coated so water and rain are easily kept out, even in the toughest storms. Moreover, our chains have to pass more than 500 hours of salt spray testing, resulting in an extremely durably coated chain for a safer ride. Because our chain is tough against mud, wet surfaces, snow and salt, riders can go easy on maintenance. Therefore, it will be the best choice of bikes kept outdoors, including rentals and public bicycles.



◆ Climate Change Risk and Opportunity Identification and Response Measures

Type of risk	Potential risks	Countermeasures
Physical Risks	<ol style="list-style-type: none"> Changes in temperature and precipitation patterns, leading to a reduction in the supply of raw materials and price hikes. Increasing uncertainty of water and energy supply. Extreme weather conditions cause damage to buildings and facilities and thereby decreased productivity 	<ol style="list-style-type: none"> Increase local sourcing proportion and continue to develop multi-source supply solutions. The inventory of key materials and spare parts have been remained at appropriate level. The manufacturing and staff departments should carry out drills for compound disasters from time to time
Supervision and Regulatory Risks	<p>The government has established a series of control measures to adapt to climate change, thereby facilitating more effective management of natural resources and reduce risks.</p>	<ol style="list-style-type: none"> Promote the measures for energy saving and carbon reduction and perform regular reviews of the overall effectiveness. Conduct inspection of carbon footprint to assess main sources of carbon emissions. Regularly review the Environmental Protection Administration's regulation inquiry system and identify the relevance of regulations with the company's various departments and report the countermeasures in the regular review meetings.

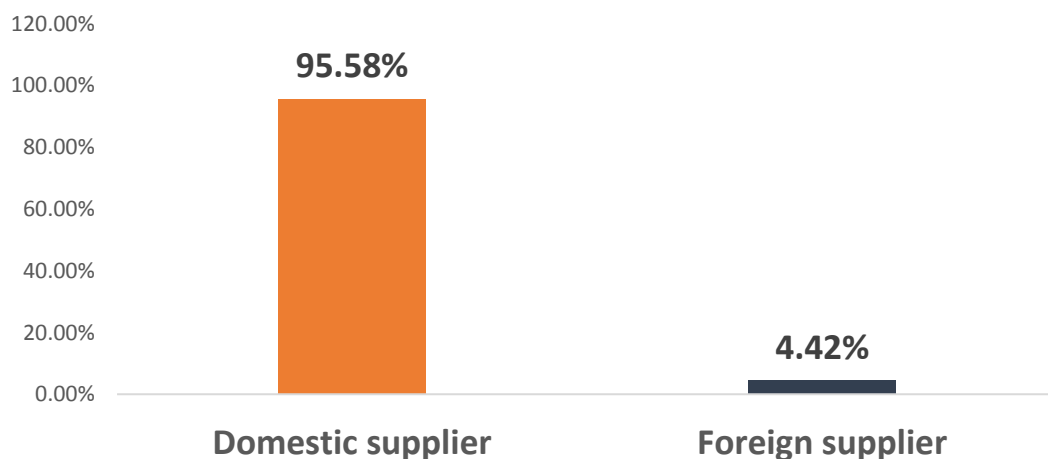
Type of opportunity	Possible opportunities	Countermeasures
Energy shortage and price hike	<p>With the rapid development of the global economy, countries around the world are competing to consume resources such as oil and coal. In this case, energy conservation and carbon reduction have become an international sustainability trend.</p>	<p>According to the "Fuel Economy Guide" published by the Bureau of Energy, in comparison with the motorcycle models of lowest fuel consumption, riding bicycles could save \$1,746 fuel costs annually. Compared with fuel-driven vehicles, bicycle is indeed a more environmental-friendly transportation.</p>
Consumer awareness towards environmental protection	<p>With the rise of the concepts of environmental protection and healthy living, consumers increase their willingness to buy green products.</p>	<p>Bicycle plays an important role in sustainable mode of transportation. In addition to the characteristics of low carbon emission and zero pollution, it is also the best choice for exercising, fitness, leisure, and traveling. Being part of the green transportation industry and as a leading manufacturer of chains, we have made the first eco-friendly chain with carbon footprint verification and we will continue to reduce our carbon emission.</p>
Government policy	<p>Government would implement policies to encourage bicycle riding including the construction of cycling infrastructure and improving the road safety design as well as providing subsidies for purchasing new bicycles and related accessories.</p>	<p>Cycling and public transportation are currently recognized as the mode of transportation that have the least environmental impact and are also the means of transportation that governments recommending. Also, cycling could keep pollution level low and allow the riders to maintain social distancing. Therefore, governments are now advising people to ride bicycles for commuting.</p>

IV. Optimize Local Sourcing Proportion

The main business of KMC is manufacturing and selling various chains and components of bicycles and vehicles. The raw materials used to make in chain production are steel plate, steel strip and related components. Under the consideration of reducing the supply chain procurement risk, we strive to build long-term relationships with our suppliers and have established an ideal business model with them. Our strategy is to maintain more than two suppliers so as to decentralizing supply sources and to ensure the stability of our supply chain.

KMC considers improving the sustainability of the local bicycle industry to be a critical goal of our corporate social responsibility. In order to improve the core capability of local suppliers, offer the local region employment opportunities and safeguard the rights of local labor, we will continue to increase the percentage of local sourcing in our main region of operation. Localizing the supply chain would increase supply flexibility, shorten development time for new products, and cut unnecessary costs while reducing carbon emissions of the supply chain and ensure the quality and efficiency of customer service.

Percentage of Local Sourcing



Chapter 3. Commit to Environmental Sustainability

◆ Significance of issues to KMC

KMC has long been committed to green manufacturing and our goal is to facilitate coexistence and mutual prosperity between business and environment. For us, fulfilling our social responsibility is every bit as important as pursuing high production capacity and growth. As a corporate citizen, in addition to creating greater economic value for our shareholders, we also work tirelessly on innovating greener products so as to lower our impact on the environment.

Being part of the green transportation industry, we hope to protect our environment while increasing the company's value. In this case, we assimilate green management into our business and build green manufacturing factories that conserve energy and reduce carbon emissions across all aspects of our products, processes, and supply chain.

◆ Management strategy

We integrate different departments including sales department, staff units and manufacturing factories to carry out our sustainable development blueprint. Furthermore, we formulate corresponding strategies, coordinate resources, match our strategies with clients, and track progress to ensure that CSR strategies are fully fulfilled in our daily operations.

◆ Management Strategy Valuation

We have established a green logistics management system to assess the environmental impact of each stage in the entire product life in order to implement corporate green marketing strategies. Besides, we are also planning to obtain ISO14001 certification or other environmental management system verification.

I. Raw Material Management

We committed to improving our resource efficiency within a reasonable range, such as planning for electronic workflow process to reduce paper usage and using energy-saving products to minimize our impact on the environment. Also, by making good use of production materials and reusing the waste, we could reduce the consumption of resources and could also lower the material cost. In this case, we could create a positive cycle with circular economy concept and also getting financial benefits.

For example, we find the specialized company which could recycle and make good use of our metal scrap. In addition, our plant also recycles the heat from the manufacturing process to the boilers for the residential area. Moreover, our polishing sand waste could provide to the road paving factory to convert it into paving sand. In the future, we would still strive to reuse and recycle the waste so as to further strengthen our competitive advantages.





▲ Recycle the net scraps for making fence, barbecue grill mesh and rat trap cage after stamping the inner and outer plates

We also use environmentally-friendly packaging material for the products and adopt ECO-friendly material for environmental protection. With the advantages of easy recycling, resource saving and low pollution, we also promote simplified and consolidated packaging when delivering our products. From the use of nearly thousand types of packaging materials and blister with low recycling rate, we have progressed to use only 10 more types of packaging with single material and the recycling rate is 100%.

From the use of nearly thousand types of packaging materials and blister with low recycling rate



We have progressed to use only 10 more types of packaging with single material and the recycling rate is 100%



II. Greenhouse Gases (GHS) Inventory

We are paying close attention to the impact of climate change on operating activities so as to further strengthen our competitive advantages. By conducting regular inventory of greenhouse gas emissions, we would be able to control the greenhouse gas emission situation due to electricity consumption and thereby formulate corresponding action plans. In 2020, the total greenhouse gas emissions were 2,793 tCO₂e. The relevant information of it could be found below:

Reporting period :

1. 2020.01.01~2020.12.31
2. Conduct full-year inventory of GHS emissions and disclose the result.

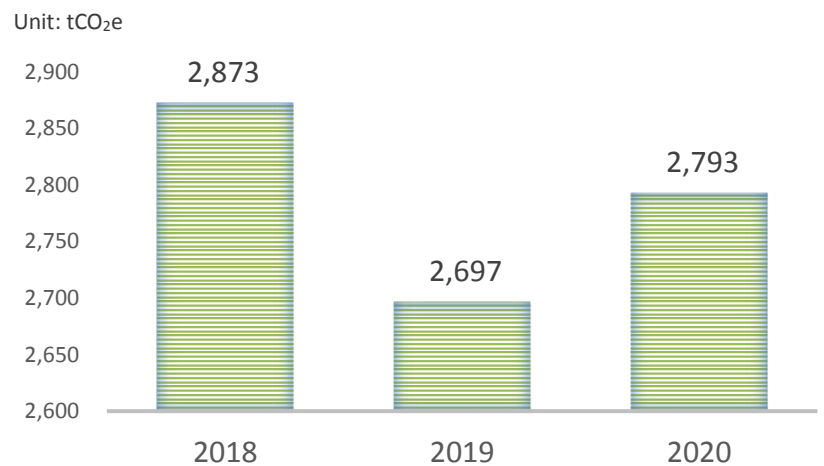
Boundary of data collection :

KMC's facilities in Taiwan include corporate headquarter and factory.

The scope of the GHG emission data :

1. SCOPE 2: Indirect emissions due to energy consumption
2. Source : Purchase energy for self-use.

GHS EMISSIONS



Note: Emission factor is based on data released in 2019 by the Bureau of Energy.



▲ Post a reminder to implement energy-saving measures in our daily life.

III. Greenhouse Gases Reduction

As a pioneer in the sustainable transportation industry, the implementation of commitments to society and the environment would be our long-term development blueprint. We not only actively promoted cycling as a mode of transportation, but also strengthened environmental protection awareness in our daily operations. Furthermore, we also scheduled to obtain certification for our products. In 2011, our ECO Solution has reached a key milestone due to the investigation and calculation of carbon emissions of our product. On Jan 3, 2012, our "X10SL 10-speed ultra-lightweight chain" obtained the carbon footprint verification and thereby making KMC the first chain manufacturer around the world to receive carbon credit under ISO 14025 standard. It also means that KMC entered the era of carbon footprint in 2012.

In February 2014, our "X11SL" chain also passed the verification for carbon footprint and obtained the certification label. The carbon footprint certification promotes product life cycle assessment and carbon emission review under the PAS2050 standard. In April 2020, the "X11SL" chain passed the verification for carbon footprint again.

In June 2021, the "X11SL" chain also obtained Carbon Footprint Label from Environmental Protection Administration. From raw materials supply chain to global products delivery, carbon emission from every step is calculated to make sure that the green cycle standard is achieved. KMC is applauded for not only providing quality products, but also enabling a more eco-friendly product lifespan.



碳標字第 2107315001 號

◆ Certificate for the Use of Product Carbon Footprint Label



CO₂
Carbon Footprint
Taiwan EPA

產品碳足跡標籤證書
Certificate for the Use of Product Carbon-Footprint Label

證書編號: 2107315001
Certificate No. 2107315001

茲據 桂盟企業股份有限公司
申請使用碳足跡標籤, 經核相符, 特予證明並換發證明事項如下:
This is to certify the following product from KMC CHAIN Industry Co., Ltd. complies with
Carbon-Footprint Label requirements and is licensed to use the Carbon-Footprint Label.

- 一. 產品名稱及型號: 自行車鏈條 / X11SL 銀
Product Name/Model Number: Bicycle Chain / X11SL Silver
- 二. 標籤使用者地址: 臺南市新化區中山路 41 號
Holder's Address: No. 41, Jhongshan Rd., Sinsihua Dist., Tainan City 71203, Taiwan (R.O.C.)
- 三. 生產廠場或服務場所名稱及地址: 桂盟企業股份有限公司/臺南市新化區中山路 41 號
Name of Address of Manufacturer or Service Place: KMC CHAIN Industry Co., Ltd./No. 41, Jhongshan Rd., Sinsihua Dist., Tainan City 71203, Taiwan (R.O.C.)
- 四. 產品碳足跡數據及計算單位: 2.6 Kg CO₂e
Product Carbon-Footprint Data of Measuring Unit
- 五. 標 示 單 位: X11SL 銀色 118 目
Product Unit: X11SL Silver 118 link
- 六. 生命週期各階段碳足跡比例:
Proportion of Carbon-Footprint for Each Phase of LCA
原料取得 Raw Material/Acquiring Phase: 41.67%
製造 Manufacturing Phase: 56.59%
配送銷售 Transportation, Distribution of Sale Phase: 0.32%
使用 Use Phase: 3.20%
- 七. 計算碳足跡採用產品類別規則: 19-019 鋼鐵製鏈條-滾珠鏈
Effective Date: 06/01/2017
19-019 Iron and Steel Chain (roller 118)
Valid Until: 06/02/2026
- 八. 有 效 期 限: 自 中 華 民 國 一 一 年 六 月 一 日 起
至 中 華 民 國 一 一 年 六 月 二 日 止
Valid Until: 06/02/2026

行政院環境保護署署長 張子敬
Minister Chang Tzi-Kin
Environmental Protection Administration, Executive Yuan, R.O.C. (Taiwan)

中 華 民 國 Date Issued: 06/02/2021



◆ X11SL Carbon Footprint Verification Statement by TAF

Product Carbon Footprint Verification Statement

Statement Registr. No.: **CO 50455691 0001**
Verification Report No.: **38111258 001**
License Holder: **KMC** KMC CHAIN INDUSTRIAL CO., LTD.
No. 41, Jhongshan Rd., Sinsihua Dist., Tainan City 71243, Taiwan (R.O.C.)

Scope: The inventory include:
- KMC CHAIN INDUSTRIAL CO., LTD.
- No. 41, Jhongshan Rd., Sinsihua Dist., Tainan City 71243, Taiwan (R.O.C.)

has been verified in meeting the following requirements:
Standards: ISO/TS 14067:2013
- Product Category Rule: 19-019 Iron and Steel Chain CFP-PCR V1.0 (Taiwan, 2018.11.20)
- PCF programme: Taiwan Carbon Label (Guide to Assess the Carbon Footprint of Products and Services)

Following activities were conducted during verification:
- Document review, interview, site visit and recalculation

Based on the information we have received and evaluated, it was verified by TÜV Rheinland Taiwan that:
- Data and information, which support this verification, are from hypothetical, projected and historical in nature.
- System boundary of this product: Cradle to Grave
- LCA software or database: SimaPro Ver. 8.5.2 / Ecoinvent 3.0, Carbon Footprint Database of Carbon Footprint Calculation Platform (Owner: Taiwan EPA).
- Analysis method: IPCC 2013 GWP 100a V1.02
- Product carbon footprint inventory report period: 1 Jan. 2018 to 31 Dec. 2018.
- Product and Functional unit: Bicycle Chain / 118 links/one piece, 240.6g, for bicycle (include package)
- Model no. and carbon emissions: X11SL, Silver / 2.749 Kg CO₂e

Validity: This statement is valid from 2020/04/15 until 2022/04/14

Date of Issue 2020/04/15
TÜV Rheinland Taiwan Ltd.
11F, No. 758, Sec. 4, Bade Rd., Taipei 105, Taiwan, R.O.C.

Jason J. S. Wu
TÜV Rheinland Systems Greater China
2020/04/15

TAF
Validation and Verification
V0607

This Verification Statement is based on the information made available to TÜV Rheinland Taiwan and the engagement conditions detailed above. Therefore, TÜV Rheinland Taiwan cannot guarantee the accuracy or correctness of this information. TÜV Rheinland Taiwan cannot be held liable by any party relying or acting upon this Verification Statement.

商品碳足跡查驗證書

證書登記號碼: **CO 50455691 0001**
查驗報告號碼: **38111258 001**
證書持有者: **KMC** 桂盟企業股份有限公司
臺南市新化區中山路 41 號

查驗範圍: 本次查驗包含:
- 桂盟企業股份有限公司
- 臺南市新化區中山路 41 號

已依照下列條文內容要求進行查驗:
標準: ISO/TS 14067:2013
- 產品類別規則: 16-019 鋼鐵製鏈條足跡產品類別規則第 1.0 版 (台灣, 2019.11.20)
- 碳足跡方案: 台灣碳標籤(產品與服務碳足跡計算指引)

查驗的過程包含:
- 文件審查, 訪談, 現場查驗與重新計算

基於取得的資訊進行評估, 台灣德商萊茵之查驗結論:
- 數據與資訊為假設、推估或與歷史性資料
- 產品系統邊界: 搖籃到生命終結
- 生命週期軟體或資料庫: SimaPro 版本 8.5.2 / Ecoinvent 3.0 與碳足跡計算服務平台之碳係數資料庫 (主管單位: 台灣行政院環保署)
- 分析方法: IPCC 2013 GWP 100a V1.02
- 產品碳足跡查驗查報期間: 2018 年 1 月 1 日至 2018 年 12 月 31 日
- 產品與功能單位: 自行車鏈條 / 118 目/條, 240.6g, 使用於自行車 (含包裝)
- 型號與碳排數量: X11SL 銀 / 2.749 Kg CO₂e

有效性: 本查驗有效自 2020/04/15 到 2022/04/14 止

證書有效期為 2020/04/15
台灣德商萊茵查驗驗證股份有限公司
臺南 105 台北市八德路四段 758 號 11 樓
2020/04/15

Jason J. S. Wu
總經理 張子敬 張子敬 張子敬
2020/04/15

TAF
Validation and Verification
V0607

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◆ Carbon Reduction Actions

KMC has engaged in a series of carbon reduction programs. The first step is to finish carbon footprint assessment and apply for the certification. Only through complete investigation and calculations of carbon emissions from the various steps such as raw materials, production, packaging and transportation can effectively formulate corresponding action plans.

After receiving the verification, the "KMC ECO Solution Team" which including R&D, manufacturing and marketing units will carry out a series of carbon reduction actions such as using Eco-Friendly packing material, designing with an focus on environmental protection, developing green tools and strengthening low-carbon green manufacturing. Aiming to become a practitioner of green power, we assimilate green management into our operation and facilitate coexistence between business and environment.

Besides, we also built up solar power systems in Taiwan plant and European companies which could reduce carbon emissions by approximately 1,000 metric tons per year. Moreover, the Shenzhen plant also recycled the heat from the manufacturing process and supplied to the boilers of the residential area. The annual carbon reduction is approximately 500 metric tons.



▲ The solar panels installed on the rooftop of our Taiwan and Europe company

IV. Water Management

Although there is sufficient rainfall in Taiwan, the long-term water condition is unstable due to the uneven distribution of rainwater in terms of space and time. Furthermore, climate change has recently intensified torrential rain and water depletion, which increases the complexity of water management. Thus, we regard water as a major environmental and operational issue, and will dedicate efforts to improve our resilience and adaptability to water resource.

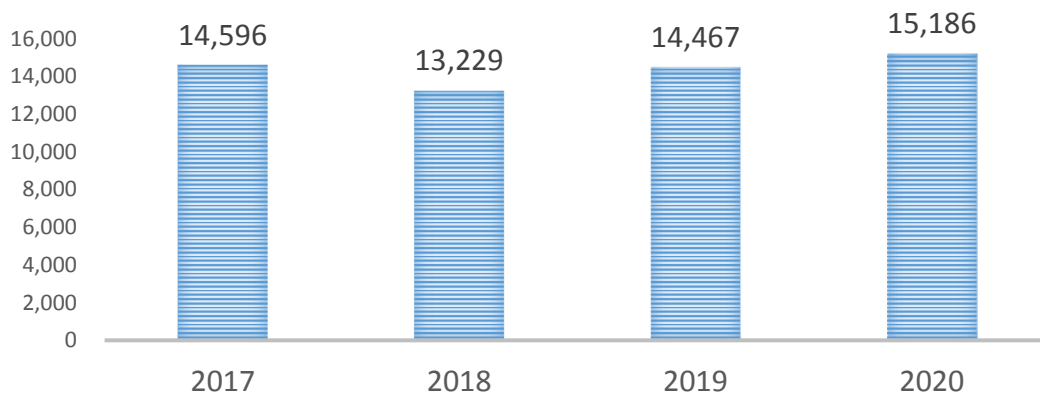


◆ Water Resource Management Strategy

Regarding the water resource, we manage the risk from different perspectives, including holding meeting regularly to discuss issues related to water resources, setting up policies and reviewing performance of water conservation as well as imbuing water conservation concepts into production process and our daily life via various measures such as posters, slogans and training courses.

WATER CONSUMPTION

Unit: metric tons



In 2020, the total city water consumption of our Taiwan facility was about 15,186 metric tons. The city water supplied from reservoirs would be our main water source. As our production increased in 2020, total water consumption also increased by 5% from 2019. We will continue to calculate water consumption in production process, wastewater, and domestic water consumption in facilities, as well as to track the direction and quantity of water flow for better water resource efficiency. By implementing water conservation in our daily life, we would be able to mitigate our impacts on water consumption.

V. Waste Management Strategy

KMC has formulated the Waste Disposal Procedures to ensure that all wastes are properly classified, managed, cleared and disposed of. Our wastes are entrusted to the certified waste treatment vendor to dispose of and properly use recycled materials. In 2020, the waste generated from operation was about 172 metric tons which decreased 15% from the 2019 level of 203 metric tons. In order to promote waste reduction and improve resource classification and management, we have set up targets in waste management. Our strategy is primarily focused on minimizing resource consumption at the source. Moreover, after raw materials are used in production processes, on-site recycling is prioritized so that resources are sufficiently reused to delay the disposal of materials as waste.



VI. Environmental Costs

We have committed to environmental protection. In addition to making mandatory declaration in accordance with local laws and regulations, we also paid environment-related costs. In 2020, the total environmental costs was about NT\$1,110 thousand dollars and there is no significant loss, compensation, or penalty due to environmental pollution.

Category	Description	Amount (NT\$ thousand)
Soil and water	Waste water quality testing fee 、 Water pollution control fee 、 Soil and ground water pollution remediation fee	42
Waste	Waste disposal fee 、 Wood dust disposal fee 、 Inorganic sludge disposal fee 、 Flying ash and bottom residue mixtures disposal fee	1,032
Environment and equipment	Environment 、 Firefighting equipment 、 Electrical equipment detection fee 、 Outsourcing testing fee	36
Total		<u>1,110</u>

Chapter 4. Creating a Friendly Workplace

◆ Significance of issues to KMC

Employees are the most important asset of KMC. We regard high-quality human resources as a critical factor for sustainable growth. In order to attract the best talent, we provide stable compensation and comprehensive welfare. Also, we aim to build a challenging and friendly workplace complying with domestic and international standards in safety, health, and human rights.

◆ Management strategy

We continue to invest in human resources and assist our employees in establishing effective training plan based on their job requirements to support their career development. Furthermore, we focused on the cultivation of critical talents. By systematic job rotation and assigning essential works and challenges, our employees would be able to expand their visions and thereby grow together with KMC. We also hold labor-management meetings regularly as a communication mechanism between management and staffs.

◆ Management Strategy Valuation

We have formulated management regulations based on the various labor laws and regulations as well as with reference to international human rights conventions which enable our employees to have an equal and fair working environment and also protect the working interests of our staffs. Moreover, we are committed to the improvement of employee benefits. If our employees have any complaint, they can report directly to their superior or the manager of the HR Division. We highly value employee opinions and rights. When the HR unit received the complaint, they would launch an investigation and operate in a fast and confidential way.

I. Workforce Structure

In 2020, there were a total of 1,827 employees at KMC, including 246 employees based in Taiwan. Around 84.96% of Taiwan employees are hired from local residents. We believe that recruiting professional talent will help enhance our growth in the long-term.

New Employees								
Age	Domestic employees				Foreign employees			
	Male	Percentage (%)	Female	Percentage (%)	Male	Percentage (%)	Female	Percentage (%)
Below 30	3	1.22%	8	3.62%	3	1.22%	4	1.63%
30-50	13	5.28%	10	5.43%	0	0.00%	2	0.81%
Above 50	0	0.00%	1	0.00%	0	0.00%	0	0.00%
Total	16	-	19	-	3	-	6	-

※ Disclosed information stated herein included factory and office located in Taiwan.

Employee Turnover								
Age	Domestic employees				Foreign employees			
	Male	Percentage (%)	Female	Percentage (%)	Male	Percentage (%)	Female	Percentage (%)
Below 30	2	0.81%	4	1.63%	0	0.00%	0	0.00%
30-50	5	2.03%	5	2.03%	0	0.00%	0	0.00%
Above 50	2	0.81%	1	0.41%	0	0.00%	0	0.00%
Total	9	-	10	-	0	-	0	-

※ Disclosed information stated herein included factory and office located in Taiwan.

※ There was one person retired in 2020.

Employee Gender			
	Male	Female	Total
Employee	118	128	246

※ Disclosed information stated herein included factory and office located in Taiwan.

Employee Type and Gender					
	Domestic employees		Foreign employees		Total
	Male	Female	Male	Female	
Full time	96	107	17	20	240
Temporary	5	1	0	0	6
Total	101	108	17	20	246
Full time	96	107	17	20	240
Part-time	5	1	0	0	6
Total	101	108	17	20	246

※ Disclosed information stated herein included factory and office located in Taiwan.

◆ Diversified BOD and Workforce

The Board of Directors of KMC follows the principle of diversification and we also set up the adequate guidelines for diversification based on the operation status, operation type and requirements for future development. After the re-election of all directors in the shareholders' meeting on June 24, 2020, there were seven members in our BOD, including three independent directors which accounting for 43% of all directors. The BOD has diverse expertise, including strategic planning, business management, financial accounting and legislation. Every year, members of the BOD continue to receive courses with regard to corporate governance, company's business, regulations and finance. We also pay attention to gender equality in relation to the composition of the BOD. After the re-election, we added a female director into our BOD and the ratio is about 14%.

Total Employees						
	Senior level		Mid- level		Base level	
	Male	Female	Male	Female	Male	Female
Below 30	0	0	2	0	13	28
30-50	8	1	24	14	55	69
Above 50	4	2	1	0	11	14
Total	12	3	27	14	79	111

※ Disclosed information stated herein included factory and office located in Taiwan.

II. Employee Training and Education Programs

We will enhance on-the-job training, offer diversified learning resources, and promote self-learning among employees so as to ensure their skillsets remain relevant, promote their lifelong learning, enhance the learning agility of organizations and thereby support our long-term growth.

◆ Fulfill Talent Development and Enhance Employees' Potential

We hold internal and external training programs every year for employees' further study. Moreover, we have formulated the KMC Employee Training and Education Procedures to design relevant training courses based on individual job requirement and career development so as to deepen their expertise and improve the overall quality of our employees. In this case, we would also be able to enhance our business performance.

Encouraging job rotations and promoting self-directed learning are important strategies for talent development at KMC. In terms of encouraging job rotations, we have proactively implemented on-the-job training, allowing employees to learn and improve their work performance in the workplace. We not only systematically design job rotation programs to cultivate future talent, but also encourage our employees to complement their career plans with our organization development, so as

to increase internal talent mobility and allow them to utilize their talents and grow. We also promote self-learning by cultivating a self-learning mindset in employees. Due to COVID-19 prevention measures, most courses were conducted online to replace the physical courses of the collective learning. Not only did this approach encourage employees to read but it also broke the time and space limitations in order to keep learning uninterrupted. A self-learning culture enhances work performance, facilitates corporate growth, and contributes to social progress. In the future, we will continue to elevate the quality of courses and introduce new learning tools, while also introducing diverse virtual/real integrated learning models to meet the new global trend of digital learning.

Total Training Hours of Employees in 2020						
2020	Male			Female		
	Number of employee	Total training hours	Average training hours per employee	Number of employee	Total training hours	Average training hours per employee
Senior level	12	4	0.3	3	5	1.7
Mid-level	27	74.7	2.8	14	38	2.7
Base level	79	673	8.5	111	601.5	5.4

◆ Establish Framework for Employee Development

We offer a comprehensive framework for employee development which allows employees to explore their full potential according to their characteristics and skills. We also consider development potential as an important indicator for evaluating candidates for promotion. By exploring employees' potential and creating an environment that encouraging employees to pursue personal growth, it will also help KMC to grow rapidly and adapt to changing environments so as to fulfill our business needs.

III. Employee Communication

We hold labor-management meetings regularly as a communication mechanism between management and staffs. Regarding the shortest notice period of major operational changes, we follow Article 16 of Labor Standards Act and would terminate a labor contract with advance notice in accordance with the following:

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

IV. Compensation and Benefits

We have built a reasonable and fair working environment via mechanisms such as the promotion system, salary raise, performance appraisal, rewards and punishments, and regularly review management regulations over a certain period. We also modify our business travel rules to respond to current prices and consumption levels so as to motivate our employees through improving their welfare and enable our employees to notice the value of their work and grow together with KMC.

◆ Compensation Management

The remuneration system is designed to attract, motivate, retain and cultivate talent. According to the job content, performance and contribution of each employee, we conduct differentiated salary evaluation, salary adjustment and bonus payment. In addition, we conduct performance-review semiannually, and the year-end bonuses with linkage to employee's job responsibilities and performance will be paid at the end of the year. In 2020, employee

performance assessment registered a completion rate of 100%.

Besides salary management, we also pay attention to the salary level of employees. We perform regular salary market surveys and review our existing salary and bonus systems to ensure KMC's salary standards. Not only does this meet labor market's salary standards, but it also helps us have more competitiveness in the labor market. As of the end of December 2020, the average monthly salary of KMC's base-level employee is 2 times more than the statutory basic salary in the current period in Taiwan.

Average monthly salary		
	Male	Female
Senior level	7.57	4.53
Mid-level	2.98	2.24
Base level	2.04	1.95

In accordance with Article 4 of the Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports, listed companies in Taiwan are required to disclose the average compensation and the median compensation of the full-time employees in non-executive positions. Our statistics are shown as follows. It indicates that our compensation packages are exceeding industry standards which enable us to attract talent to seize our job offers.

Unit: NT\$ thousand dollar/person

Full-time employees in non-executive positions			
Year	Average compensation	Median compensation	Average compensation of industry peers
2020	747	675	637
2019	650	549	627

※Source: Market Observation Post System

◆ Employee Benefits

We consider our employees as our most important assets. We not only offer comprehensive welfare but also provide solid pension system in compliance with all applicable laws and regulations to show our appreciation to the employees' contribution.

1. Employee Stock Ownership Trust: This program will take into consideration of company's financial and operational performance to designate a portion of its annual profits for purchasing company's stocks and allocate it to the employees with linkage to their occupational grades and the service period to retain talents and increase their cohesion.
2. Subsidies: Subsidies for marriage, childbirth, hospitalization and funeral as well as cash gift on three major festivals.
3. Insurance and Retirement: All employees would participate in labor insurance, national health insurance, employer's liability insurance, and contribute pension monthly based on the regulation.
4. Medical insurance: Health examination.
5. Other benefits: Provide sound promotion channels and distribute bonus based on comprehensive considerations such as annual profit, employees' contribution, occupational grades and their service period.

Unit: Number of persons

Reinstatement after parental leave		
Item	Male	Female
Employees qualified for parental leave in 2020	10	14
Employees applied for parental leave in 2020	1	2
Employees expected to return to work after parental leave in 2020 (A)	1	2
Actual number of employees returned to work in 2020 (B)	1	2
Actual number of employees returned to work in 2019	0	2
Employees actually returned to work in 2019 and still in service in 2020	0	1

※ Disclosed information stated herein included factory and office located in Taiwan.

◆ Pension System

For the employees who applied to the old pension system, we have formulated labor pension regulation according to the relevant regulations of Labor Standards Act. We entrust actuaries to conduct precise calculations, accrue labor pension provisions monthly and deposit the pension funds in a dedicated account in Bank of Taiwan. The calculation and payment are based on the provisions of the labor retirement scheme. The employees who applied to the new pension system, in accordance with the Labor Pension Act, KMC will make monthly contributions equal to 6% of each employee's monthly salary to employees' personal accounts in Bureau of Labor Insurance so as to assure sufficient funding for employee pension payments in the future.



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V. Provide a Safe and Healthy Working Environment

KMC conducts workplace safety inspections, labor safety education training and employee health examinations periodically to provide employees with a safe and healthy working environment. In addition, fire drills are conducted at least once a year in each plant to ensure the employees will respond adequately to unforeseen disasters.

We have set up security guards at the entrances of each plant and have access control at each office area to ensure that employees have a safe working environment. We also equipped various types of environmental protection facilities to the production line, including noise reduction facilities and heat recycling system. Moreover, employees are required to understand the safety regulations in advance and to follow the rules when operating the transportation facilities and overhead cranes in a warehouse.



VI. Building an Optimal Workplace

◆ Eliminate Illegal Discrimination

We strictly comply with government labor laws and international labor standards. From the beginning of recruitment, all KMC hiring procedures does not discriminate on the basis of race, social class, belief, religion, political preference, nationality, gender and age. Also, we won't ask applicants about any personal information that is not job-related during the interview. In 2020, there had been no reported incident of discrimination against employees.

◆ Sexual Harassment Prevention

In order to protect our employees' rights and provide a workplace free of sexual harassment, we have formulated "Regulations for Prevention, Complaint and Punishment of Sexual Harassment" to adopt appropriate measures to handle this conduct and protect the privacy of the parties involved. Meanwhile, we also established the Sexual Harassment Investigation Committee to deal with the complaints concerning sexual harassment. Even if the perpetrator is not an employee of KMC, we still handle it in accordance with the law and provide necessary prevention measures for our employees.

◆ Prohibit Forced Labor and Child Labor

In strict compliance with government labor laws, KMC will not force any non-willing personnel to carry out work-related tasks. If the need for overtime work arise, employee consent must be received. Following overtime work, we would provide overtime pay or compensatory leave to employees. In addition to using internal systems to monitor working hours, we also have established communication channels and convened communication meetings for employees to report any issue. Moreover, KMC only accepts applicants over 18 years old. Applicants are required to provide identity documents or diploma to prove they are over 18 years old and we will double check the age of new employees to avoid any mistakes or omissions.

Chapter 5. Building a Prosperous Society

We devote ourselves to charity with the intention of giving back what was gained from the society. By adhering to our core business, KMC is also actively connecting with the "KMC Passionate Cycling Sport Foundation", "Passionate Cycling (Shenzhen) Sport Foundation" and the "KMC Care and Public welfare Foundation" to bring together the resources of our company and our employees and form a network for social participation. We hope that KMC's efforts can bring positive changes to the society and let the power of doing good continue to flow.

I. Drive Positive Change Through Charity

Every person, every enterprise is part of the same whole. The only path to a prosperous society is the common good.

With love at our core, we have long concerned about the needs of the underprivileged group and provide direct help. By working with other charity groups, we could further devote more diverse resources into various aspects. In this case, we hope to drive the development of society with kindness, passing on the power of love and prospect.



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We deeply experienced how gathering love from all sides can make good things happen faster. If every one of our colleagues can always bear in mind how to bring warmth and philanthropy to society and take the initiative to care about the people, then we believe that the sustainable society we speak of will not just be a vision or an ideal, but a beautiful reality that all of us can enjoy.

◆ KMC Employees Donate Their Salary to Help Establish a Breast Cancer Center at National Cheng Kung University Hospital

When receiving the news that the National Cheng Kung University Hospital was about to establish a breast cancer center, Wu Ying-Chin, the chairman of the KMC, immediately launched a charitable donation. In just two days, we received enthusiastic responses from all employees and they volunteered to donate their one day's salary to NCKU Hospital.

Through this charitable donation, we hope to make the cancer center a warm and serene care place so that all the breast cancer patients can receive treatment by the professional medical team in a comfortable and friendly space. Also, creating a professional space will be helpful for building trust between doctors and patients. Moreover, a warm and comfortable environment would let more breast cancer patients feel relaxed and thereby get speedy recovery.

KMC believes that connecting people is just as important as connecting links. Furthermore, we actively established greater connections and mutual relationships with the communities, and encouraging our employees to serve as volunteers to engage deeply in social participation. We are willing to pass on the power of love and positive social influence to all corners of Taiwan. Just like in the past forty years, we've seen that with our bicycle chains, we can bring people closer together.



◆ KMC Sponsored Cycling Surround Island Service Project

Taiwan has officially become an aged society. The need of taking care of elder people has become an urgent priority. A group of enthusiastic college students formed a bicycle team and planned to start a two-week cycling around Taiwan tour service project. Riding all the way from north to south, they brought warmth to 8 nursing homes and accompanied every elder in the institution so as to convey their love and care. As a Taiwanese company, KMC is committed to promoting the concept that cycling could generate a positive cycle and become a force for uplifting society. For four consecutive years, we have sponsored bicycle equipment and resources for the Love Now Youth Volunteer Association to provide our encouragement and support.

The members of the Love Now club adhere to the spirit of "Sharing love instantly and accompanying with care". They customized performances and games according to the abilities of the elders, allowing the elders to join the activities together. Through face-to-face interaction, we could turn the actual companionship into warm power so that the elders can receive mental support and satisfaction. Love Now Youth Volunteers visit nursing institutions across Taiwan through bicycle riding to promote interaction between people and let the power of love continue to flow. As a member of the bicycle industry, KMC is willing to see that cycling could bring positive change to the society. In the future, we will continue to support the related activities of the Love Now Youth Volunteer Association.



II. Green Cycling

KMC continuously collaborates with various cycling-related organizations. We have actively taken part in the promotion of cycling culture by working with many associations over the years. Moreover, we also provide long-term support to countless cycling organizations around the world, such as Cycling Lifestyle Foundation, Cycling & Health Tech Industry R&D Center, People For Bikes (USA), IMBA, and Duchenne H (Netherlands). What we hope to do is to introduce cycling culture to every corner of the world and to encourage people to choose cycling as a way to a healthier and greener lifestyle.

◆ KMC entered rural elementary school

Zooming around on a bicycle is one of the best memories a child can have.

In view of the inconvenience of transportation in rural areas, it is more important for children to have right riding skills and knowledge. Therefore, in 2020, we entered rural elementary school and carried out the riding knowledge and cycling culture to children. Childhood is the



most memorable and happy moment in our life. In this case, we bring the lecture with joy and we also build a safe riding environment for them to ride.

For many kids who are on road for the first time, safety is the top priority. How to prevent injuries when enjoy riding is our main issue. We provided a secure learning environment with the accompanying of coaches to build proper riding concepts. Moreover, by setting different level of challenges in the riding course, we could enhance their sense of crisis and deepen their impression.



When kids learn to ride, it's imperative that they also have to learn the traffic rules and how to protect themselves. KMC offers a series of kids' riding lessons which both parents and kids are invited to attend. By attending this program, parents can ensure that their children learn to ride safely and properly.

As a kind of leisure activities or a form of exercises, riding is suitable for everyone. Through this course, we are glad to receive positive feedback from kids. In the future, we will continue to promote the program of "Kids Riding Club" which could let the kids to have early acquaintance with bicycle knowledge and also help to build their exercise habit.

◆ Cycling Superman made its debut in Tainan Cycling Festival

In 2020, "Tainan Cycling Festival" has been running for ten years. This festival was host by four Tainan local bicycle-related companies, including PROWHEEL, KMC, KS and SYB. On December 13, 2020, this event was held at Tainan Anping Love Square and there were several activities, such as classic 100K challenge, exploring Tainan 25K, push bike and cycling superman. By organizing the cycling event for all ages, we hope to attract those who love cycling.



We continue to contribute our effort through social activities for many years. Based on our six individual CSR activities, "Kids" is specific for child which we hold educational camps to deliver safe-riden concept. This year, we expand the scale and introduced the concept of driving training test into our educational camps. We also reorganized the layout of the riding court and enhance the realistic level of the props. Moreover, we set up the traffic signals to make the simulated riding more realistic. Combining with the largest bicycle activity-Tainan Cycling Festival, we offered a series of kids' riding lessons which both parents and kids were invited to attend. By attending this program, it could let the kids to have early acquaintance with bicycle knowledge and also help them to learn how to ride safely and properly.



We have always believed that the habit of cycling should cultivate from an early age. Therefore, in recent years, we have tried our best to promote our educational camps. Through our educational camps, we could see little kids struggling to move forward on their own and their family also cheer for them. By spending the whole morning together, they could improve their parent-children relationship as well.

Cycling is a very pleasant activity. We hope to become a leader to bring more people to experience the infinite charm of riding bicycle. KMC committed NT\$200 thousand toward this activity and a total of 300 people participated in this activity.



III. Sponsor Cycling Team

Excellence is the goal we are striving toward.

"Link to Perfection"– we take this motto seriously. We are not only devoted to reducing the weight of the chain so as to enhance the riding performance, but also value talent cultivation. We sponsor athletes and teams that strive for excellence so that they can focus on training, excelling, and making a place for themselves on the world-class stage.



We believe that our efforts to support these training programs will help athletes firmly move towards higher goals, encourage more people to cycle, and continue to popularize cycling as a form of exercises.

◆ 2020 UCI World Ranking No.1 - Team KMC ORBEA

Team KMC ORBEA finished the season in the UCI and ranked No. 1 in the UCI Endurance Ranking. In 2020, under the COVID-19 pandemic, our riders all did their best to win lots of prizes in such harsh conditions, including No. 1 World Ranking, two World Cup team Awards, six Individual World Cup podiums and thirteen UCI victories.



We were highly honored and proud of their outstanding performances. These outstanding performances would not have been possible without excellent riders and products. Over 9 years of partnership, Team KMC ORBEA has been

able to test, approve and benefit from the shifting performance, durability, and reliability of the X10, X11 and X12 series by participating various competitions with all kinds of conditions and environments. They also prove that KMC chain is definitely the best choice for top cyclists to use in the races.

Hope that our team members will continue to have outstanding performances in international events so as to let our manufacturing technology be well-known throughout the world.



IV. Sharing Cycling-Related Knowledge

Knowledge is an essential foundation for riding.

We can simply step on the pedals and hit the road with our bicycle. But if we want to ride further, we need to know how to ride safely. From simple inspection to bicycle maintenance, KMC works with bike shops, school clubs and government institutions to provide the necessary workshop. Through our Dr. Chain

workshops, we could not only share bicycle-related knowledge, but also reduce bicycle injuries by teaching safe riding behaviors.



◆ Dr. Chain Workshop was Invited to the Campus for Lecture

On April 28, the Dr. Chain workshop was invited by the National Tsing Hua University Bicycle Club to give their members practical courses and teach them how to repair and maintain their bicycles properly. This workshop covered the following topics: how to put a bike chain back on, the maintenance of the bicycle chain, standard principle of checking the status of the chain and choosing different cleaning ways according to the dirty condition of chain. Through simple course and hands-on practices, we make it easy for them to learn and quickly master the skills that we taught in the classroom.



About This Report

KMC International Inc. continues to issue Corporate Social Responsibility Report in 2021 and aims to issue the report once a year. (The English version of 2019 CSR Report was issued on Dec 30, 2020). We disclose our views and strategies for sustainable issues related to the environment (E), society (S) and governance (G).

◆ Reporting Guidelines and Principles

We followed the standards set by the Global Reporting Initiative to issue our CSR Report and transparently reveal our sustainable performance with its core disclosure level. GRI Standards Comparison Table can be found in the appendix of this report.

◆ Reporting Period, Boundary and Scope

We established systematic processes to manage major sustainability issues and used materiality to serve as the basis for compiling our CSR Report. The reporting period was between January 1 and December 31, 2020, with part of the information tracing back to related performances before 2020. The disclosed information stated in this report included factory and office located in Taiwan. Compared to last year, there was no significant change in our scale, structure or ownership as well as no material impacts on the content of the report. Please refer to our 2020 Annual Report for details regarding the structure of KMC Group.

◆ CSR Information Disclosure

This report was published in both English and Chinese and was available on KMC's website and MOPS. All non-financial information was provided by relevant internal departments and was compiled in accordance with requirements of GRI Standards to reflect our performances. The financial

information had been audited by CPA and was published in the annual report.

◆ Responsible Unit

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If you have any feedback, advice or suggestions on this report or KMC's sustainable development, please feel free to contact us.

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GRI Standards Comparison Table

GRI Standard	Disclosure Title		Page	Report Contents or Explanation
GRI 102 : General Disclosures 2016	Organization Profile			
	GRI 102-1	Name of the organization	14	Corporate Governance
	GRI 102-2	Activities, brands, products, and services	13-14 31-33	Corporate Governance Business Performance and Profitability
	GRI 102-3	Location of headquarters	14	Corporate Governance
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	GRI 102-11	Precautionary Principle or approach	17-18	Corporate Governance
	GRI 102-12	External initiatives	19-20	Corporate Governance
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	Strategy			
	GRI 102-14	Statement from senior decision-maker	4-6	Letter from the Chairman
	GRI 102-15	Key impacts, risks, and opportunities	17-18 33-36	Corporate Governance Business Performance and Profitability
	Ethics and Integrity			
	GRI 102-16	Values, principles, standards, and norms of behavior	11-12	Corporate Governance
	Governance			
	GRI 102-18	Governance structure	7-11	Corporate Governance
	Communicate with Stakeholders			
	GRI 102-40	List of stakeholder groups	23	Corporate Governance
	GRI 102-41	Collective bargaining agreements	-	None
	GRI 102-42	Identifying and selecting stakeholders	23-24	Corporate Governance
GRI 102-43	Approach to stakeholder engagement	26	Corporate Governance	
GRI 102-44	Key topics and concerns raised	23-26	Corporate Governance	

Reporting Practice				
	GRI 102-45	Entities included in the consolidated financial statements	15-16	Corporate Governance ; Please refer to 2019 KMC Annual Report
	GRI 102-46	Defining report content and topic boundaries	68-69	About This Report
	GRI 102-47	List of material topics	24-25	Corporate Governance
	GRI 102-48	Restatements of information	-	None
	GRI 102-49	Changes in reporting	-	None
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	GRI 102-51	Date of most recent report	68-69	About This Report
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	GRI 103-2	The management approach and its components	27	Business Performance and Profitability
	GRI 103-3	Evaluation of the management approach	27	Business Performance and Profitability
GRI 201 : Economic Performance	GRI 201-1	Direct economic value generated and distributed	30	Business Performance and Profitability
	GRI 201-2	Financial implications and other risks and opportunities due to climate change	33-36	Business Performance and Profitability
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	GRI 201-4	Financial assistance received from government	-	None
GRI 204 : Procurement Practices	GRI 204-1	Proportion of spending on local suppliers	37	Business Performance and Profitability

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GRI 103 : Management Approach	GRI 103-1	Explanation of the material topic and its boundary	25、38	Corporate Governance、Commit to Environmental Sustainability
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	GRI 103-3	Evaluation of the management approach	38	Commit to Environmental Sustainability
GRI 301 : Materials	GRI 301-3	Reclaimed products and their packaging materials	39-40	Commit to Environmental Sustainability
GRI 303 : Water	GRI 303-3	Water withdrawal	45-46	Commit to Environmental Sustainability
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GRI 404 : Training and Education	GRI 404-1	Average hours of training per year per employee	51-52	Creating a Friendly Workplace
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