



2021 ESG REPORT

KMC International Inc.



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Letter from the Chairman

Looking back at 2021, under the continuing impact of the pandemic, the global economy experienced unprecedented impact, which disrupted the world's daily operation model. Unfavorable external environment factors such as raw material price hike and disrupted logistics almost became the new norm of 2021. Thanks to our employees and the management team, we worked together to overcome various obstacles and generated record-high performance in adversity. In 2021, our operating revenue reached NT\$7.75 billion with YoY growth of 26%. Net profit after tax reached NT\$2 billion with YoY growth of 32%. EPS was NT\$15.94 for the year, which broke the record in three consecutive years.

As a dedicated advocator of green transportation, KMC continued to promote ESG. In the Sustainalytics' ESG ratings, KMC was ranked top 1 in the bicycle industry, and the top 8% 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. KMC has entered the top 35 of the "Best Global Brand" since 2018 and won the "Best Potential Brand of Taiwan". In 2021, KMC ranked at 24th place in Best Taiwan Global Brands survey with brand value of USD68 million. 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". Since 2020, digital media has also become another way of brand communication. KMC has effectively improved brand communication efficiency and presented multifaceted brand values through new approaches such as VR and AR, reversing past models of product exchange at specific exhibition venues and building global online marketing channels with zero time zone difference.

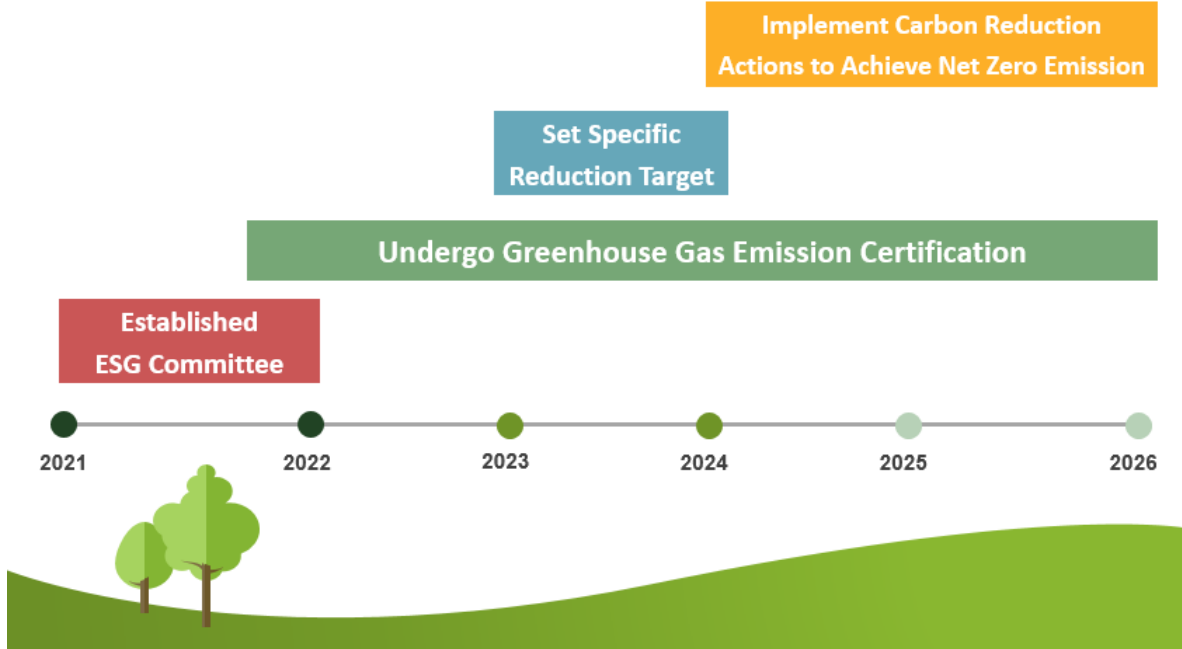
Also, we will put our efforts on sustainability and green policy. By establishing green factories, utilizing green packaging materials, investigating carbon emission and optimizing the production process, KMC has adopted the green concept into our product and manufacturing process to achieve net zero emission.



With the rising level of global urbanization, those issues getting more attentions including environmental protection, traffic and public health. Countries have been calling people to care for the environment with real actions, reducing the impacts on the Earth, improving our environment, and preventing the damages to the environment. When a country or a region announces its goal of carbon neutrality, it implies that the policy, business models, energy transformation, and environmental regulations shall make changes accordingly. This will bring fundamental impact to alleviating climate change and natural disasters.

In recent years, with frequent changes in international trends, accelerated health industry transformation. Promoting cycling seems to be one of the efficient policy to achieve low-carbon and eco-friendly in terms of a daily commute. As a short-distance vehicle, bicycles bring a lot of economic, environmental and health-related benefits. No matter for environmental awareness, urban transportation, or public health safety, bicycle is undoubtedly the best and the simplest solution. The governments of various countries have also gradually promulgated regulations to promote the transition to the bicycle riding culture for the different groups who will become bicycle users, and shape the next generation to become bicycle generations.

In 2021, KMC has also officially set up a dedicated ESG promotion team to promote and respond to the Group’s commitment to sustainable development issues. With the establishment of the ESG Task Force, KMC will start to carry out two major tasks, namely, Task Force on Climate-related Financial Disclosures (TCFD), following the initiative of the Financial Stability Board (“FSB”) to develop a consistent set of voluntary climate-related financial information disclosure recommendations, collecting forward-looking financial impact information that assists decision making, with a higher focus on the risks and opportunities involved in the organization's transition to a low-carbon economy. Secondly, we will promote the science-based target (SBT). By calculating greenhouse gas emissions through scientific approach and weight calculation, we plan to obtain external certification so as to meet the global goal of net zero emissions by 2050 with setting a science-based mid-term carbon reduction goal.



Our Focus and Strategy

Cycling is at the core of the mobility transition. In order to tackle important industry-wide challenges, KMC not only focuses on improving the industry's core capabilities, but also takes continuous action with regard to ESG issues. Since 2021, the ESG Committee has integrated cross-organizational resources and strengths with the aim of sustainable development, formulating systematic management strategies, implementing related measures and reviewing action plans. Meanwhile, 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 as well as proactively engage in the ongoing green transition and circular economy. We firmly believe that corporate growth and the natural environment can coexist prosperously, and we implement green practices to ensure this. We are also dedicated to protecting the planet and will make continuous efforts to reduce carbon emissions. The sustainable packaging is the first of many ways we will act to reduce our environmental impact. In addition, 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.

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

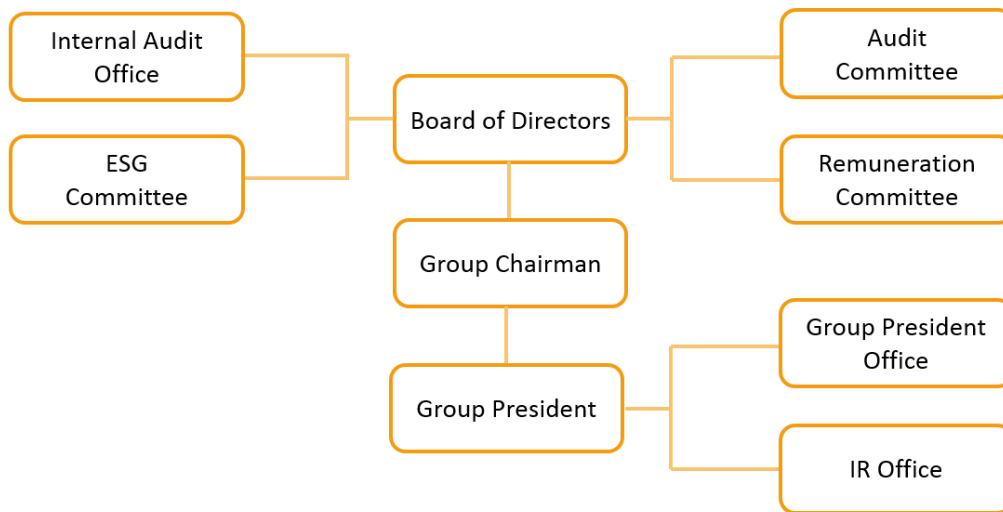
KMC has set "Becoming the most valuable transmission brand" as our goal; therefore, constantly insisting on refinement of product design and innovative manufacturing process are the way to provide consumers and clients with the chain products featuring the highest quality and the best compatible transmission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



<p>Policy and Commitment</p> 	<ol style="list-style-type: none"> 1. Carry out business activities based on principle of fairness, honesty, trustworthiness and transparency. 2. Abide by the laws and regulations of the countries and regions in which we operate our businesses, with regulatory compliance being the minimum standard. 3. Establish a dedicated Ethical Management Implementation Team to promote ethical management.
<p>Goal</p> 	<ol style="list-style-type: none"> 1. Deeply plant the Ethical Corporate Management Principles into the Company's corporate ethics and culture to enhance its reputation, while pursuing sustainable management. 2. Create a sound regulatory compliance culture, and uphold integrity and discipline so as to foster the Company's robust operations.
<p>Action Plan</p> 	<ol style="list-style-type: none"> 1. Set up a corporate culture and sound risk control mechanism based on ethical management, and formulate Ethical Corporate Management Principles, Procedures for Ethical Management and Procedures for the Prevention of Insider Trading. 2. Proactively focus on the development of foreign and local ESG measures and regulations, and adjust the Company's internal systems and business operations accordingly. 3. Pay attention to internal and external ethical management-related cases and strengthen related inspections and promotions when necessary. 4. Enhance the promotion of ethical management and implement it in daily task execution.
<p>Evaluation Mechanism</p> 	<p>Report to the Board of Directors on the implementation status of ethical management on an annual basis.</p>
<p>Grievance Mechanism</p> 	<p>An independent reporting email (ir@kmc-international.com) has been set up for internal and external personnel.</p>

◆ 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 ESG 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 2021, the Board of Directors held ten meetings, with an actual director attendance rate of 100%, 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 2021, the Remuneration Committee held two meetings, and the actual attendance rate of the convener and committee members was 100%.

- **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 2021, the Audit Committee held 8 meetings, and the actual attendance rate of the convener and committee members was 100%.

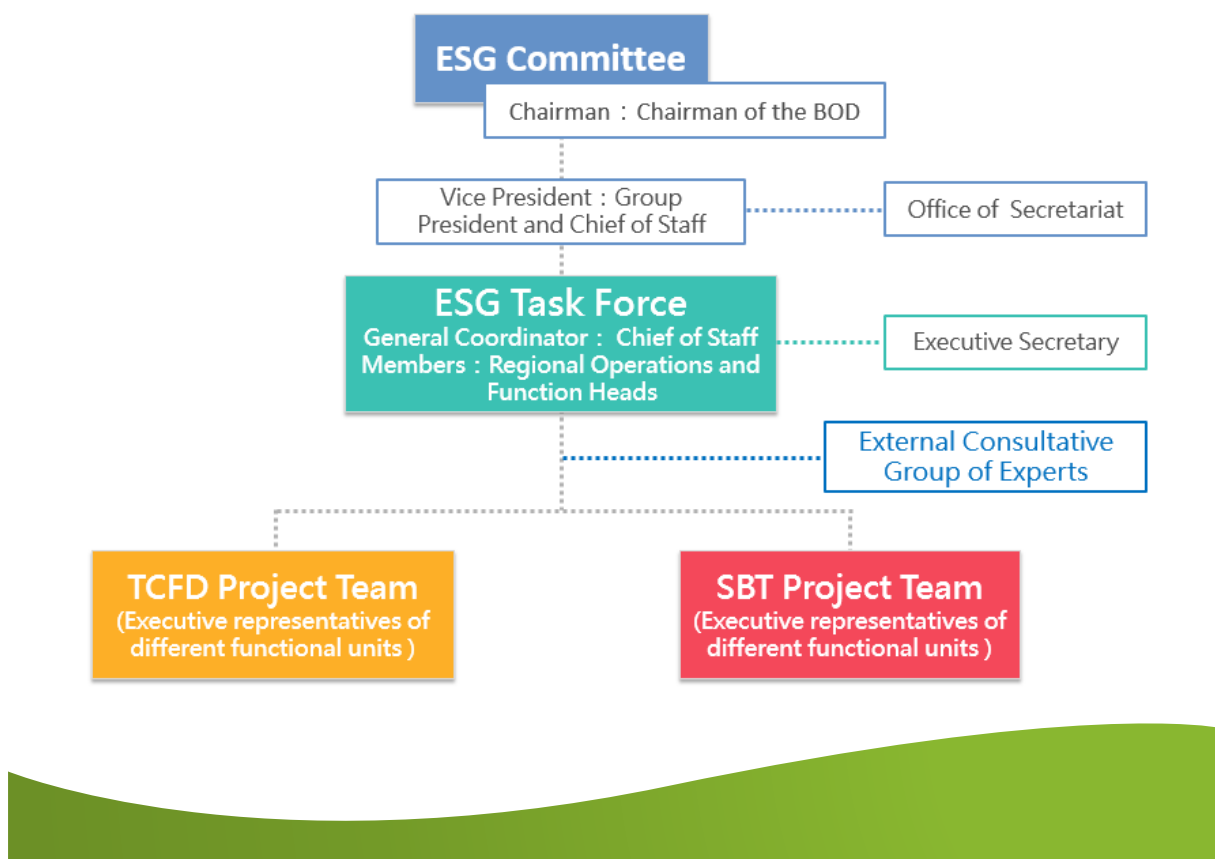
- **Internal Audit Office**

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 ESG Task Force 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 set mid-to-long-term development directions and goals as well as 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. The board of directors would supervise progress towards sustainable development.



▲ KMC ESG Committee Organization

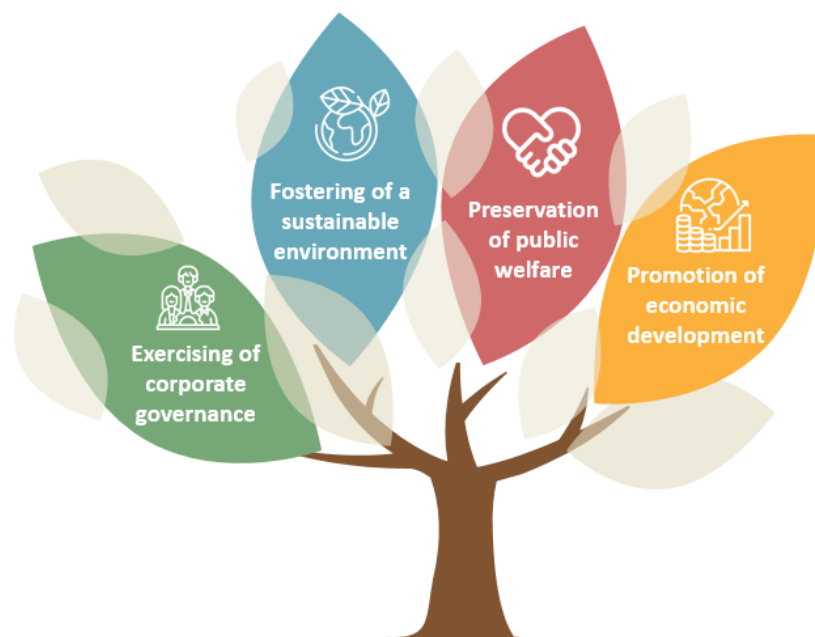
◆ ESG Policy and Mission

Embracing a philosophy of "Mutual Altruism to Advance the Greater Good", KMC has not only strived for the highest achievements in its core business since its establishment, but has also actively developed positive relationships with all stakeholders so as to align with global trends in sustainable development, take tangible action on our sustainability mindset, fulfill our responsibility as a corporate citizen and pursue a sustainable future.

KMC maintains its commitment to promoting economic, environmental and social sustainable development in its various aspects of operation. These include providing more eco-friendly products, improving corporate governance, taking stakeholders' benefits into account, protecting the environment, improving energy and resource efficiency, and more. Along with continuously addressing sustainability issues, we also focus on the relationship between KMC's value chain, the environment and society. We actively play our role as an international corporate citizen based on our core competencies in order to drive the industry and supply chain into a positive cycle and to act together with them as an uplifting force in society.

KMC has also 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.

KMC's Board of Directors has clearly defined 4 major principles with the "Sustainable Development Best Practice Principles" that state our ESG responsibilities: Exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare, and promotion of economic development.



◆ Implementation of Ethical management

Ethical management is extremely important to stakeholders and companies. Unethical practices of a company may result in lower operating efficiency, loss of capital, and affect the trust between stakeholders, further seriously damaging a company's sustainability.

KMC upholds integrity as the core philosophy and focuses on issues of ethical management. We keep a close eye on the changes in the management environment, while reviewing and amending principles, operating procedures and conduct guidelines related to ethical management on par with the government's policy. 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).

Sustainable Development Best Practice Principles

We refer to the "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies" to establish this principle for the implementation of corporate social responsibilities, promotion of economic, environmental, and social advancement to achieve sustainable development.



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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



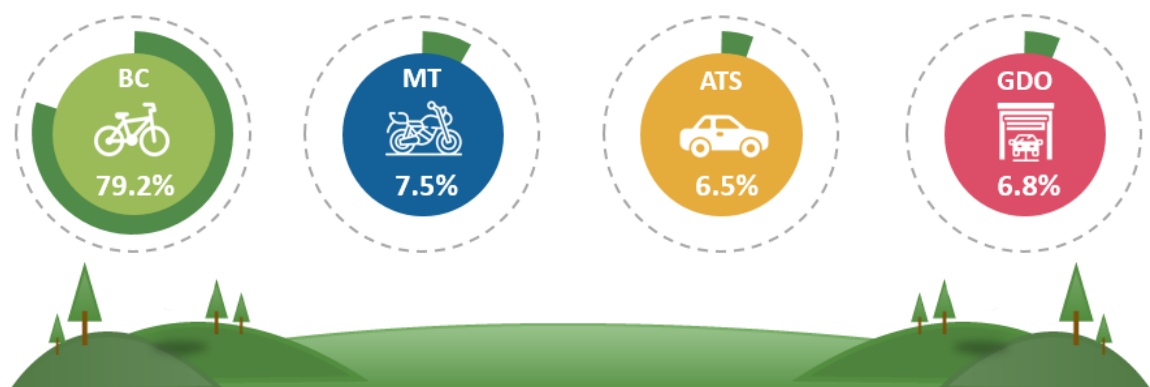
Unit : NT\$ thousand

KMC (Kuei Meng) International Inc.

	2019	2020	2021
Consolidated revenue	5,239,635	6,130,483	7,750,983
Consolidated gross margin	2,143,280	2,819,482	3,589,225
Consolidated net profit after tax	1,007,490	1,514,646	2,007,957

◆ Product Mix

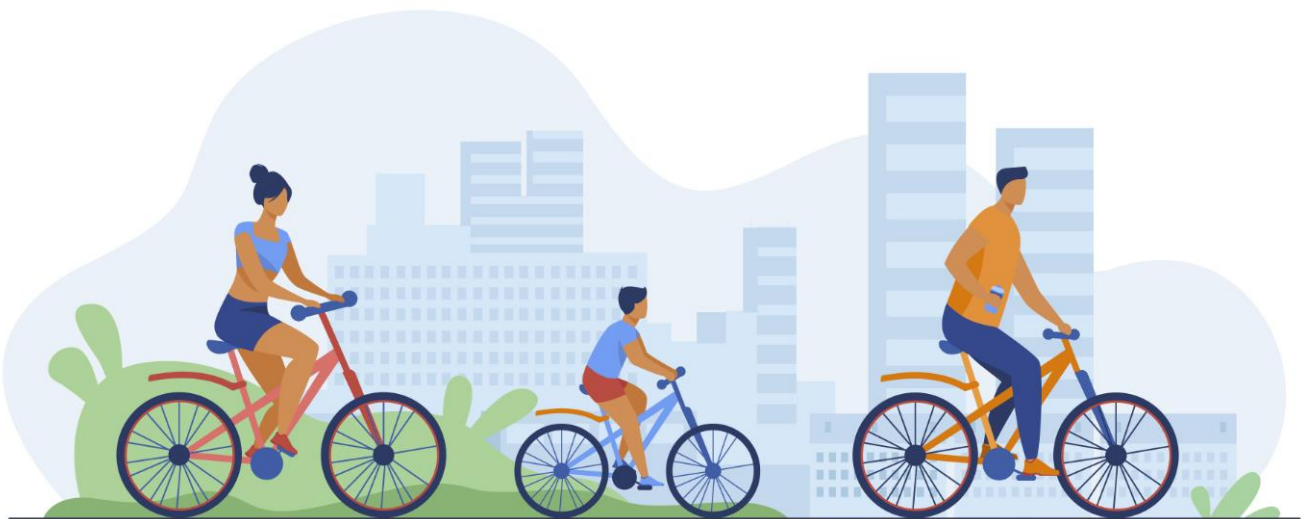
KMC provides various chains and related components, including bicycle chain and component (BC), motorcycle chain and component (MT), chain for automobile timing system (ATS) and chain for garage door opener (GDO). Bicycle chain and component are our main products which accounted for 79.2% of our total 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
	Kynamic Inc.		Selling various bicycle components	Bicycle 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.	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.,	Selling various motorcycle chains and components	Motorcycle manufacturer



		Ltd.		
		KMC Automotive Transmission Co., Ltd., KMC (Suzhou) 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 manufacturer
		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	PT. Kuei Meng Chain Indonesia		Selling various motorcycle chains and components	Motorcycle manufacturer






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	Corresponding Chapter
Financial risk 	<ol style="list-style-type: none"> 1. Exchange rate 2. Interest rate 	<ul style="list-style-type: none"> ● Financial and accounting department would collect exchange rate changes information at any time while controlling foreign currency exposure in a stringent manner 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, allocate appropriate floating/fixed financing ratio and take necessary measures to reduce the impact of interest rates on the company's profit or loss. 	<p>p.96 on the 2021 Annual Report</p>

Category	Potential risk	Risk control and treatment	Corresponding Chapter
<p>Information security risk</p> 	<ol style="list-style-type: none"> 1. Information equipment safety 2. Virus detection 3. Information security 	<ul style="list-style-type: none"> ● Information technology department would increase 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. 	<p>p.78-79 and P.99-100 on the 2021 Annual Report</p>
<p>Market risk</p> 	<ol style="list-style-type: none"> 1. Market competition 2. Trade protection 3. Consumer behavior change 4. Unfriendly competition 	<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. ● We have effectively improved brand communication efficiency and presented multi-faceted brand values through new 	<p>p.73 on the 2021 Annual Report</p>

Category	Potential risk	Risk control and treatment	Corresponding Chapter
		<p>approaches such as VR and AR, reversing past models of product exchange at specific exhibition venues and building global online marketing channels with zero time zone difference.</p> <ul style="list-style-type: none"> ● Enhance the alertness of distributors and customers through rigorous staff training. Also, use different packaging and label design to enable our customers to distinguish between genuine and counterfeit products. 	
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 	Chapter 2 Business Performance and Profitability
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 	Chapter 2 Business Performance and Profitability
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 	p.41-42 on the 2021 Annual Report

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. Meanwhile, we also comply with the labor regulations to build a safe and diverse workplace, while prohibiting any violation against the dignity, human rights and any form of discrimination against employees to continue. By doing so, we hope to shape a robust business style and corporate culture. No violations of human rights occurred in 2021.

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.



◆ Participation in external associations

In 2021, 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
2019	197,912
2020	198,469
2021	287,782



V. Regulatory Compliance

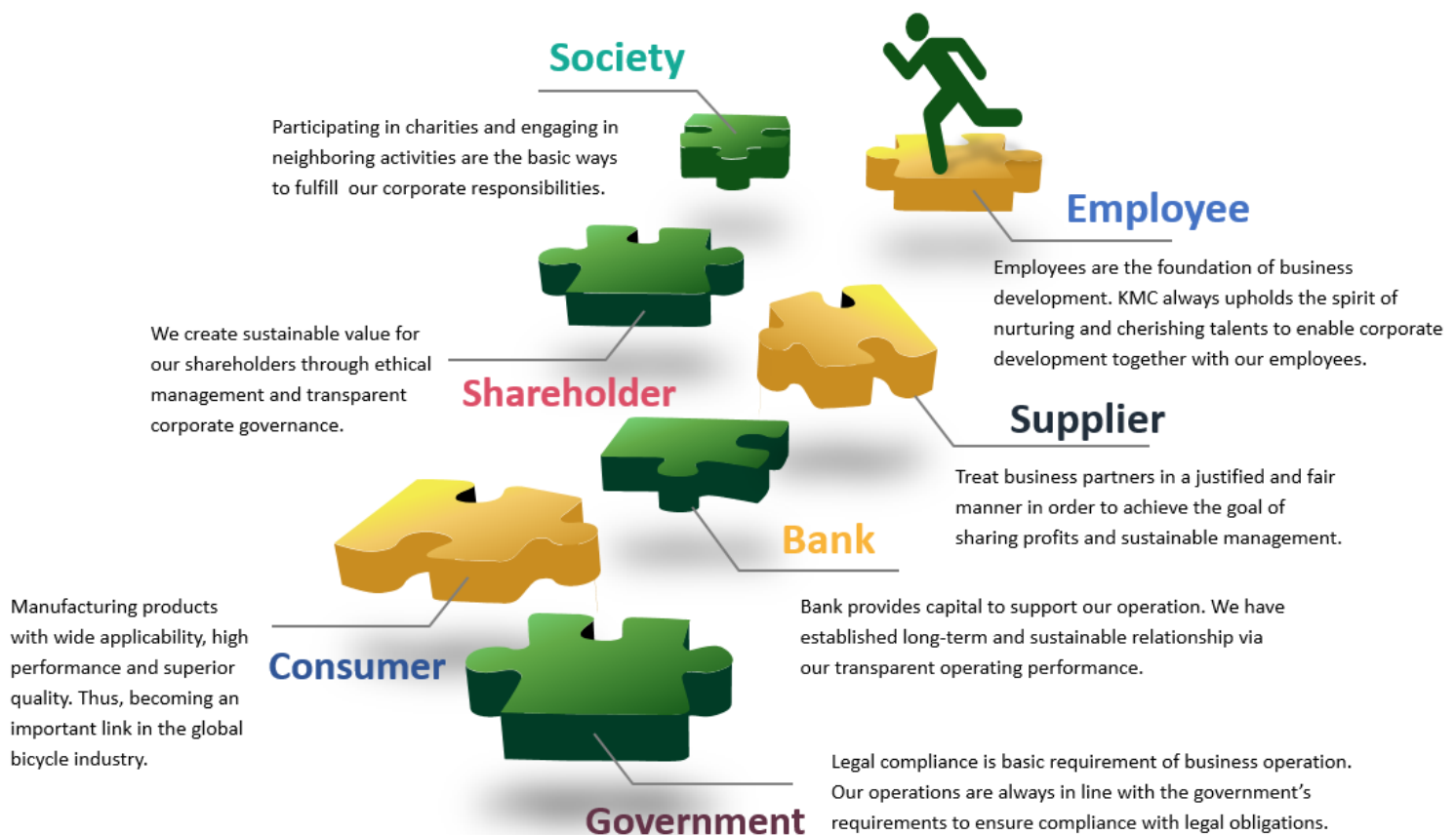
Operating business in compliance with all applicable laws and regulations is our primary goal. We have specialized units in place to ensure our legal compliance through constantly monitor any changes in regulations. In 2021, there were no fines or non-monetary sanction imposed for violation of laws and 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 2021

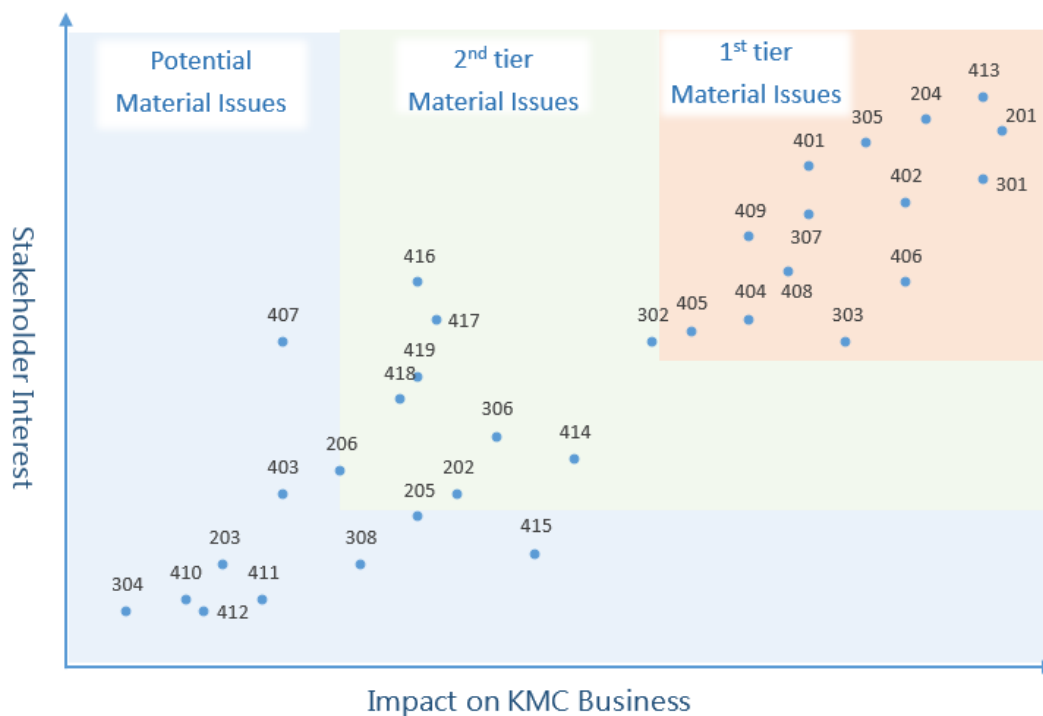
Understanding and giving appropriate responses to the issues related to stakeholders' interests are key factors to ensure sustainable development. We first identify major stakeholders and perform investigations on them to truly understand what our stakeholders concerned from various channels. Then, we take into account the level of interest and impact on operation to identify material issues for 2021.

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



After completing the above steps, we could identify the material issues for 2021 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 ESG performance will be disclosed in our website, annual report and ESG 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 ESG 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, ESG 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. The production, sales, people, development, money invested by a company as well as its operating activities and effective risk control are also key concerns of stakeholders.

◆ 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 company and the stakeholders including employees, customers, suppliers, and investors.

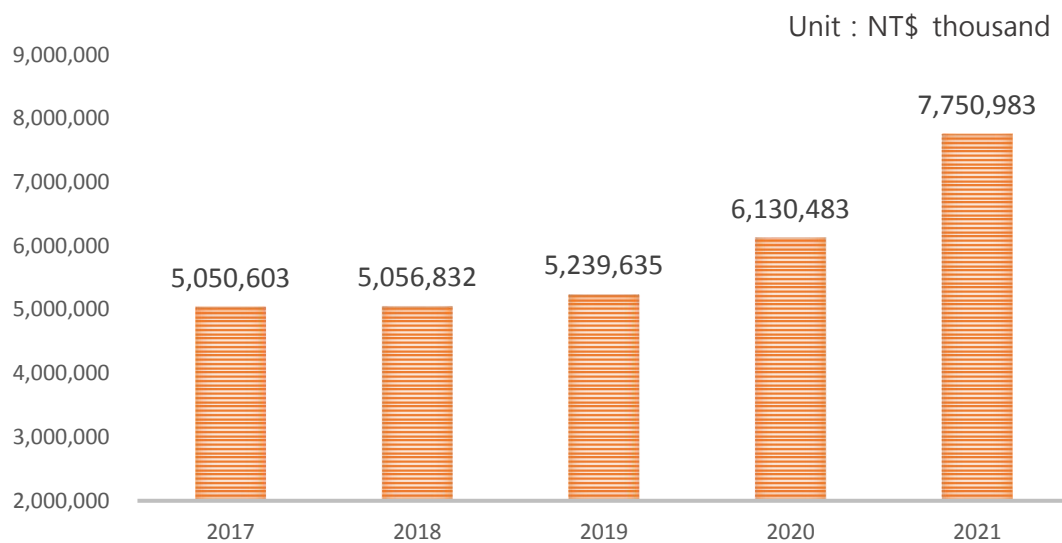
◆ Management Strategy Valuation

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.

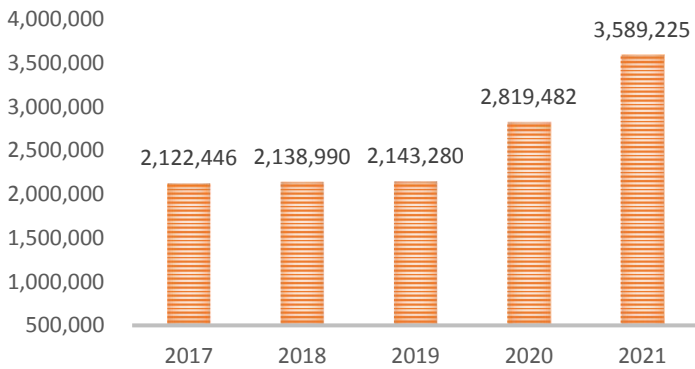
I. Operating Performances

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\$7.75 billion and consolidated gross margin was NT\$3.59 billion. Net income was NT\$2.01 billion and earnings per share were NT\$15.94.

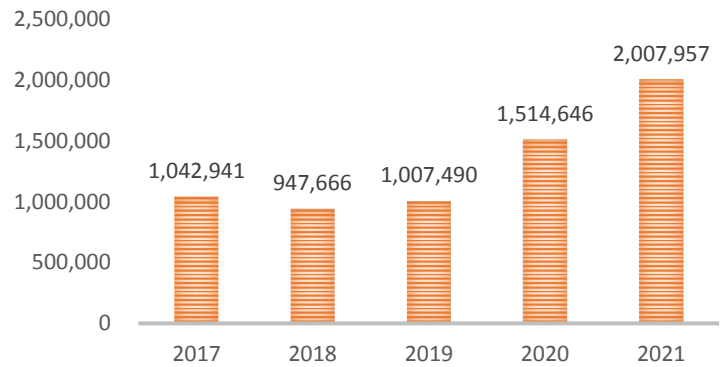
OPERATING REVENUE



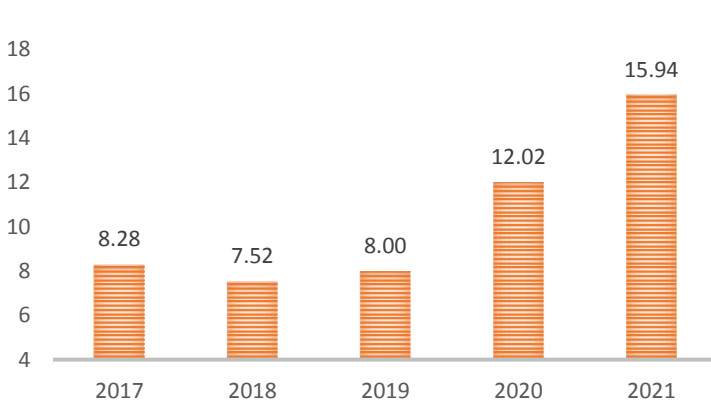
GROSS PROFIT



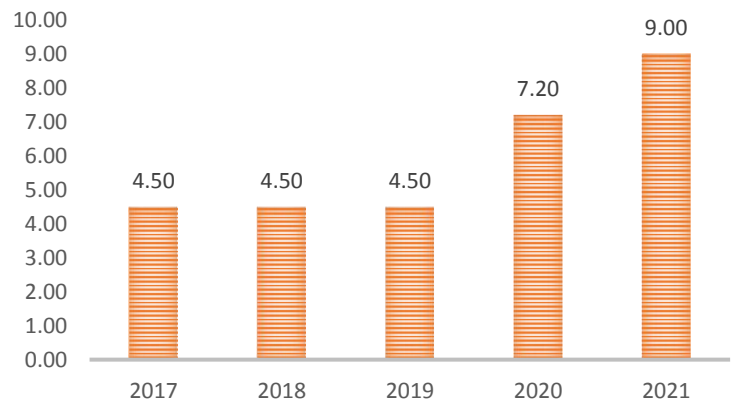
NET INCOME



EARNINGS PER SHARE



CASH DIVIDEND



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◆ Dividend Policy

Since 2021, to be in line with international capital market practice and follow benchmark companies, KMC started to distribute cash dividend on quarterly basis. Total dividend of NT\$9 has been distributed in 2021. KMC is currently one of the few companies among over 1,700 listed companies in Taiwan that actually have adopted quarterly cash dividend distribution, demonstrating its stable operations, its emphasis on corporate governance and respect for the interests of its shareholders.

◆ Accountant Rotation and Independence

Each year, we take the initiative to assess the independence of our certified accountants. This year, the results were submitted to the Audit Committee and the Board of Directors on August 11, 2021 for reviewing, which were approved. The certified accountants of Deloitte Taiwan were in line with KMC's independence assessment criteria. There is also a duty rotation policy within Deloitte Taiwan to maintain the independence of certified accountants, and an independence statement is issued to the Company each year.

◆ Real-Time Disclosure of Transparent Information

In order to protect the rights of the stakeholders, transparency and integrity are crucial factors to the company. We do our best to provide diverse channels to deliver the message and communicate with stakeholders, and present material information in various, transparent, and instant ways, so as to enhance the connection and communication between the company and its stakeholders. Transparent and timely financial and non-financial information are disclosed in both Chinese and English, enabling language-barrier-free access for all stakeholder to the Company's information.

◆ Economic Value Generated and Distributed by the Organization

Unit : NT\$ thousand

		2021	2020
Economic value generated		<u>4,418,415</u>	<u>3,249,101</u>
Operating revenue	Net sales	3,510,031	2,462,114
	Realized (unrealized) gain on sales to affiliated companies	(89,408)	3,8310
	Interest income	4,939	5,287
	Other income	7,951	5,978
	Other gains and losses	(13,166)	(25,991)
	Investment gains	998,068	763,403
Economic value distributed		<u>3,509,270</u>	<u>2,454,862</u>
Operating cost	Cost generated from operating activities	2,107,399	1,508,463
Employee wages and benefits	Employee welfare expenses	190,725	153,104
Payments to providers of capital	Cash dividend	907,200	567,000
	Interest expense	15,272	27,515
Payments to government	Business income tax	287,782	198,469
Community investments	Donation	892	311
Economic value retained		<u>909,145</u>	<u>794,239</u>

※ For more details of related financial figures, please refer to KMC's 2021 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



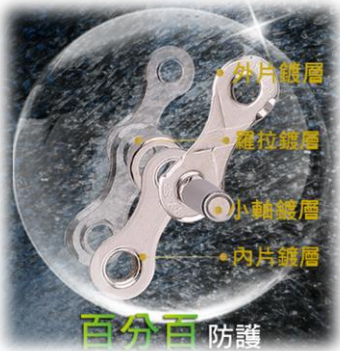
Road bike chain series



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.

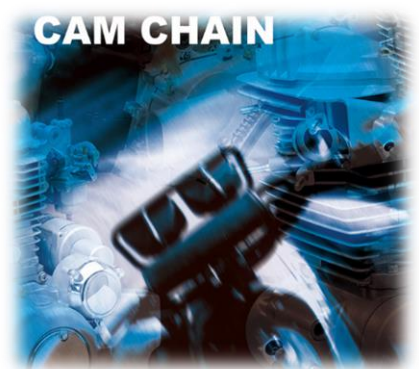
Heavy Duty Chain Series



Standard Driving Chain Series



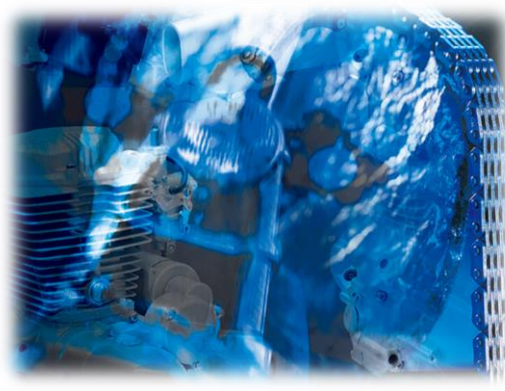
Cam Chain Series



Chain and Sprocket Kit



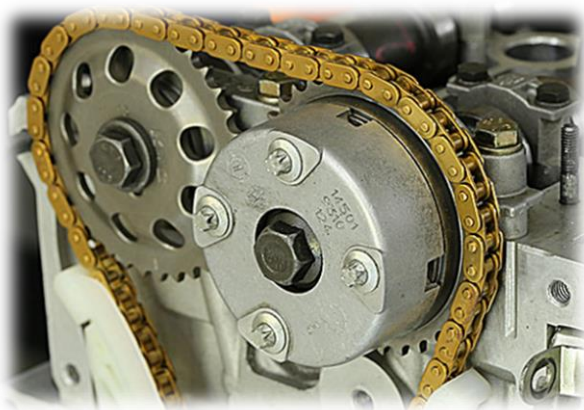
Silent Chain Series



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

Many climate-related natural disasters have occurred in recent years. Not only have these natural disasters caused operational losses for many companies, but they also directly affect the daily lives and properties of many people. According to “The Global Risks Report 2021” published by World Economic Forum (WEF), extreme weather, climate action failure and human-made environmental disasters have once again become the most urgent risk issues that we need to deal with. Among them, extreme weather is one of the risks with the highest probability of occurrence for five consecutive years.

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.



To reinforce our climate risk control mechanism, we adopted the disclosure and management framework prescribed in the task force on climate-related financial disclosures (TCFD). This assess and reviews the impact posed by climate change, which enables us to develop governance strategies for climate changes issues in order to respond to the impact brought by climate change.

◆ Climate Change Risk Governance Framework

The top unit of the governance for our climate change issues would be the Board of Directors which also supervises the ESG Committee's policies over related issues. There are several task forces under the ESG Committee for management of issues and evaluation of impacts. The ESG Committee would report the implementation status of each functional group to the board of directors periodically. In order to strengthen our risk assessment on climate change issues, the overall climate change risks and opportunity evaluation are carried out based on the business jurisdiction and operational development situation of each unit. By increasing our understanding on key climate risks and opportunity issues, we are able to develop suitable countermeasure and strategies, in the hope to mitigate the impact on our operations brought by climate issues, elevating our operational resilience towards climate change.

◆ Climate Risk and Opportunity Evaluation

Through three phases, we have sorted out and assessed five major climate risks and opportunities to better understand the impact of climate change on the operation of KMC.



Step 1

Collection of climate-related risks and issues in the bike industry

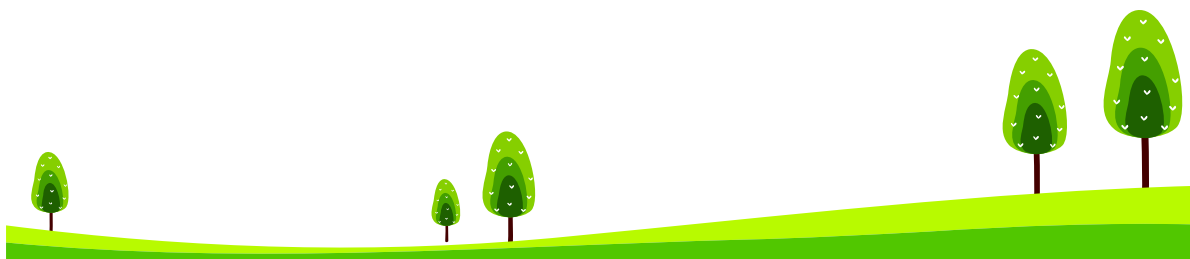
Collect ESG reports, annual reports and third-party research reports from the bicycle industry and domestic and foreign benchmarking companies to summarize the current climate change opportunities and risk issues that the bicycle industry is concerned about, deciding on 9 risk and 9 opportunity topics from the perspectives of transition risks, physical risks and climate opportunities.

Category	Item	Number of Topics
Transition risk	Policy and Legal risk	3
	Market and Reputation risk	2
Physical risk	Acute risk	1
	Chronic risk	3
Climate opportunities	Resource efficiency	2
	Market	4
	Product and service	3

Step 2

Inventory of KMC's climate-related risks and opportunities

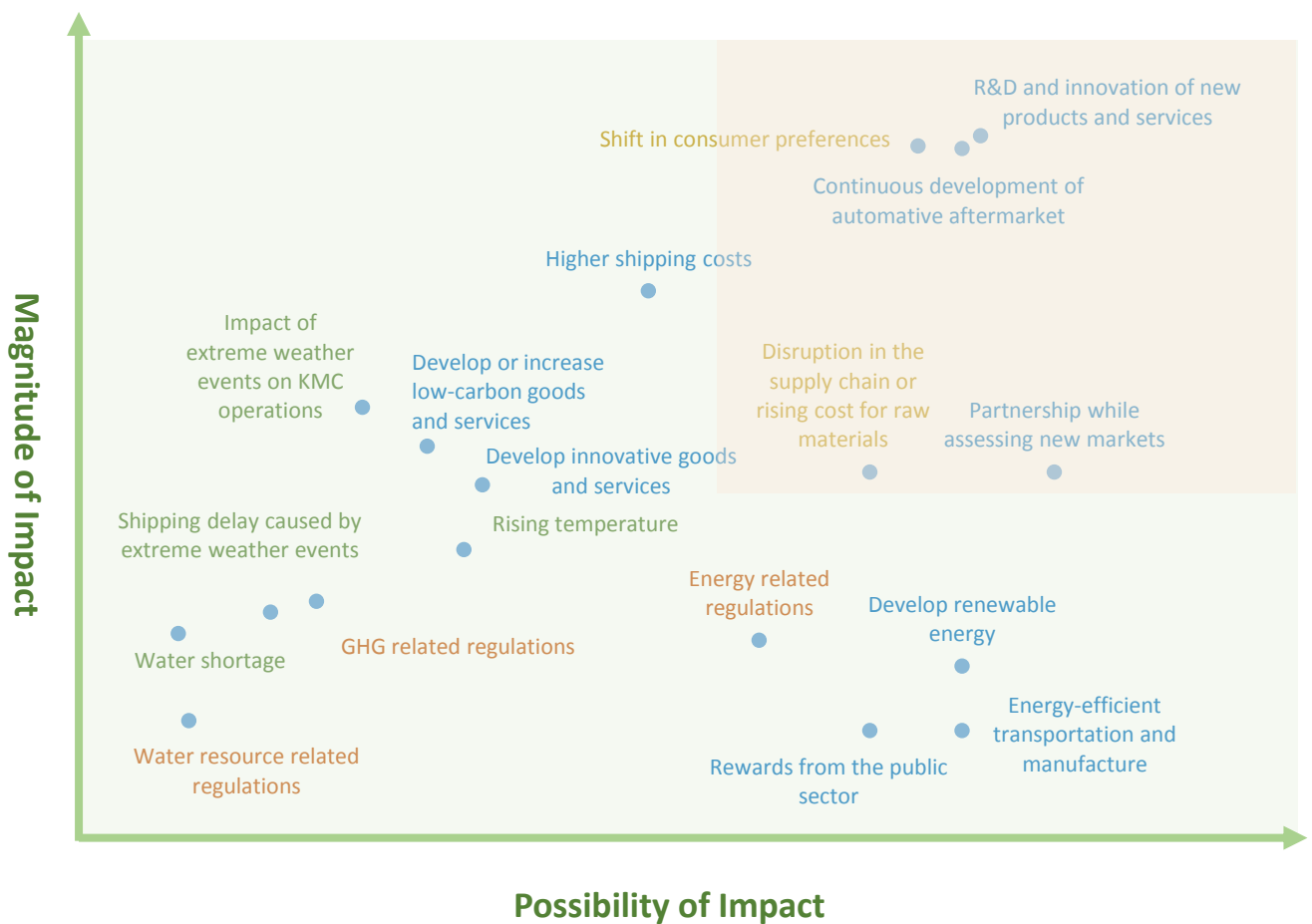
According to the aggregated results of the aforementioned issues, KMC provides a questionnaire for each unit targeting issues regarding climate change risks and opportunities for the bicycle industry to analyze the likelihood, degree and period of the impacts so as to analyze the significance of each issue on KMC operations.



Step 3

Confirmation of KMC's key climate risks and opportunities

KMC ranks the materiality of all topics in accordance with the results of the questionnaire submitted by each unit. Eventually, we confirms 5 key management topics (including 3 climate risks and 2 opportunities) based on the overall operations and development as well as strategic planning as the basis for advanced in-depth assessment and management.



▲ KMC Climate Risks and Opportunities

◆ Response and Management of Key Climate Risks and Opportunities

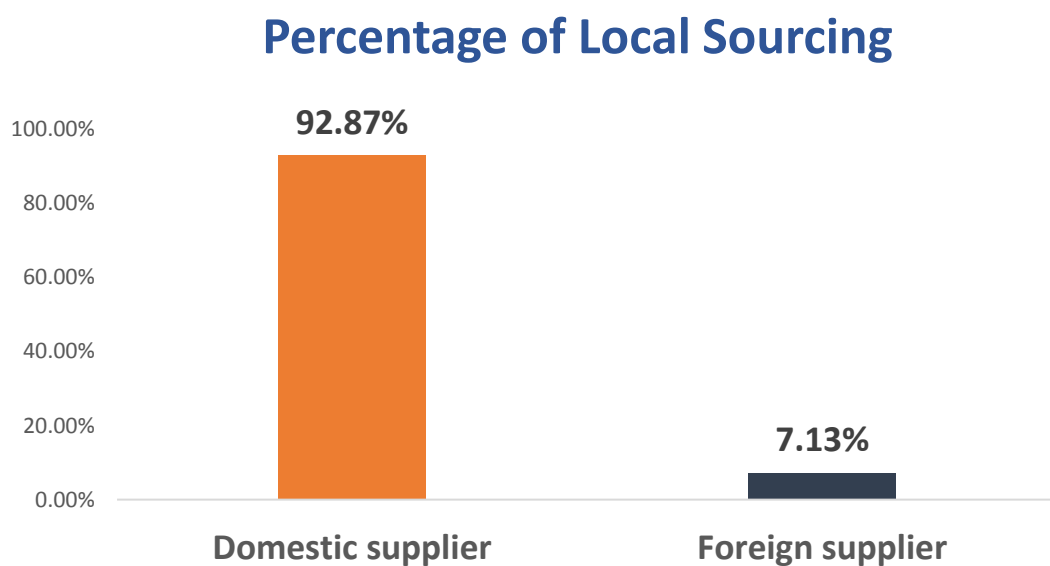
Climate Risks and Opportunities	Risks/Opportunities Factors	Risks/Opportunities Illustration	Potential Impact on KMC	Timeline	Countermeasure
Market Risk	Disruption in the supply chain or rising cost for raw materials	Since there are more and more countries plan to introduce carbon border tax, the steel industry would gradually upgrade and improve their equipment and production structures in order to in line with the national goal of carbon neutrality. In this case, the increased operating costs would be reflected in their steel prices.	Steel prices rise so as to increase the cost of raw materials.	Medium-term (3-5 years)	Optimize the manufacturing process and reduce material wastage.
Market Risk	Shift in consumer preferences	Unable to meet the customers' requirements including inadequate disclosure of carbon emissions, failure to fulfill emission reduction obligations or higher product carbon footprint.	Orders fall off and revenue decrease	Long-term (over 5 years)	Improve manufacturing process and equipment as well as reduce the use of energy-intensive equipment
Market Opportunity	Expand partnership while assessing new markets	1. The government and related organizations promote low-carbon transportation which would be beneficial to enhance the utilization of bicycles so as to increase the demand for bicycle chains.	Expand customer base and increase sales orders	Long-term (over 5 years)	1. Develop high quality and affordable entry level products to expand our market share in the emerging

Climate Risks and Opportunities	Risks/Opportunities Factors	Risks/Opportunities Illustration	Potential Impact on KMC	Timeline	Countermeasure
		2. Driven by the low-carbon policy, it would promote the development of e-bike and increase the demand of E-bike specific chain.			countries. 2. Introduce advanced specific chain so as to create market segmentation
Market Opportunity	Continuous development of automotive aftermarket	Since major automakers would discontinue their production of fuel vehicles from 2030, the aftermarket for fuel vehicles is still considerable. Besides, the technical and quality requirements are lower than those of OEMs. Recently, the development of the aftermarket is becoming more and more popular. There are several new companies which has entered the automotive aftermarket.	Expand customer base and increase sales orders	Long-term (over 5 years)	Stabilize our product quality, actively develop new products and continue to improve our competitiveness.
Market Opportunity	R&D and innovation of new products and services	The automotive industry has fully become electric.	New investments and new markets would increase our revenues	Long-term (over 5 years)	Through the cooperation with the car manufacturers, we could develop the parts for the new energy cars.

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.



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.

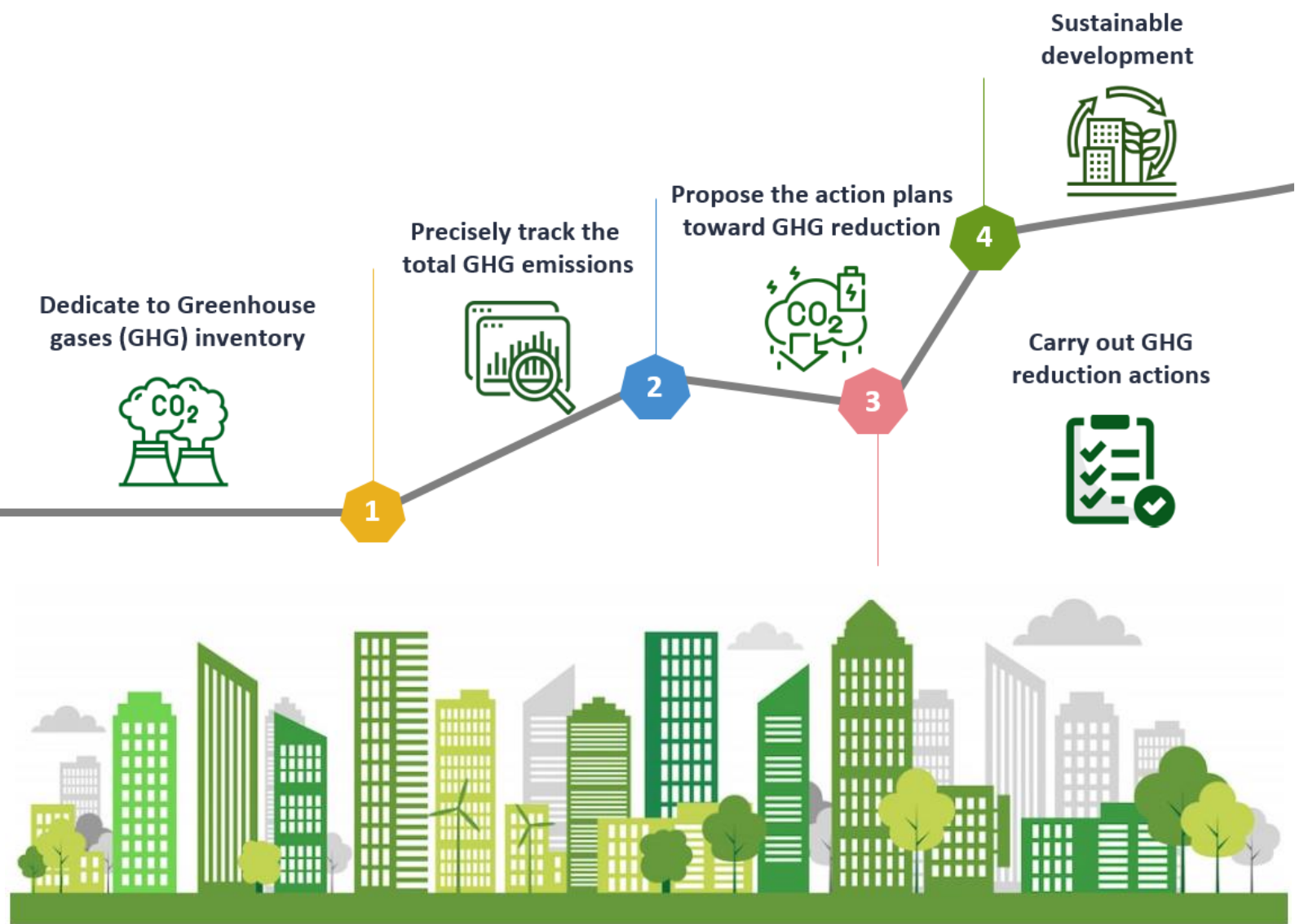
Being part of the green transportation industry, we hope to protect our environment while increasing the company's value. In this case, we assimilate green management into our business and build green manufacturing factories that conserve energy and reduce carbon emissions across all aspects of our products,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

◆ Environmental management policies

To realize the vision of green operations, we comply with environmental protection laws and regulations as well as prohibit any behavior that may harm the environment. As a member of the global village, KMC lays great emphasis on the use of energy and resources. With consideration to the environmental impact of our products and services in each phase of the life cycle from R&D, design, manufacturing, packaging to delivery, we implement the concept of environmental sustainability into all aspects of the value chain so as to gradually build up an eco-friendly value chain.

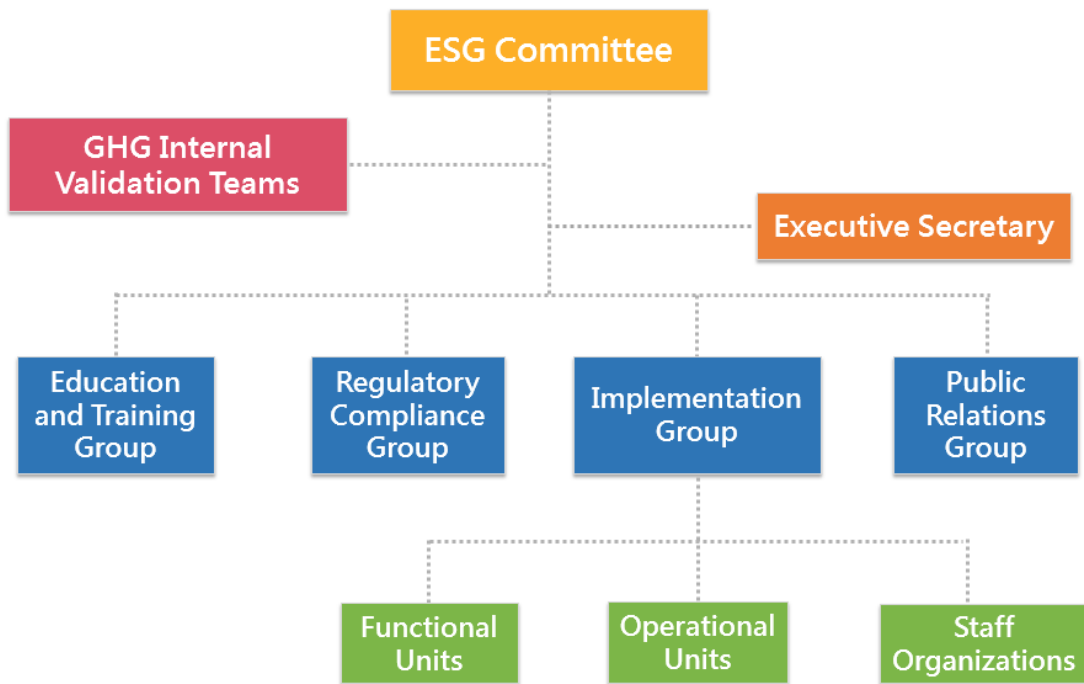
To stay updated with the overall GHG emissions, we formally introduced the ISO 14064-1:2018 inventory in 2022. Through comprehensive inventory process and stringent external verification mechanisms, the management for direct and indirect GHG emissions is strengthened. We will re-plan and re-evaluate the short-, medium- and long-term carbon reduction targets depending on the 2021 inventory results as well as current key carbon reduction trends, such as standards including the science based target (SBT) setting and Net Zero Emissions by 2050.

As we wish for a more sustainable green future for our next generation and also to fulfill our corporate social responsibility, our commitments are as follows:

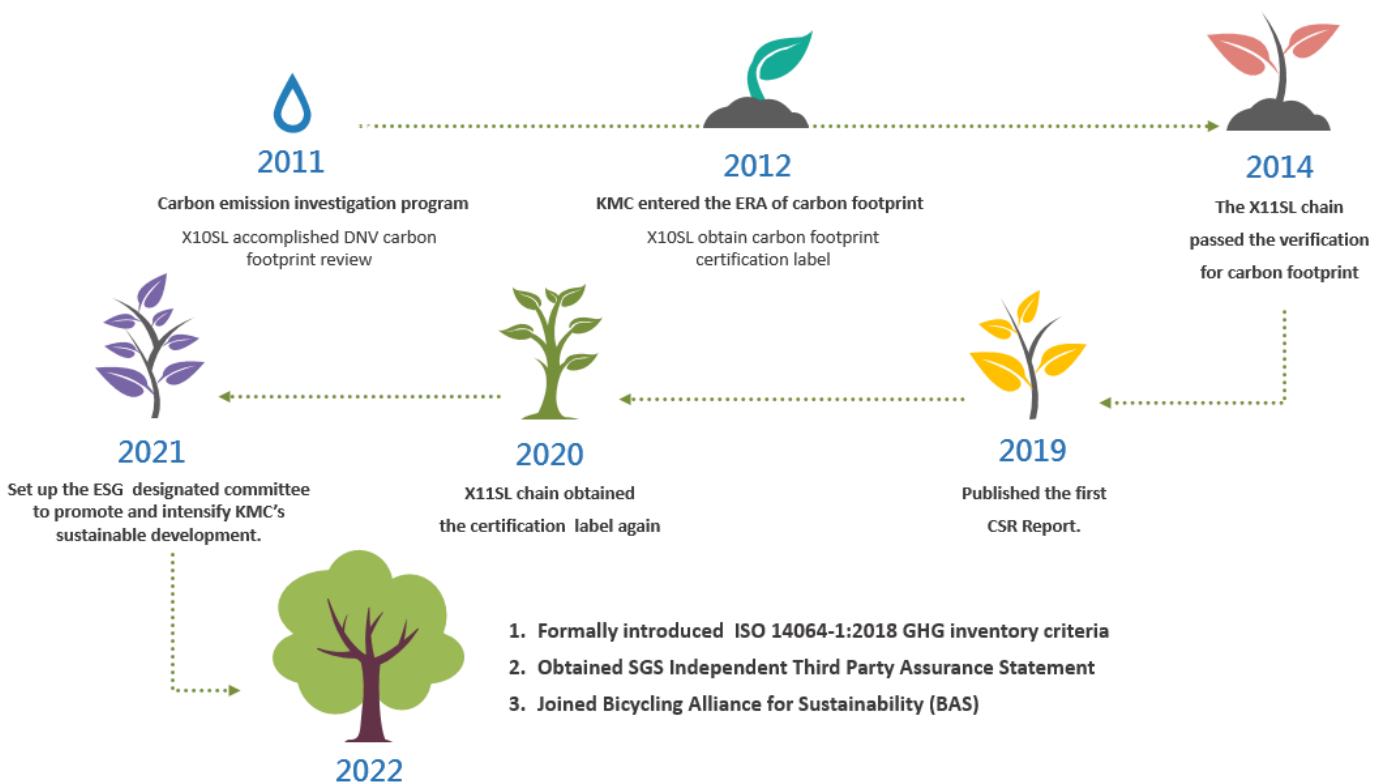


◆ The framework of KMC ESG Committee

The Greenhouse gases inventory was mainly promoted by KMC ESG Committee which is composed of the functional units, operational units and staff organizations. The framework of KMC ESG Committee is as follow:



KMC ECO Solution Milestones



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%



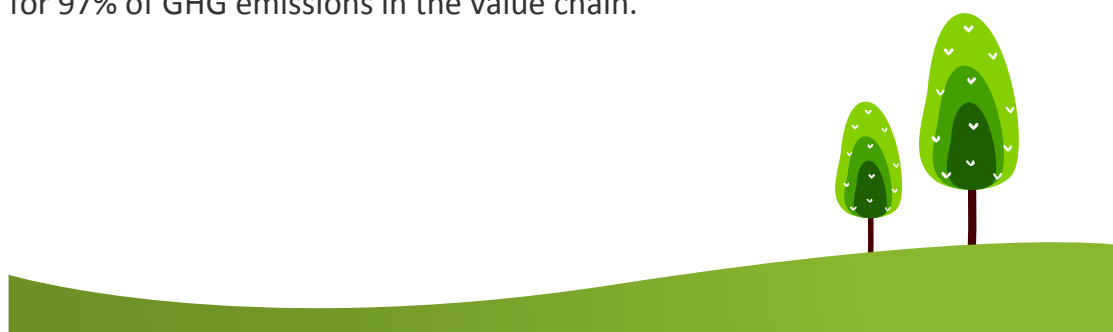
II. GHG Emissions

To be on par with global carbon management trends, inventories are made according to ISO 14064-1:2018 GHG inventory criteria in our headquarters, Xinhua plant and Shenzhen plant. It is estimated that we could acquire external certification by the end of 2022.

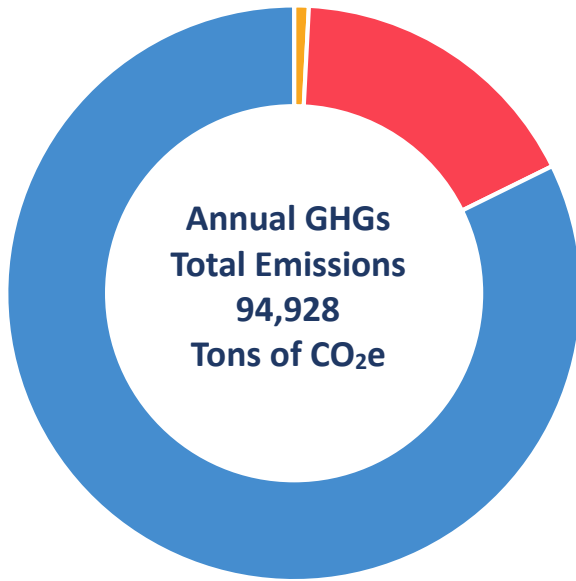
In 2021, we determined key indirect emission sources by following three principles for indirect emission source identification, including the proportion of emissions, data quality of related activities and the degree of the impact. In 2021, the total GHG emissions was 94,928 metric tons of CO₂e, and among this, the GHG emissions for Scope 1 and Scope 2 (self-operations) were 16,819 metric tons of CO₂e (account for 17.72% of the total emissions), while the GHG emissions for Scope 3 (value chain) were 78,109 metric tons of CO₂e (accounting for 82.28% of total emissions).

Of all the GHG emissions from self-operations (Scope 1 and Scope 2), 16,041 metric tons of CO₂e were the main emission source generated by purchased electricity, accounting for 95% of the GHG emissions from self-operations; followed by fixed emissions, including emissions generated from the use of fuel-powered engines, boilers, and heaters, with emissions of 494 metric tons of CO₂e, accounting for 3% of GHG emissions from self-operations.

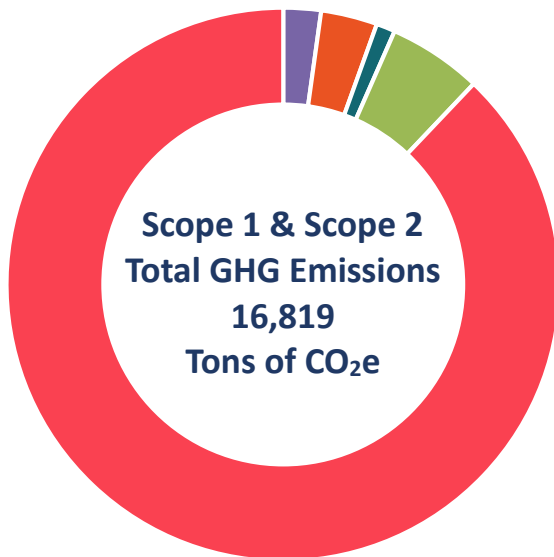
The GHG emissions in the value chain this year covered downstream transportation and distribution as well as purchased goods. Purchased goods were the main source of emissions with 75,597 metric tons of CO₂e, accounting for 97% of GHG emissions in the value chain.



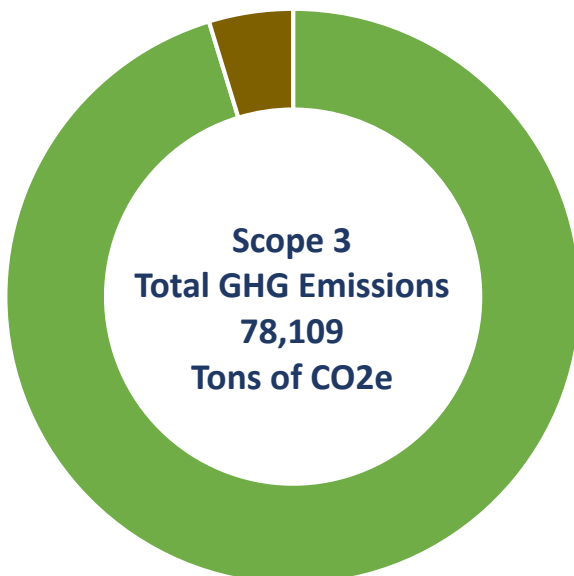
2021 GHG Emissions of KMC



Emission sources		Emissions (metric tons of CO ₂ e)
Direct emission sources	Scope 1	778
	Scope 2	16,041
Indirect emission sources	Scope 3	78,109



Emission sources		Emissions (metric tons of CO ₂ e)
Scope 1 (Category 1)	Fixed emissions	494
	Mobile emissions	108
	Process emissions	0.62
	Fugitive emissions	175
Scope 2 (Category 2)	Purchased electricity	16,041



Emission sources		Emissions (metric tons of CO ₂ e)
Scope 3 (Category 3)	Downstream transportation and distribution	2,512
Scope 4 (Category 4)	Purchased goods	75,597

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.

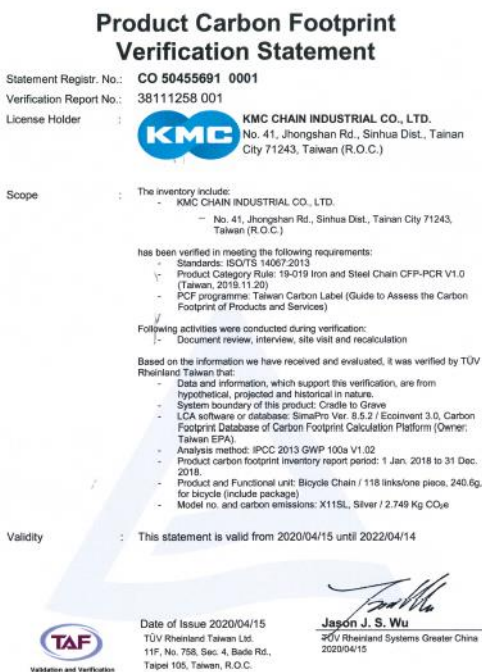


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◆ Certificate for the Use of Product Carbon Footprint Label



◆ X11SL Carbon Footprint Verification Statement by TAF



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



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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.

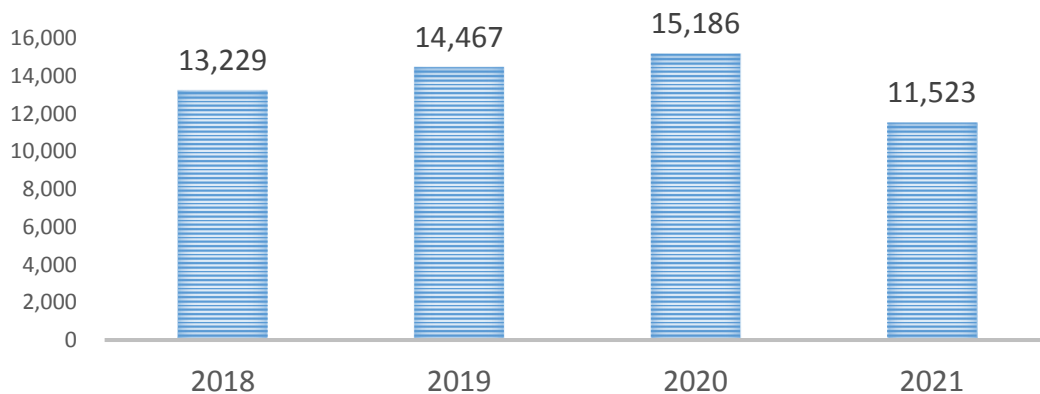


◆ Water Resource Management Strategy

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 2021, the total city water consumption of our Taiwan facility was about 11,523 metric tons. The city water supplied from reservoirs would be our main water source. By reducing water usage in processes and replacing old pipelines, total water consumption decreased by 24% from 2020. 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 2021, the waste generated from operation was about 177 metric tons which decreased 13% 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 2021, the total environmental costs was about NT\$2,263 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 ∙	34
	Water pollution control fee ∙ Soil and ground water pollution remediation fee	
Waste	Waste disposal fee ∙ Wood dust disposal fee ∙ Inorganic sludge disposal fee ∙ Flying ash and bottom residue mixtures disposal fee	2,229
Total		<u>2,263</u>



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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. At KMC, we regard employees as our partners for sustainable management. Also, we have been committed to shaping a reasonable and fair workplace and to sharing business achievements with our employees. In order to attract the best talent, we provide stable compensation and comprehensive welfare. Moreover, 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 2021, there were a total of 1,775 employees at KMC, including 254 employees based in Taiwan. We support and encourage local talent employment and give priority to local people upon recruitment. This year, 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.

Total number and ration of full-time employees					
	Domestic employees		Foreign employees		Total
	Male	Female	Male	Female	
Below 30	10	20	9	14	53
30-50	67	78	9	9	163
Above 50	22	16	0	0	38
Total	99	114	18	23	254

Employee Type and Gender					
	Domestic employees		Foreign employees		Total
	Male	Female	Male	Female	
Full time	96	113	18	23	250
Temporary	3	1	0	0	4
Total	99	114	18	23	254
Full time	96	113	18	23	250
Part-time	3	1	0	0	4
Total	99	114	18	23	254

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



New Employees								
Age	Domestic employees				Foreign employees			
	Male	Percentage (%)	Female	Percentage (%)	Male	Percentage (%)	Female	Percentage (%)
Below 30	6	2.36%	17	6.69%	1	0.39%	4	1.57%
30-50	11	4.33%	14	5.51%	2	0.79%	2	0.79%
Above 50	1	0.39%	0	0.00%	0	0.00%	0	0.00%
Total	18	-	31	-	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	4	1.57%	14	5.51%	0	0.00%	2	0.79%
30-50	16	6.30%	10	3.94%	2	0.79%	0	0.00%
Above 50	0	0.00%	2	0.79%	0	0.00%	0	0.00%
Total	20	-	26	-	2	-	2	-

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

※ There were two people retired in 2021.



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◆ 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	1	17	33
30-50	6	1	20	15	50	71
Above 50	5	2	1	0	16	14
Total	11	3	23	16	83	118

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



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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 2021						
2021	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	5	25	5.0	2	10	5.0
Mid-level	13	74.5	5.7	6	38	6.3
Professional Staff	18	115	6.4	25	251.5	10.1
Technician	56	660	11.8	54	448	8.3

In response to the trend of corporate governance, we have planned several types of courses associated with the regulatory compliance of ethical management, environmental safety, accounting and internal control. By doing so, we could help our employees strengthen and improve relevant professional knowledge. In addition to our own education and training, we also provide external courses. This enables our employees to expand their horizons and broaden their perspectives, further maximizing the effects of training.

2021 Important courses		
	Total number of hours	Total number of persons
I. Courses related to corporate ethical management regulatory compliance, including corporate governance, corporate spirit and corporate culture	141.5	56
II. Courses related to environmental safety and health	24	2
III. Courses related to accounting and internal control systems	24	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 2021, 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 2021, 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	9.28	6.88
Mid-level	3.77	2.87
Base level	2.19	2.01

In accordance with Article 4 of the Rules Governing the Preparation and Filing of Sustainability 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.

Unit: NT\$ thousand dollar/person

Full-time employees in non-executive positions			
Year	Average compensation	Median compensation	Average compensation of industry peers
2021	803	691	881
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 2021	8	12
Employees applied for parental leave in 2021	1	1
Employees expected to return to work after parental leave in 2021	1	1
Actual number of employees returned to work in 2021	0	1
Actual number of employees returned to work in 2020	1	2
Employees actually returned to work in 2020 and still in service in 2021	1	2

※ 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.

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 2021, 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.



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 National Museum of Marine Science & Technology

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

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. The increasing cycling population also calls for more cycling education programs. KMC has been promoting bicycle education programs that can help children stay safe while bicycle riding for several years. We hope that the concept of safe riding can start from an early age so that we have promoted our bicycle education programs in dozens of elementary schools in Taiwan and China.



Our bicycle education programs are designed for children around age 7 to 15. 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.

From 2021, the "Bicycle Education Program For Kids" has been upgraded. We not only combined three different types of experience, but also expanded our scope of program out of the campus. The first upgraded Bicycle Education Program begun in National





Museum of Marine Science & Technology. Combined with the characteristic of the museum and bicycle safe riding education, it could let more children learn about our curriculum of "Bicycle Education Program For Kids". 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. This year, we even expanded the scale and introduced the concept of driving training test into our educational camps. We also reorganized the layout of the riding court and enhanced the realistic level of the props. Moreover, we set up the traffic signals to make the simulated riding more realistic. By setting different level of challenges in the riding course, we could enhance their sense of crisis and deepen their impression.



As a kind of leisure activities or a form of exercises, riding is suitable for everyone. We have always believed that the habit of cycling should cultivate from an early age. Through the interactive experience and issuing the “KMC Little Rider License” once finished the courses, it could not only arouse their enthusiasm but also help them to boost their confidence on the bike. With these unforgettable memories related to cycling, we could also instill cycling culture into their mind. In the future, we hope that these little riders could continue to create their own and unique riding experiences.

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.

KMC 小騎士總動員 單車騎乘證書		KMC 小騎士總動員 單車騎乘證書	
證書號碼	A00001	性別	男
姓名	王大頭		
出生日期	105.02.10	駕照種類	普通兒童單車
住址	臺北市文山區木柵路二段461巷		
發照日期	109.12.13	有效期	110.12.13
證書號碼	A00002	性別	女
姓名	林小美		
出生日期	102.06.29	駕照種類	普通兒童單車
住址	臺中市北屯區北屯路		
發照日期	109.12.13	有效期	110.12.13

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.

◆ Sponsor Team KMC ORBEA

KMC has continued to sponsor professional racers since 2012. Based on the performance of the racers and the products used in the international events, we would continuously improve our product design so as to bring the best riding experience to cyclists all over the world.

In recent years, Team KMC ORBEA had outstanding performances in the international events. These outstanding performances would not have been possible without excellent riders and products. Over 10 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 have proven that KMC chain is the DNA leading to championships.

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 ESG Report in 2022 and aims to issue the report once a year. (The English version of 2020 CSR Report was issued on Sep. 30, 2021). 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 ESG 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 ESG Report. The reporting period was between January 1 and December 31, 2021, with part of the information tracing back to related performances before 2021. 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 2021 Annual Report for details regarding the structure of KMC Group.

◆ ESG 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	16	Corporate Governance
	GRI 102-2	Activities, brands, products, and services	15-16 35-37	Corporate Governance Business Performance and Profitability
	GRI 102-3	Location of headquarters	16	Corporate Governance
	GRI 102-4	Location of operations	15-16	Corporate Governance
	GRI 102-5	Ownership and legal form	15-16	Corporate Governance
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	GRI 102-11	Precautionary Principle or approach	19-21	Corporate Governance
	GRI 102-12	External initiatives	22-23	Corporate Governance
	GRI 102-13	Membership of associations	23	Corporate Governance
	Strategy			
	GRI 102-14	Statement from senior decision-maker	4-6	Letter from the Chairman
	GRI 102-15	Key impacts, risks, and opportunities	19-21 37-42	Corporate Governance Business Performance and Profitability
	Ethics and Integrity			
	GRI 102-16	Values, principles, standards, and norms of behavior	13-14	Corporate Governance
	Governance			
	GRI 102-18	Governance structure	9-11	Corporate Governance
	Communicate with Stakeholders			
	GRI 102-40	List of stakeholder groups	26	Corporate Governance
	GRI 102-41	Collective bargaining agreements	-	None
	GRI 102-42	Identifying and selecting stakeholders	26-27	Corporate Governance
GRI 102-43	Approach to stakeholder engagement	29	Corporate Governance	
GRI 102-44	Key topics and concerns raised	26-28	Corporate Governance	

Reporting Practice				
	GRI 102-45	Entities included in the consolidated financial statements	17-18	Corporate Governance ; Please refer to 2021 KMC Annual Report
	GRI 102-46	Defining report content and topic boundaries	77	About This Report
	GRI 102-47	List of material topics	27-28	Corporate Governance
	GRI 102-48	Restatements of information	-	None
	GRI 102-49	Changes in reporting	-	None
	GRI 102-50	Reporting period	77-78	About This Report
	GRI 102-51	Date of most recent report	77-78	About This Report
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	GRI 102-55	GRI content index	79-82	GRI Standards Comparison Table
	GRI 102-56	External assurance	-	None
	Economic Performance			
GRI 103 : Management Approach	GRI 103-1	Explanation of the material topic and its boundary	28 、 30	Corporate Governance 、 Business Performance and Profitability
	GRI 103-2	The management approach and its components	30	Business Performance and Profitability
	GRI 103-3	Evaluation of the management approach	30	Business Performance and Profitability
GRI 201 : Economic Performance	GRI 201-1	Direct economic value generated and distributed	34	Business Performance and Profitability
	GRI 201-2	Financial implications and other risks and opportunities due to climate change	37-42	Business Performance and Profitability
	GRI 201-3	Defined benefit plan obligations and other retirement plans	66	Creating a Friendly Workplace
	GRI 201-4	Financial assistance received from government	-	None
GRI 202 : Market Presence	GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	64	Creating a Friendly Workplace

GRI 204 : Procurement Practices	GRI 204-1	Proportion of spending on local suppliers	43	Business Performance and Profitability
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GRI 103 : Management Approach	GRI 103-1	Explanation of the material topic and its boundary	28 、 44-45	Corporate Governance 、 Commit to Environmental Sustainability
	GRI 103-2	The management approach and its components	44-46	Commit to Environmental Sustainability
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