

KMC (Kuei Meng) International Inc

Sustainable Development Best Practice Principles

Chapter I General Provisions

- Article 1 These Principles are adopted in accordance with the "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies" jointly adopted by the Taiwan Stock Exchange Corporation and GreTai Securities Market for the implementation of corporate social responsibilities, promotion of economic, environmental, and social advancement to achieve sustainable development.
- Article 2 These Principles are applicable to the Company and its business group, including their entire business operations.
The Company should actively fulfill sustainable development in the course of their business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive edges built on sustainable development.
- Article 3 In promoting sustainable development, the Company shall, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society, and corporate governance.
Based on the materiality principle, the Company shall conduct risk assessment on environmental, social, and corporate governance issues that may bear on its operations, and implement a risk management policy or strategy accordingly.
- Article 4 To implement sustainable development initiatives, the Company should follow the following principles:
I. Fully implement the corporate governance system.
II. Build a sustainable environment.
III. Safeguarding public welfare.
IV. Enhancing the sustainable development information disclosure
- Article 5 The Company shall take into consideration the correlation between the development of domestic and international sustainable development principles and corporate core business operations, and the effect of the operation of individual companies and of their respective business groups as a whole on stakeholders, in establishing their policies, systems or relevant management guidelines, and concrete promotion plans for sustainable development programs, which shall be approved by the board of directors and then reported to the shareholders meeting. When a shareholder proposes a motion involving sustainable development, the Company's board of directors should review and consider including it in the shareholders meeting agenda.

Chapter II Sound Corporate Governance

- Article 6 The board of directors of the Company shall exercise the due care of a good administrator and supervise the implementation of relevant sustainable development policies. They shall review the implementation progress from time to time and make continuous improvement to ensure the fulfillment of all sustainable development requirements. The Company's board of directors should give full consideration to the interests of stakeholders, including the following matters, in the Company's performance of its sustainable development initiatives:
- I. Making sustainable development the guiding principle of the Company's operations and development, and ratifying concrete promotional plans for sustainable development initiatives.
 - II. Identifying the Company's sustainable development mission or vision, and declaring its sustainable development policy, systems or relevant management guidelines.
 - III. Enhancing the timeliness and accuracy of the disclosure of sustainable development information.
- The board of directors shall appoint executive-level positions to handle all matters relating to economic, environmental, and social issues resulting from the Company's business operations and to report the status of the handling to the board of directors. The handling procedures and the responsible person for each relevant issue shall be concrete and clear.
- Article 7 The Company shall, on a regular basis, organize education and training on the implementation of sustainable development initiatives, including promotion of the matters prescribed under Paragraph 2 of the preceding Article.
- Article 8 The Company adheres to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the Code of Ethical Conduct for TWSE/GTSM Listed Companies to establish effective corporate governance frameworks and relevant ethical standards so as to enhance corporate governance.
- Article 9 For the purpose of managing sustainable development initiatives, the Company established an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the sustainable development policies, systems, or relevant management guidelines, and concrete promotional plans and to report to the board of directors on a periodic basis.
- The Company shall adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders.
- Employee performance evaluation system shall be combined with sustainable development policies, and a clear and effective incentive and discipline system shall be established.
- Article 10 The Company shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the Company, and establish a designated section for stakeholders on the Company's website; understand the reasonable expectations and demands of stakeholders through proper communication with them, and adequately respond to the important sustainable development issues which they are concerned about.

Chapter III Fostering a Sustainable Environment

- Article 11 The Company shall follow relevant environmental laws, regulations and international standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business operations and internal management.
- Article 12 The Company shall endeavor to improve energy efficiency and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.
- Article 13 The Company shall establish proper environment management systems. Such systems shall include the following tasks:
- I. Collecting sufficient and up-to-date information to evaluate the impact of the Company's business operations on the natural environment.
 - II. Establishing measurable goals for environmental sustainability, and examining whether the development of such goals should be maintained and whether it is still relevant on a regular basis.
 - III. Adopting enforcement measures such as concrete plans or action plans, and examining the results of its operation on a regular basis.
- Article 14 The Company shall establish a dedicated unit or assign dedicated personnel for drafting, promoting, and maintaining relevant environment management systems and concrete action plans, and should hold environment education courses for their managerial officers and other employees on a periodic basis.
- Article 15 The Company shall take into account the effect of business operations on ecological efficiency, promote and advocate the concept of sustainable consumption, and conduct research and development, procurement, production, operations, and services in accordance with the following principles to reduce the impact on the natural environment and human beings from its business operations:
1. Reduce resource and energy consumption of their products and services.
 2. Reduce emission of pollutants, toxins and waste, and dispose of waste properly.
 3. Improve recyclability and reusability of raw materials or products.
 4. Maximize the sustainability of renewable resources.
 5. Enhance the durability of products.
 6. Improve efficiency of products and services.
- Article 16 To improve water use efficiency, the Company shall properly and sustainably use water resources and establish relevant management measures.
The Company shall construct and improve environmental protection treatment facilities to avoid polluting water, air and land, and use their best efforts to reduce adverse impact on human health and the environment by adopting the best practical pollution prevention and control measures.
- Article 17 The Company should assess the risks and opportunities that climate change may bring in the immediate and long terms, and adopt countermeasures to address related issues.
The Company shall adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following:
- I. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the Company.
 - II. Indirect greenhouse gas emissions: emissions resulting from the generation of imported electricity, heat, or steam.

- III. Other indirect emissions: Emissions from company activities that are not indirect emissions from energy sources but originate from sources owned or controlled by other companies.

The Company should compile statistics on greenhouse gas emissions, water consumption, and total weight of waste; adopt a policy on energy conservation and carbon reduction, reductions in greenhouse gas emissions and water consumption, and waste management; and incorporate the acquisition of carbon rights into its carbon reduction strategy and act accordingly. Such strategies shall aim to minimize the impact of business operations on climate change.

Chapter IV Safeguarding Public Welfare

Article 18 The Company shall comply with relevant laws and regulations and the internationally recognized human rights of labor.

The Company, to fulfill its responsibility to protect human rights, shall adopt relevant management policies and processes, including:

- I. Presenting a corporate policy or statement on human rights.
- II. Evaluating the impact of the Company's business operations and internal management on human rights, and adopting corresponding handling processes.
- III. Reviewing on a regular basis the effectiveness of the corporate policy or statement on human rights.
- IV. The Company shall provide an effective, appropriate, clear, convenient, and unobstructed grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force, in order to ensure equality and transparency of the grievance process. In addition, the Company shall respond to any employee's grievance in an appropriate manner.

The Company shall comply with the internationally recognized human rights of labor, including the freedom of association, the right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, eliminating recruitment and employment discrimination, and shall ensure that its human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.

Article 19 The Company shall provide information to its employees so that employees have knowledge of the labor laws and rights they enjoy in the countries where the Company has business operations.

Article 20 The Company should provide a safe and healthy work environment for its employees, including necessary health and first-aid facilities and endeavor to curb dangers to employees' safety and health so as to prevent occupational accidents. The Company should organize training on safety and health for its employees on a regular basis.

Article 21 The Company should create a positive environment for employees' career development and establish an effective professional training program. The Company shall devise and offer reasonable employee benefits (including remuneration, leave, and other benefits) as well as reasonably reflect business performance or fruits in employee remuneration to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.

- Article 22 The Company shall establish a platform to facilitate two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the Company's operations, management and decisions.
The Company shall respect the employee representatives' rights to bargain for the working conditions, and shall provide the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives.
The Company shall, by reasonable means, inform employees of operation changes that might have material impacts.
- Article 22-1 The Company should treat customers or consumers of its products or services in a fair and reasonable manner, including according to the following principles: fairness and good faith in contracting, duty of care and fiduciary duty, truthfulness in advertising and soliciting, fitness of products or services, notification and disclosure, commensuration between compensation and performance, protection of the right to file complaints, and professionalism of salespersons. The Company should also develop relevant strategies and specific measures for implementation.
- Article 23 The Company shall take responsibility for their products and services, and take marketing ethics seriously. In the process of research and development, procurement, production, operations, and services, the Company shall ensure the transparency and safety of their products and services. The Company further shall establish and disclose policies on consumer rights and interests, and enforce them in the course of business operations, in order to prevent the products or services from adversely impacting the rights, interests, health, or safety of consumers.
- Article 24 The Company shall ensure the quality of its products and services by following the laws and regulations of the government and relevant standards of the industry in which it operates.
When it comes to product marketing and labeling in relation to customer health, safety, and privacy, the Company shall abide by applicable laws, regulations and international guidelines and may not deceive, mislead, commit fraud, or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.
- Article 25 The Company should evaluate and manage all types of risks that could cause interruptions in operations, so as to reduce the impact on consumers and society.
The Company should provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints and shall comply with relevant laws and regulations stipulated by the Personal Information Protection Act, respect consumers' rights of privacy, and ensure the security of personal data provided by consumers.
- Article 26 The Company should assess the impact its procurement has on society and the environment of the community from which procurements are made as well as cooperate with its suppliers to jointly implement the corporate social responsibility initiative.
The Company should adopt a supplier management policy that requires suppliers to comply with applicable regulations in the areas of environmental protection, occupational safety and health, and labor rights. Prior to engaging in commercial dealings, the Company should assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against corporate social responsibility policy.

When the Company enters into a contract with any of its major suppliers, the content should include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.

Article 27 The Company shall evaluate the impact of its business operations on the community, and adequately employ personnel from the location of the business operations, to enhance community acceptance.

The Company should, through equity investment, commercial activities, endowments, volunteering service or other charitable professional services etc., dedicate resources to organizations that commercially resolve social or environmental issues participate in events held by citizen organizations, charities and local government agencies relating to community development and community education to promote community development.

Article 27-1 The Company should, through support modes, including donation, sponsorship, investment, procurement, strategic cooperation and volunteering technical services, delicate enterprises' resources into cultural and artistic activities or the cultural innovation industry to promote cultural development.

Chapter V Enhancing Disclosure of sustainable development Information

Article 28 The Company shall disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies and shall fully disclose relevant and reliable information relating to its sustainable development initiatives to improve information transparency.

Information relating to sustainable development which is to be disclosed by the Company includes the following:

- I. The policy, systems, or relevant management guidelines, and concrete promotion plans for sustainable development initiatives, as resolved by the board of directors.
- II. The risks involved or influences on the business operation or financial status of the Company due to the implementation of corporate governance system, the development of sustainable environment, or the protection of public welfare, etc.
- III. The Company's objectives and measures for promoting the sustainable development, and performance in implementation.
- IV. Major interested parties and the issues of concern.
- V. Disclosure of information on major suppliers' management and performance with respect to major environmental and social issues.
- VI. Other sustainable development-related information.

Article 29 The Company shall adopt internationally widely recognized standards or guidelines when producing sustainable development reports, to disclose the status of their implementation of the sustainable development policy. In addition, the Company should obtain a third-party assurance or verification for reports. The reports should include the following content:

- I. The policy, systems, or relevant management guidelines, and concrete promotion plans for sustainable development initiatives.
- II. Major interested parties and the issues of concern.

- III. Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development.
- IV. Improvement plans and targets in future.

Chapter VI Miscellaneous

- Article 30 The Company shall at all times monitor the development of domestic and foreign sustainable development standards and the change of business environment so as to examine and improve its sustainable development framework and to obtain better results from the implementation of the sustainable development policy.
- Article 31 These Principles shall become effective upon approval by the board of directors and reported in the shareholders meeting. The same procedure shall be followed when the principles have been amended.
- Article 32 These Principles was made on March 21st, 2022.
The first revised edition of these Principles was made on March 14th, 2023.