



2022 Sustainability Report



KMC (KUEI MENG) INTERNATIONAL INC.



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About This Report

KMC (KUEI MENG) INTERNATIONAL INC.(hereinafter referred to as "the Company," "KUEI MENG," or "KMC") issued its first "Corporate Social Responsibility Report" in 2018, which was renamed "Sustainability Report" in 2022. As a member of the green transportation industry, KUEI MENG is committed to driving sustainable actions in alignment with the United Nations' 2030 Sustainable Development Goals (SDGs). Actively addressing economic, environmental, and social aspects of corporate sustainability, the Company discloses both financial and non-financial performance data related to sustainable governance to various stakeholders. KUEI MENG plans to continue issuing this report annually in the future.

Reporting Period and Scope

The reporting period for this report covers from January 1st to December 31st, 2022. This Sustainability Report in 2022 (referred to as "this Report") primarily focuses on KMC's operations in Taiwan, including the Company, KMC CHAIN INDUSTRIAL CO., LTD., and K.M.C. AUTOMOBILE TRANSMISSION CO., LTD.. It does not include other subsidiaries within the consolidated financial statements, nor does it encompass overseas investment subsidiaries. For the sake of information comparability, some performance data will be disclosed based on recent years' figures.

Disclosure of financial performance-related information is based on the audited consolidated financial statements issued after certification by the auditors. All financial data is presented in New Taiwan Dollars. KMC's financial information is disclosed based on the International Financial Reporting Standards (IFRSs). Additionally, certain statistical data is referenced from government agencies and related websites, and is presented using commonly used text and numerical descriptions. Any exceptions will be clearly stated within this report.

Internal Management of the Report

This report has not been verified by a third party. To ensure the accuracy of the content in this report, the data has been verified by respective departments. The ESG Committee Secretariat then compiles and edits the information. After finalization by the Deputy Chairperson of the ESG Committee, the content is approved by the Chairperson before being publicly issued.

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Writing Principles and Guidelines

KUEI MENG follows the United Nations' 2030 Sustainable Development Goals as the reporting framework, collecting significant domestic and international economic, environmental, and social issues. Through materiality analysis, we gain insights into stakeholders' concerns. Interviews are conducted with various departments to implement ESG sustainability practices, and related topics are highlighted in this report. This report adheres to the GRI Standards published by the Global Reporting Initiative (GRI) and is prepared in accordance with the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies.

Report Publication Frequency

KUEI MENG issues a Sustainability Report annually, and this year marks the 5th edition. In line with our environmental commitment, KUEI MENG has implemented a paperless policy. Going forward, the Sustainability Report will be made available exclusively in electronic format on KMC's official website for readers' access.

- ◆ Publication Date of the Previous Version : September 2022
- ◆ Publication Date of the Current Version : July 2023
- ◆ Expected Publication Date of the Next Version : June 2024

Contact Information

Thank you for reading this report. If you have any questions about this report or any suggestions for KUEI MENG , please feel free to contact us and provide your valuable feedback. Our contact information is as follows:

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Download Previous Annual Reports on KMC's official website





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In 2022, for KUEI MENG, it was a year filled with challenges and opportunities. Faced with changing pandemic dynamics, global supply chain restructuring, rising inflationary pressures, and central banks around the world raising interest rates, various unfavorable external factors compelled the world to gradually transition towards a new normal. In this year of uncertainty, KUEI MENG, as the world's largest chain supply provider, with factories and sales offices in bicycle production hubs worldwide, adhered to the principle of 'immediate customer service, a comprehensive global presence.' Through highly flexible capacity adjustments, KUEI MENG met the demands of global markets.

Sustainable Environment

While businesses often face various short-term challenges in the broader environment, KUEI MENG has, for many years, remained committed to its long-term beliefs and commitments regarding the environment, society, and relevant stakeholders. In response to climate change, the Clean Competitiveness Act (CCA) in the United States, and the Carbon Border Adjustment Mechanism (CBAM) set to be implemented by the European Union in October 2023, the company has taken steps to more accurately assess climate-related risks and opportunities. This includes adopting a scientific approach and weighted calculation of total carbon emissions to establish greenhouse gas reduction targets. In 2021, KUEI MENG introduced methodologies such as the Task Force on Climate-related Financial Disclosures (TCFD) and the Science-based Targets Initiative (SBTi) to align with the global goal of achieving net-zero emissions by 2050, as adopted by numerous countries.

In addition to adopting TCFD and SBT in 2021, KUEI MENG obtained ISO14064-1:2018 verification statements for its Taiwan operations and Shenzhen factory in 2022. Through a rigorous process of internal assessments and external verification mechanisms, the organization gained a comprehensive understanding of its total greenhouse gas emissions, allowing for early assessment of business risks arising from carbon regulations in various countries. Taiwan plays a pivotal role in the global bicycle industry, influencing its development from raw materials, manufacturing, distribution, sales, consumer use, to final waste disposal. Therefore, sustainability considerations must be taken into account at every stage of the product lifecycle. KUEI MENG, in collaboration with its bicycle industry partners, is promoting "CYCLE NOW" aiming to lead the bicycle industry towards achieving goals in the "Transition to a New Future" "Creating a New Ecosystem" "Exploring New Opportunities" and "Co-Creating Sustainability" Together, we are building a collaborative platform for the bicycle industry to capture market competitiveness.





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To address future climate risks, KUEI MENG officially announced its membership in the Bicycling Alliance for Sustainability (BAS) in 2022. KUEI MENG aligns with BAS's sustainable vision of “ Cycling for a Better Future ” and commits to an annual 3% reduction in carbon emissions, aiming for at least a 25% reduction by 2030. In the face of global competition and net-zero emission requirements, the bicycle industry, as a low-carbon transportation option, inherently possesses green advantages. Only by expanding its influence and vigorously promoting sustainable actions can the bicycle industry create KUEI MENG 's sustainability blueprint.

Social Engagement

Employees are one of the essential cornerstones of our company, playing a pivotal role. We have established clear policy guidelines for talent selection, recruitment, retention, and development. We also set standards for employee health and safety. Through the implementation of these policies, we aim to gradually enhance employee satisfaction and work collaboratively with our employees to create a positive and vibrant work environment, fostering long-term business partnerships.

As responsible global citizens, KUEI MENG g is committed to contributing to society. Every year, we visit schools in various countries to provide bicycle traffic safety education and promote the benefits of green transportation. Our goal is to enhance bicycle riding safety through education.

Corporate Governance

In terms of corporate governance, in addition to establishing the Compensation Committee and Audit Committee under the Board of Directors, an ESG Committee was officially formed on July 1, 2021, in response to global climate change and international sustainability trends.

The ESG Committee is dedicated to addressing sustainability-related matters with the goal of promoting KUEI MENG 's sustainable development. Each committee reports to the Board of Directors regularly, either quarterly or semi-annually, and the Board of Directors decides on relevant policies and regulations. This ensures that our company can navigate the uncertain and ever-changing environment in a transparent, efficient, risk-managed, and sustainable manner, thereby safeguarding the interests of all stakeholders, including shareholders, employees, customers, and the general public.

We have always believed that “only through cooperation for the common good can we achieve excellence, and by complementing each other's strengths, we can create a win-win situation.” KUEI MENG will uphold this mindset and continue to work tirelessly in the areas of environmental sustainability, social engagement, and corporate governance. We will establish harmonious and mutually beneficial partnerships with all stakeholders, working together towards a sustainable future filled with endless possibilities.



Wu, Ying-Chin
Chairman
KMC (KUEI MENG)
INTERNATIONAL INC.





Honor and Vision



Since its inception, KMC has achieved numerous milestones. They were the first to introduce lightweight chain products, offer chains in new colors (such as titanium gold and national flag colors), and apply diamond-like carbon coating technology to chains. KMC has also received prestigious awards like the iF Design Award and the Red Dot Design Award for multiple years in a row. Additionally, KMC chains have become the choice of champions in various top-tier international cycling events, including 2 gold and 2 silver medals in the Beijing Olympics, 2 gold and 1 silver in the London Olympics, as well as victories in the Tour of Spain and the King of the Mountains title in the Tour de France. Consequently, KMC has consistently been selected as the favorite chain brand by consumers in surveys conducted by professional magazines.

KMC not only strives for high-quality products but was also recognized by the Ministry of Economic Affairs, receiving the first-ever Potential Middle-Growth Enterprise Award in 2013 and subsequently the third Excellence Middle-Growth Enterprise Award in 2015. KMC believes that the path to challenging technical limits has no end. They remain true to their original purpose by continuously innovating in chain manufacturing processes, leading the global chain industry to higher standards. Their mission is to become the “most valuable chain brand globally”. KMC is also committed to promoting cycling culture, riding alongside all cycling enthusiasts, and encouraging more people to embrace a new lifestyle culture that prioritizes safety, joy, and carbon reduction.



Branding Taiwan

“Link to Perfection – Achieving Excellence Through Expertise”, KMC has weathered challenges such as the pandemic and economic instability in the past. Through professional management and swift adaptability, the company maintained a certain level of innovation capacity. As a result of these efforts, in the Brand Value Survey conducted by the Industrial Bureau of the Ministry of Economic Affairs in Taiwan, released on November 22, 2022, KMC was proudly ranked 23rd among Taiwan’s international brands, with a brand value of \$83 million, reflecting a remarkable growth rate of 21%.

The Best Global Taiwan Branding Top 23



The Best Global Taiwan Branding Top 24



Entered the Taiwan's top 35 international brands for three consecutive years

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Taiwan Excellence Award

2018



The New X Series Chain

2019



12 speed X chain

2020



e101 eBike Chain

2021



Premium eBike Series Chains

2022



TT Racing Chain



e-Bike Solution

Taiwan Excellence 2022

e-Bike Solution



KMC offers a total e-Bike Solution with unique Chain Mate design for superior chain and cog tooth running efficiency and specially designed teeth for enhanced chain retention.

TT Racing Chain



TT Racing Chain is the first of its kind to be specifically designed for ultimate success in the most competitive environments. Each component has been meticulously crafted with speed and efficiency as the top priorities.



2022 TAIPEI CYCLE d&i Awards

KMC eCargo Chain



Focusing on the high-durability and long-lasting road conditions of e-Cargo Bikes, KMC's eCargo chain specially designed for high-end cargo bikes, with its innovative and unique design and excellent production technology, was recognized by the 2022 Taipei iF Design Award. KMC has designed a chain with a focus on strength and long life. Unparalleled tensile strength and outstanding durability surpass all expectations of a dedicated e-Cargo chain. In response to significantly increases force on e-Cargo drivetrains, e-Cargo chain exceeds international tensile-strength standards to achieve a market-leading 1350kgf which is 30% higher than other KMC e-Bike chains and 50% higher than industry standards.





About KMC

Company Overview

| | |
|--|--|
| Company Name | KMC (KUEI MENG) INTERNATIONAL INC. |
| Company Headquarter | 8F-1, No.425, Jhonghua Rd, Yongkang Dist, Tainan City 71079, Taiwan |
| Stock Code | 5306:TT |
| Date Founded | 1977 |
| Operational Distribution | Headquartered in Taiwan, our operations extend worldwide, with service points in various locations, including the United States, Vietnam, the Netherlands, Germany, Indonesia, mainland China, and more, to cater to our global customer base. |
| Total Paid-in Capital | NT\$ 1.26 billion |
| Consolidated Operating Revenues | NT\$ 7.12 billion in 2022. |

As the world's largest chain supplier, KMC provides the most competitive and high-performance chains for various bicycles, continuously serving customers worldwide. Founded in 1977 under the leadership of Charles Wu, the company has been dedicated to designing and manufacturing bicycle chains for over 50 years. Guided by the philosophy of “directly serving consumers” , KMC strategically expanded globally. In 1989, it successfully established operations in Shenzhen, Suzhou, Tianjin, and other parts of China. In 2001, a new production base was set up in Dong Nai Province, Vietnam, serving as a gateway to develop Southeast Asian markets.

KMC has established service points in major cities around the world and sells products in over 150 countries. Operating internationally with a global network, it has created a business market that spans Europe, Asia, the Americas, and Africa, making KMC an essential and relied-upon partner in the global bicycle industry.

KMC focuses on professionalism in manufacturing and dedicated customer service while internalizing a deeper commitment to sustainability. It continuously optimizes its organizational operational structure and enhances risk management along the value chain to address the unpredictable and ever-changing systemic risks in the market. In 2022, the consolidated operating revenue was NT\$ 7.12 billion, with a consolidated gross profit of TWD 3.4 billion and a gross profit margin of 47.8%. The consolidated net profit after tax was NT\$ 1.92 billion.

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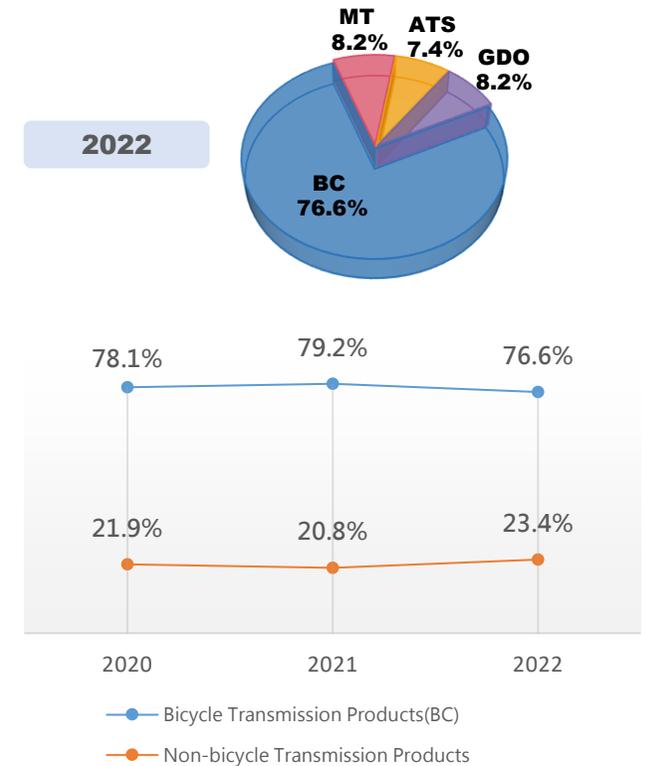
Product Categories

KMC's products can be categorized into four major segments: Bicycle Transmission Products (BC), Motorcycle Transmission Products (MT), Automotive Timing Systems (ATS), and Garage Door Opener Systems (GDO).



Revenue proportion of various products

KMC is built on the foundation of bicycle chain technology and continually invests in the research, manufacturing, and sales of chain products for various modes of transportation. Among these, bicycle transmission products make up over 75% of the revenue, while non-bicycle transmission products, including motorcycle transmission products, automotive timing systems, and garage door opener systems, collectively account for approximately 20% or more.



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Bicycle Transmission Products (BC)

KMC integrates specifications to offer the optimal bicycle drivetrain solutions. Utilizing unique patented structural designs, we address cross-compatibility, meet various bicycle model requirements, and provide a comprehensive range of bicycle products.



Automotive Timing Systems (ATS)

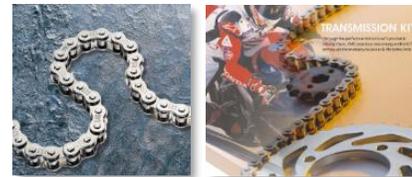
The Automotive Timing System Division primarily manufactures automobile engine chain systems. KMC TRANSMISSION focuses on developing and designing automobile engine chain systems to ensure the optimal engine combustion efficiency. This ensures smooth cycling of intake, compression, power, and exhaust within the engine cylinders during operation.



Motorcycle Transmission Products (MT)

KMC follows Japanese (JCAS) and American (ANSI) standards and employs high-quality materials and precision craftsmanship. Throughout the entire production process, from raw materials to finished products, KMC uses precision instruments to monitor and ensure stable high quality. This Quenching results in motorcycle chains and sprockets that exhibit excellent wear resistance.

Leveraging its bicycle chain manufacturing technology as a foundation, KMC consistently invests resources in research and development within the motorcycle transmission field. With a commitment to excellence, KMC strives to enhance product and service quality. In addition to receiving awards year after year, KMC's motorcycle transmission products have also gained recognition from global brand motorcycle manufacturers such as HONDA, YAMAHA, SUZUKI, KAWASAKI, VMEP, SYM, and PIAGGIO.



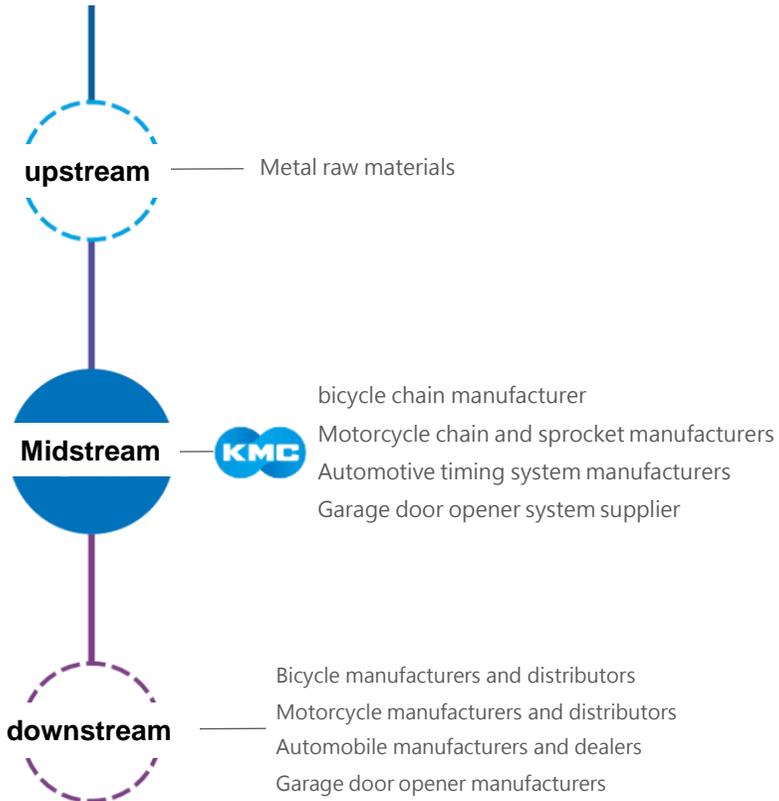
Garage Door Opener Systems (GDO)

KMC is dedicated to promoting a comprehensive Chain Drive System Total Solution Provider approach. As part of this initiative, KUEI MENG established the Garage Door Opener System Division, offering products such as chains for garage door opener systems and their plastic components. Additionally, they provide development and design services for gear and transmission-related components. KMC strives to integrate its supply chain, forging strategic alliances with suppliers and customers to create greater advantages together.

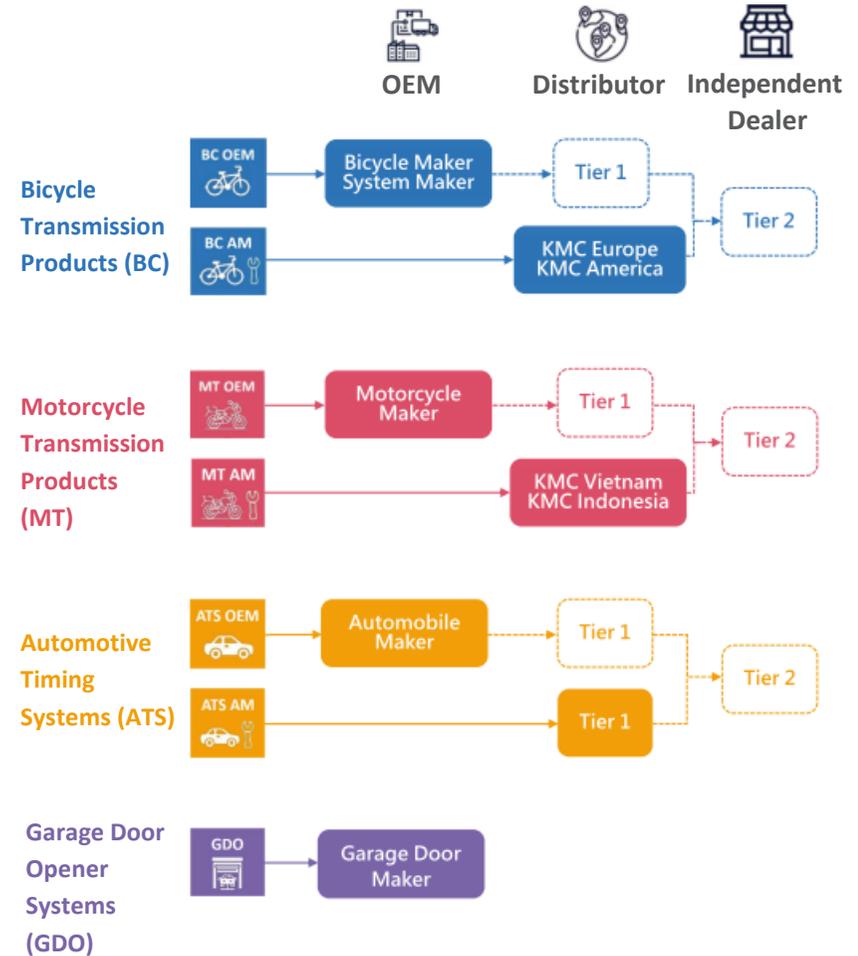


KMC Activity Value Chain

KUEI MENG primarily operates as a bicycle chain manufacturer, positioned in the midstream of the bicycle industry supply chain. Upstream in this chain is the source of metal raw materials. In addition to focusing on its own supply quality, delivery times, costs, and service capabilities, KUEI MENG continuously strengthens its relationships with distributors worldwide to enhance sales in the aftermarket repair market. Through close connections with upstream suppliers and customers, KMC fosters mutual growth across the entire supply chain.



KMC Sales Channel System



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Global layout



(Detailed information about each base is as shown on p.105 of the annual report.)

KUEI MENG's operational strategy is based on the principle of "Immediate Customer Service, Global Comprehensive Deployment." We have established factories or sales companies in bicycle production clusters worldwide. Through high-flexibility capacity adjustments, we meet global market demands and continually innovate to maintain our position as the world's largest chain supplier



- Global Headquarters & Research Center**
Tainan, Taiwan
- China Headquarters & Research Center**
Suzhou, Jiangsu

- Global Production Sites**
Taiwan
Vietnam
Tianjin x2
Shenzhen x3
Suzhou x3

- Global Services Centers**
Taiwan
California, U.S.
Netherlands, Europe
Germany, Europe
Jakarta, Indonesia
Vietnam
Tianjin
Shenzhen
Suzhou

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1.1 Sustainable Philosophy

KUEI MENG has always believed that a sustainable business, in addition to focusing on its core business for profitability, must also shoulder environmental and social responsibilities. We strive to promote corporate social and environmental responsibility development, creating a continuous source of operational drive and competitiveness, thereby achieving our sustainability goals.

Bicycles, as a low-carbon means of transportation, are inherently green products, offering environmental advantages such as reducing greenhouse gas emissions, conserving energy, and alleviating traffic congestion. KUEI MENG as a crucial part of the global bicycle supply chain, has adhered to its corporate vision of "Only through mutual benefit can we achieve greater success" since its inception. Therefore, we initiated the "Green Square Project" in 2012, which emphasizes the concept of "green travel" complemented by "green manufacturing" to drive internal sustainability development initiatives.

In response to global sustainability trends, KUEI MENG established the "ESG Committee" under the Board of Directors in 2021. Starting from the core of its operations, the company drives a positive cycle within the industry and supply chain, incorporating sustainability as an integral part of its business. Guided by four key principles: "Exercise corporate governance, Foster a sustainable environment, Preserve public welfare, Promote Economic Development" and organized into three major dimensions: "Governance, Environment, and Society" this serves as the framework for sustainability management.

In this respect, KUEI MENG 's Board of Directors established the "Corporate Social Responsibility Principles" in 2015, which were revised to the "Sustainable Development Best Practice Principles" in March 2022. These guidelines stipulate that the ESG Committee reports the progress of corporate sustainability implementation to the Board of Directors annually. The Board of Directors serves as supervisors and guides, ensuring that sustainability is deeply embedded in KUEI MENG 's DNA from top to bottom.



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1.2 Sustainable Governance

In July 1, 2021, KMC's Board of Directors resolved to establish the 'ESG Committee' as the dedicated organization for promoting sustainable development within the company. The Chairman serves as the Chairman of the Committee, and the General Manager serves as the Vice Chairman, leading department heads across various units. Through three subcommittees focusing on Sustainable Environment, Social Sustainability, and Corporate Governance, the company systematically integrates the concept of sustainable business into its daily operations. The long-term goal is to optimize the various aspects of ESG, aiming to create a new sustainable future for KMC.

The ESG Committee serves as an integrated and cross-departmental platform for sustainable communication within KMC. To concretely implement KMC's sustainable development blueprint, the Committee regularly consolidates relevant issues related to “ Environment, Social, and Governance. ” It invites relevant departments to hold meetings to address major sustainability concerns of stakeholders. The Committee sets mid-to-long-term development directions and goals, formulates corresponding sustainability strategies, and annual work guidelines. To ensure the effective implementation of ESG action plans in day-to-day operations, the Chairman appoints the Secretariat to execute the sustainability development plan and track its effectiveness. Annually, the Committee reports the results of the year's implementation and the next year's work plan to the Board of Directors. This constant oversight by the Board of Directors encourages the execution of the sustainability plan by the management team, assesses the likelihood of success of sustainability strategies, provides professional guidance in various aspects to the management team, and leads KMC toward the correct path of sustainability.



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1.3 Materiality Analysis & Stakeholder Engagement

The sustainability report serves as one of KUEI MENG's primary channels for communicating ESG issues to stakeholders. To achieve this, we proactively establish effective communication channels with various stakeholders in our day-to-day operations. This is aimed at efficiently conveying KUEI MENG's management measures regarding various significant sustainability issues.

1.3.1 Identify Stakeholders

KMC identifies seven major stakeholders by referencing competitors, partners, and operational attributes that have contact with or influence the company, following the five principles of the AA1000 Stakeholder Engagement Standard (AA1000 SES): Dependency, Responsibility, Tension, Diverse Perspective, and Influence.

The community is not only a partner in corporate sustainability issues but also an important source of diverse perspectives. Through collaboration with the community, KMC works together to address sustainability issues and challenges, maintain ongoing communication, and jointly enhance positive social impact.



The bank provides ample funding to support the continuous operation and growth of the company, while KMC transparently demonstrates the company's operational efficiency, building a strong relationship with the bank.



Government establish regulations for companies to follow, and KMC is committed to being a sustainable development enterprise, ready to adjust its corporate governance direction in accordance with regulations at any time to ensure legal operations.



Employees are the foundation of the company's sustainable development. KMC has established a diverse and equal environment, along with a robust talent development system, allowing outstanding colleagues to showcase their talents and enhance the company's operational performance and efficiency.



Clients are a critical driver of the company's success and a primary source of revenue. KMC provides a comprehensive range of cutting-edge products, maintaining its competitive edge in the market and working towards sustainable and mutually beneficial business operations.



Suppliers are important partners in KMC's journey towards sustainable development. KMC is committed to building strong relationships with its suppliers, working together to enhance the overall value of the supply chain.



Shareholders are the owners of the company, and KMC transparently discloses operational information to showcase the company's operational efficiency in response to shareholders' expectations.

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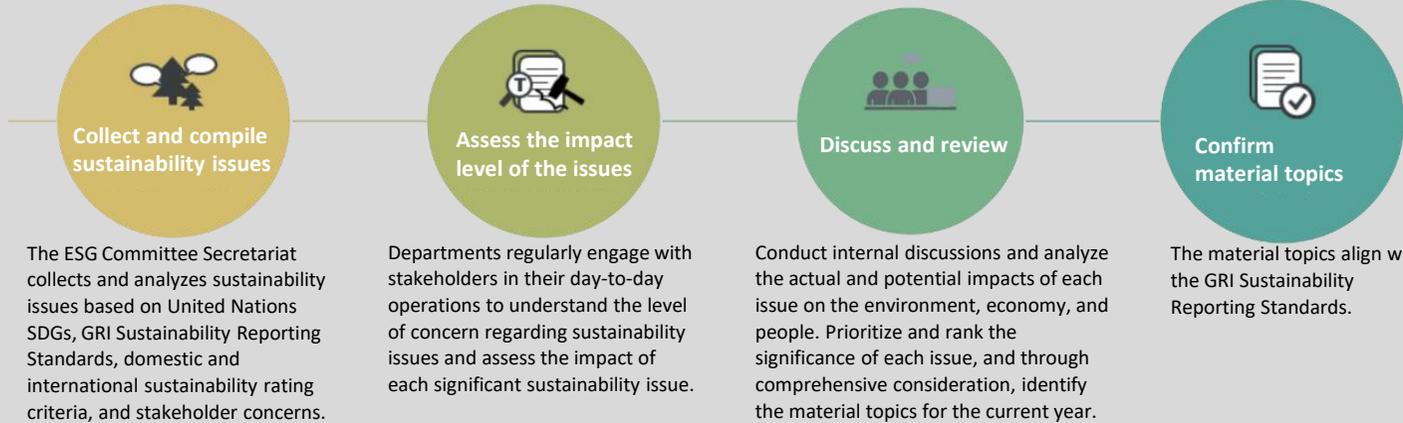
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1.3.2 Determination of Material Topics

KMC collects sustainability-related issues from global standards and regulations, industry peers and partners, as well as benchmark companies across various industries. These issues are identified collaboratively by various departments and the ESG committee, highlighting those that are critically important to KMC's current and future operations.



1.3.3 Disclosure and Reporting

We analyze the “The extent of the impact on KMC “ and “ The degree of actual and potential impact on the environment, economy and people “ for each sustainability issue of concern, and create a matrix chart of KMC’s material sustainability topics. After identification, analysis, and internal discussions within the ESG committee, we have narrowed it down to 10 material topics:

Financial Performance, Integrity and Legal Compliance, Corporate Governance and Risk Management, Procurement and Supplier Management, Climate Change Adaptation, Energy and Greenhouse Gas Management, Waste Management, Workplace Health and Safety, Employee Rights and Diversity & Inclusion, Talent Development and Growth.





1.3.4 Material Topics

| Material topics | Corresponding GRI topics | Corresponding section | Impact instructions |
|---|------------------------------------|--|---|
| Financial Performance | GRI201 | 2.2 Operational performance | Operational performance directly affects company costs and profitability. |
| Integrity and Legal Compliance | GRI205 | 2.3 Integrity in business operations | Failure to establish sound business practices and ethical standards may lead to illegal or detrimental conduct, subsequently resulting in operational risks. |
| Corporate Governance and Risk Management | Self-defined topic | 2.1 Integrity in governance | Establishing a transparent corporate governance system helps identify, assess, and manage risks, preventing decision-making errors or improper conduct, and thereby reducing shareholder trust and investor interest. |
| Procurement and Supplier Management | GRI204 | 2.4 Procurement and Supplier Management | The products rely on materials delivered by suppliers, and any disruption in the supply chain can have a significant impact on the company's production and business operations. |
| Climate Change Adaptation | Self-defined topic | 3.1 Climate Risk Management (TCFD) | Failing to adequately model the physical risks and transitional risks posed by climate change makes it impossible to assess the additional operational costs that may impact the company. |
| Energy and Greenhouse Gas Management | GRI302 GRI305 | 3.1.4 Climate Change Indicators and Goals 3.2 Energy and Water Resource Management | In response to the global 2050 net-zero carbon emissions goals, carbon reduction initiatives have become a future trend. Failing to address this adequately may result in increased operational costs. |
| Waste Management | GRI306 | 3.3 Waste Management | Effectively managing waste can reduce resource wastage and energy consumption, as well as mitigate the environmental impact on the company. |
| Workplace Health and Safety | GRI403 | 4.5 Healthy Workplace | Any security risks can potentially lead to significant economic and social losses for the company. |
| Employee Rights and Diversity & Inclusion | GRI401 \ GRI402 GRI405 \ GRI406 | 4.1 Employee Overview 4.2 Compensation and Benefits 4.3 Human Rights Protection and Employee Communication | Failure to establish the work environment that fully respects employee rights and fosters diversity and equality may result in high turnover rates and talent attrition. |
| Talent Development and Growth | GRI404 | 4.4 Education and Training | Establishing a talent database to maintain a stable talent pool within the company helps prevent the loss of key talents, reducing the risk to the company's competitiveness. |

For this reporting year, the reporting boundaries for major topics have been adjusted in accordance with the GRI Universal Standards 2021. The internal identification results for material topics have led to the removal of "Environmental Regulatory Compliance" "Water and Wastewater" and "Materials". Additionally, five new topics have been added: "Integrity in Business and Regulatory Compliance" "Corporate Governance and Risk Management" "Climate Change Adaptation" "Waste Management" and "Workplace Health and Safety".

The previously listed topics of "Market Position" "Labor Relations" "Employment Relations" "Non-discrimination" "Child Labor" and "Forced or Compulsory Labor" have been consolidated into "Employee Rights and Diversity & Inclusion". Furthermore, the names of "Economic Performance" "Emissions" "Education and Training" and "Procurement Practices" have been adjusted to "Financial Performance" "Energy and Greenhouse Gas Management" "Talent Development and Growth" and "Procurement and Supplier Management" respectively, to better align with the content and spirit of topic management.

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1.3.5 Stakeholder Engagement

| Stakeholder | Topic of concern | Communication frequency and method |
|--|---|--|
|  Employees | <ul style="list-style-type: none"> Financial Performance Workplace Health and Safety Employee Rights and Diversity & Inclusion Talent Development and Growth | <p>【Aperiodic】 Various Management Policies, Reward and Punishment Notices, Promotional Announcements</p> <p>【Periodic】 Employee Welfare Committee, Labor-Management Meetings</p> |
|  Clients | <ul style="list-style-type: none"> Financial Performance Integrity and Legal Compliance Corporate Governance and Risk Management Climate Change Adaptation Energy and Greenhouse Gas Management Workplace Health and Safety | <p>【Aperiodic】 Visit clients, Company Website, Email Correspondence, Phone Calls</p> <p>【Periodic】 Sustainability Report, Participation in International Bicycle Exhibitions</p> |
|  Suppliers | <ul style="list-style-type: none"> Integrity and Legal Compliance Corporate Governance and Risk Management Procurement and Supplier Management Employee Rights and Diversity & Inclusion | <p>【Aperiodic】 Communication meeting, Email Correspondence, Phone Calls</p> <p>【Periodic】 Supplier Visits, On-Site Audits</p> |
|  Bank | <ul style="list-style-type: none"> Financial Performance Integrity and Legal Compliance Corporate Governance and Risk Management Climate Change Adaptation | <p>【Aperiodic】 Investor Conferences, Major announcements on the MOPS, Irregular visit</p> <p>【Periodic】 Annual shareholders' meeting, Annual report, Sustainability Report, Financial Statements</p> |
|  Shareholders | <ul style="list-style-type: none"> Financial Performance Integrity and Legal Compliance Corporate Governance and Risk Management | <p>【Aperiodic】 Investor Conferences, Major announcements on the MOPS</p> <p>【Periodic】 Annual shareholders' meeting, Annual report, Sustainability Report, Financial Statements, official website information disclosed, Investor Relations Department</p> |
|  Government | <ul style="list-style-type: none"> Financial Performance Integrity and Legal Compliance Waste Management Energy and Greenhouse Gas Management Workplace Health and Safety | <p>【Aperiodic】 Compliance inspection, Official Correspondence, Supervisory and Regulatory Authorities Oversight and Audits, Educational Events Organized by Regulatory Authorities</p> |
|  Community | <ul style="list-style-type: none"> Integrity and Legal Compliance Waste Management Social Contribution and Engagement | <p>【Aperiodic】 Company Website, Organizing Various Events</p> <p>【Periodic】 Compliance inspection</p> |

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Key stakeholders

- Clients
- Bank
- Shareholders
- Government
- Suppliers

SDGs ▶



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Management Guidelines for Material Topics

Transparent Corporate Governance

Financial Performance, Integrity and Legal Compliance, Corporate Governance and Risk Management, Procurement and Supplier Management

Meaning

In order to effectively protect the interests of all stakeholders, it is imperative for companies to establish a strong corporate governance and culture of integrity. Therefore, KMC will adhere to domestic and international regulatory requirements, making integrity governance the cornerstone of its operations, and adopting a zero-tolerance approach towards any violations of regulations or misconduct.

Policies and Commitments

KMC will comply with all domestic and international regulatory requirements, strengthen the functions of the board of directors, enhance corporate transparency, ensure the protection of shareholder rights, enable the effectiveness of committees, and respect the rights of stakeholders.

Evaluation Mechanisms

- KMC hold regular management meetings each year to consistently strengthen performance, track and review goal achievement, and further refine our evaluation mechanisms.
- According to the annual audit plan, KMC conduct a review of the company's governance each year.

Specific Actions

KMC are committed to continually optimizing corporate governance performance by strengthening the functions of the board of directors, enhancing corporate transparency, and actively safeguarding the rights and interests of shareholders and stakeholders.

Communication Channels

As detailed in the “Stakeholder Engagement” section.

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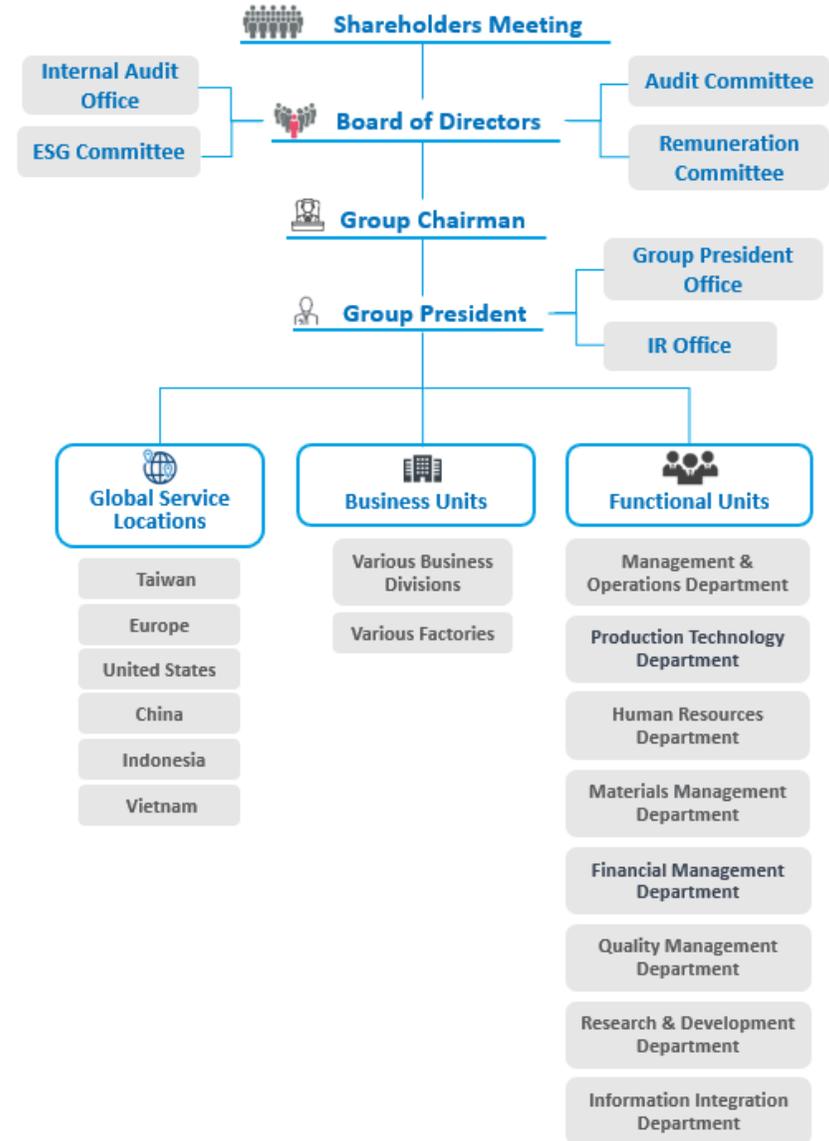
2.1 Integrity Governance

2.1.1 Governance Framework

KMC has consistently adhered to the principles of ethical operation and firmly believes that a sound, effective, and transparent board of directors is the cornerstone for deepening corporate governance and fostering a culture of corporate social responsibility. In addition to carrying out its duties in accordance with relevant laws and regulations and the powers conferred by the shareholders' meeting, the board of directors is responsible for overseeing execution results, making decisions on important matters, and guiding the management team.

Under the board of directors, there are three major committees: the Audit Committee, the Remuneration Committee, and the ESG Committee. These committees assist the board of directors in formulating operational policies, auditing and supervising, and protecting shareholder interests, allowing the board of directors to effectively fulfill its responsibilities and establish a robust corporate governance system.

To implement the objectives of safeguarding shareholder and stakeholder rights and interests, strengthening the functions of the board of directors, and enhancing transparency, KMC has established regulations such as the "Corporate Governance Best Practices" and the "Board of Directors Meeting Regulations" to reinforce compliance with legal requirements within the board of directors.



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Board of Directors

The Board of Directors serves as the highest governance body of the company. KMC has established an open and transparent nomination system with a “Director Nomination Procedure”. Directors are nominated according to the company’s articles of association, and they are elected by the shareholders through voting. KMC adheres to a policy of board member diversity, without restrictions based on gender, nationality, or race. However, candidates must possess diverse core competencies, including operational judgment, accounting and financial analysis, business management, crisis handling, industry knowledge, international market perspectives, leadership, and decision-making abilities. External stakeholder perspectives are also incorporated to achieve ideal corporate governance goals.

In 2022 (the 12th term), the Board of Directors consists of four directors with diverse professional backgrounds and extensive experience, along with three independent directors, including one female independent director, accounting for 14% of female representation on the board. Each year, board members undergo continuous education in areas such as corporate sustainability governance, business operations, risk management, and legal compliance to ensure that corporate governance, business strategies, and sustainability development align with best practices and regulatory requirements. They lead the company toward a sustainable future.



The educational and professional backgrounds, as well as the training details, of each director are provided in the annual report on p.34~35.



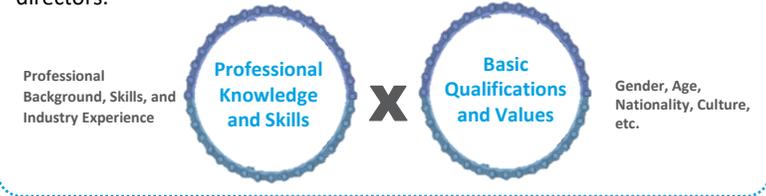
In 2022, a total of four board meetings were convened.



The attendance rate of all directors was 100%.

Board of Directors Nomination and Appointment Policy

KMC’s Board of Directors considers its own operations, business type, and development needs to establish selection criteria, including but not limited to the following two major aspects, in order to form a diverse board of directors:



The Chairman of the Board serves as the President of the Board and is responsible for executing and leading the board in carrying out its primary responsibilities, which include overseeing the company’s operational performance, formulating long-term strategic objectives, preventing conflicts of interest, and ensuring legal compliance. The Chairman is also accountable to the shareholders.

To ensure that the Board can effectively oversee and guide, the “KMC International Corporation Board of Directors Meeting Regulations” stipulate that the Board should meet at least once per quarter. During these meetings, directors collectively review the company’s operational status and discuss key significant events that may affect its operations. If any adverse events occur that impact stakeholders, the Board will request responsible units to report on the circumstances and the measures taken in response.



Key Board Resolutions in 2022.

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Furthermore, according to Article 15 of the Board of Directors Meeting Regulations “If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of this Corporation, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.” Directors are required to recuse themselves when there is a conflict of interest in the execution of their duties, in order to uphold good corporate governance practices.

Board of Directors Performance Evaluation

In order to enhance corporate governance and improve the functionality of the Board of Directors, KMC has established performance objectives to enhance the efficiency of board operations. KMC has formulated the “Rules for Performance Evaluation of Board of Directors” in accordance with the law, and conducts regular annual assessments of the board's performance in accordance with these guidelines.



The results of the 2022 Board of Directors' performance evaluation.

The Board of Directors' Evaluation Process



1

At least once a year, an internal Board of Directors' performance evaluation shall be conducted.



2

The scope of the assessment includes the Board of Directors, individual directors, and functional committees.



3

The Rules for Performance Evaluation of Board of Directors and results are fully disclosed on the website.



The internal performance evaluation of the Board of Directors for the year 2022 has been completed, and the report was submitted to the Board of Directors on March 14, 2023.

2022 Board Self-Evaluation Results

The indicators for the Board of Directors' performance evaluation are formulated based on the company's operations and needs, ensuring that they are relevant and suitable for assessing the performance of the company. The following represents a comprehensive summary of the measured criteria and outcomes.

Board of Directors' Performance Evaluation Excellent

【 Measurable criteria 】

Participation in company operations, Enhancement of the quality of board decisions, Composition and structure of the board of directors, Board of directors' appointment and training, Internal controls

Individual Director Performance Evaluation Excellent

【 Measurable criteria 】

Understanding of company goals and mission, Awareness of director responsibilities, Participation in company operations, Internal relationship management and communication, Director's expertise and continuous education, Internal controls

Functional Committee Performance Evaluation Excellent

【 Measurable criteria 】

Participation in company operations, Awareness of committee responsibilities, Enhancement of the quality of committee decisions, Composition and selection of committee members, Internal controls

Note: The evaluation is based on a 5-point scale, with ratings of "5 (Excellent)," "4 (Good)," "3 (Satisfactory)," "2 (Fair)," and "1 (Needs Improvement)."



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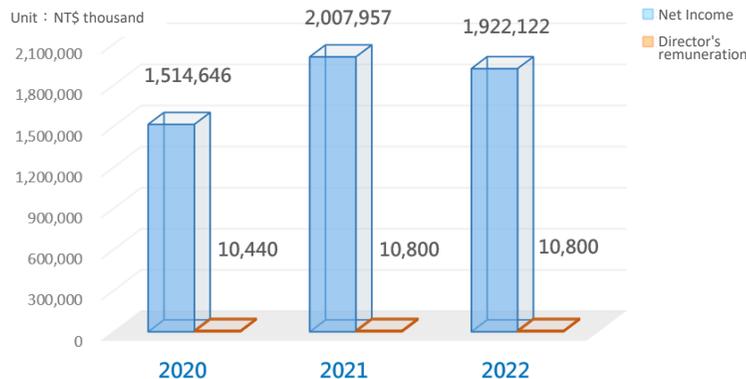


Director and Executive Compensation System

The performance evaluation, policies, systems, standards, and structures related to the compensation of directors and executives are established and reviewed by the Compensation Committee. This committee consists of independent directors, and the "Compensation Committee Organization Regulations" stipulate that meetings should be held at least twice a year to review and ensure the competitiveness and fairness of compensation.

| | |
|---------------------------------------|---|
| <p>Director's remuneration</p> | <p>The compensation for directors and executives is determined by referencing the typical salary levels in the industry and considering the results of the performance evaluations of the directors. It is based on a comprehensive assessment that takes into account individual performance, company operational performance, and business risks. This approach ensures that reasonable compensation is provided to directors and executives.</p> |
| <p>Executive remuneration</p> | <p>Annually, executive remuneration is determined based on performance indicators, executive positions (level), professional competence, the degree of performance relevance, and the company's operational results, with reference to the typical salary levels in the industry.</p> |

According to Article 21 of the company's articles of incorporation, if the company is profitable in the current year, the Board of Directors may resolve to allocate an amount not exceeding 3% of the profits as director's compensation. This allocation must be approved by the Compensation Committee and reported to the shareholders' meeting.



Internal Audit

KMC has established an internal audit department that reports directly to the board of directors. This department serves as an independent internal unit responsible for conducting regular audits and reporting the audit activities to the board of directors on a quarterly basis. In addition, the department periodically reports audit findings to the chairman of the board to ensure effective risk management and compliance with regulatory requirements.

To further enhance risk management and ensure compliance with regulations, KMC has developed internal control systems and procedures in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" issued by the Financial Supervisory Commission. These systems include the "Internal Control System," "Internal Audit Implementation Rules," and "Procedures for Self-Inspection of Internal Control Systems," all of which contribute to the company's commitment to sustainable governance.

The objectives and scope of the internal audit department are as follows:

Purpose

Assist the board of directors and management in examining and reviewing deficiencies in the internal control system and assessing the effectiveness and efficiency of operations. This aims to achieve both proactive benefits, such as improving operational performance, and reactive benefits, such as preventing misconduct. Additionally, it helps to reduce inappropriate risks within the company and enhance crisis management capabilities.

Execution Items

1. Conduct audit operations in accordance with the annual audit plan established by the board of directors, as required by Taiwanese regulatory authorities.
2. Issue audit reports and continuously monitor improvement progress.
3. Regularly oversee the self-assessment of internal controls conducted by various departments and subsidiaries within the company, and review self-assessment reports.
4. Communicate with independent directors and report to the Audit Committee and the Board of Directors.



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Functional Committees

The Board of Directors has established "Audit Committee" and "Remuneration Committee" functional committees to assist the Board in carrying out its supervisory and advisory responsibilities. These committees convene meetings in accordance with the organizational regulations approved by the Board and exercise the powers conferred by laws to review and discuss relevant matters.

In response to international sustainability trends, the Board also resolved on July 1, 2021, to establish the "ESG Committee" and requested the ESG Committee to regularly report to the Board on the implementation of sustainability within the company. Details of the ESG Committee's role are explained in the "Sustainable Governance Strategy" section.

Audit Committee

KMC's Board of Directors resolved to establish the Audit Committee on August 12, 2020. The Audit Committee is composed of three independent directors and is primarily responsible for assisting the Board of Directors in fulfilling its supervisory duties and carrying out tasks assigned by the Company Act, Securities and Exchange Act, and other relevant laws and regulations. KMC's Audit Committee is composed entirely of independent directors and operates in accordance with the organizational regulations of the Audit Committee. The committee convenes regularly as needed and holds meetings at least once per quarter.

-  **In 2022, a total of four board meetings were convened.**
-  **The attendance rate of all committee members was 100%.**
-  **Effective communication channels have been established with internal audit personnel, corporate governance officers, and certified public accountants.**

Remuneration Committee

KMC has established a Remuneration Committee in accordance with Article 14-6 of the Securities and Exchange Act and the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange". The Remuneration Committee holds meetings at least twice a year and is responsible for overseeing the operation of the compensation system and risk management to enhance corporate governance. The committee also regularly reviews the performance evaluation and compensation policies for the directors and managers of the company, taking into consideration factors such as talent retention and motivation.

-  **In 2022, meetings were held in March and November, with one meeting in each month.**
-  **The attendance rate of all committee members was 100%.**

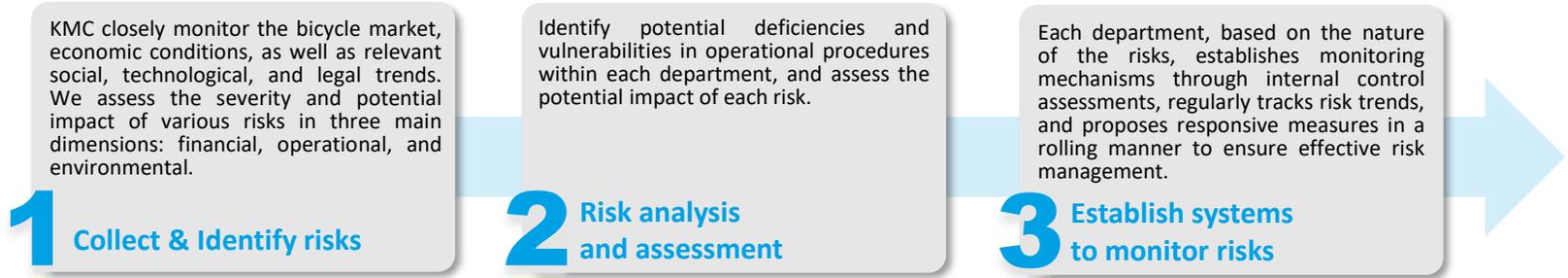


2.1.2 Risk Management

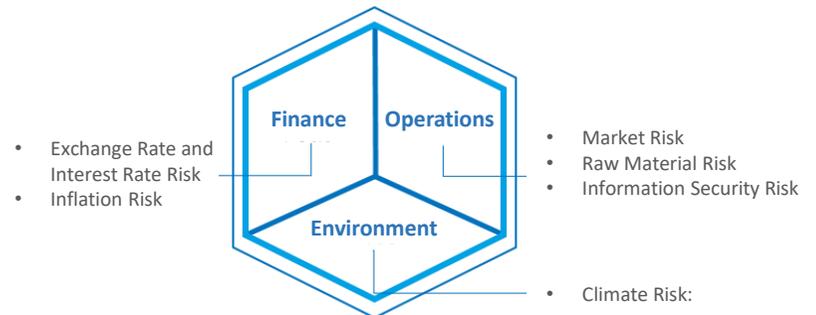
In the operation of our business, we recognize the inseparable relationship between risks and opportunities. Proactively managing risks can significantly reduce losses and adverse impacts, and in some cases, can even transform risks into opportunities. In the ever-changing business environment, the ability to swiftly respond to environmental changes, identify risks, and propose mitigation measures has always been a key component of KMC's risk management strategy. We aim to identify opportunities within risk management, seizing them to achieve our sustainable development goals.

KMC has a long-standing focus on the manufacturing, sales, and technical research of bicycle chains, without engaging in high-risk or highly leveraged investments. To address both internal and external risks, the company has established various internal regulations, such as procedures for acquiring or disposing of assets, endorsement and guarantee operations, funding loans to others, and measures to prevent insider trading. Various relevant units are responsible for identifying, analyzing, and assessing potential risks. Furthermore, appropriate risk control mechanisms have been established to effectively manage these risks.

Enterprise Risk Management Measures



As a part of the global bicycle supply chain, KMC not only focuses on its own related risks but also monitors global risk variations. In addition to identifying key risks and proposing response measures in the areas of finance, operations, and the environment, KMC also considers global risks as highlighted in the World Economic Forum's 2022 Global Risk Report. This comprehensive approach includes addressing environmental, social, and corporate governance issues related to the company's operations.



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Management of Significant Risks and Mitigation Measures

Regarding climate risk, it will be explained in detail in the "3.1.2 Climate Change Strategy" section. For the rest of the significant risks in 2022, they are as follows:

Exchange Rate and Interest Rate Risk, Inflation Risk

Finance

Risk Description

In 2022, the global pandemic and the Ukraine-Russia conflict disrupted supply chains and led to a decrease in production activities. Many countries implemented loose monetary policies and fiscal stimulus measures, resulting in lower interest rates and an increase in the money supply, which in turn created inflationary pressures.

Potential Impacts

Inflation, changes in interest rates, and currency fluctuations may lead to increased operating costs, decreased asset values, and could potentially impact future cash flows.

Mitigation Measures

- The company closely monitors relevant economic changes, market dynamics, and interest rate fluctuations, and takes necessary measures to mitigate the impact of inflation and interest rates on its income statement.
- Additionally, the company keeps a vigilant eye on currency exchange rate fluctuations, manages foreign exchange exposure positions rigorously, maintains close communication with financial institutions to stay informed about exchange rate trends, and implements appropriate hedging measures.

Information Security Risk



(KMC Information Security Policy)

Operations

Risk Description

In 2022, there was a surge in phishing and cyberattacks, with hackers frequently utilizing software vulnerabilities and deceptive tactics to attempt to steal sensitive information from individuals and businesses.

Potential Impacts

- In the event of a ransomware attack, it may result in business disruption or data loss.
- Additionally, a hacker intrusion not only carries the risk of financial losses but also the potential for personal identity theft and damage to the company's reputation.

Mitigation Measures

- Regularly conduct cybersecurity education and awareness training, including cybersecurity policies, regulations, and relevant operating procedures.
- Establish firewall defense and data backup mechanisms, user internet access control mechanisms, install antivirus software, perform regular operating system updates, and implement email security and confidential data access control.
- Establish a comprehensive system recovery plan system.

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Market Risk

Risk Description

Unauthorized production and sale of counterfeit products in the market attempt to connect with the KMC brand to confuse consumers, making it difficult to sell products. Additionally, competitors try to sell products at excessively low prices, affecting market share.

Potential Impacts

- Counterfeit products can potentially damage the company's reputation and brand image, and they may also reduce consumer trust in the brand.
- Price competition from competitors can impact the company's market share, pricing strategies, and ultimately affect product profitability and quality.

Mitigation Measures

- Introducing high-performance chains designed specifically for premium bicycles to expand our market share through product differentiation.
- Offering high-quality, competitively-priced entry-level chains to strategically increase our presence in emerging markets and capture additional market share.
- Enhancing the awareness of our sales teams, distributors, and customers through rigorous education, training, and awareness campaigns.
- Implementing anti-counterfeiting measures in our packaging and label designs to distinguish our products from counterfeit ones, while also strengthening our intellectual property protection measures.

Operations

Raw Material Risk

Risk Description

- In 2022, the global economic recovery drove an increase in demand for metals in sectors such as construction, automotive, and infrastructure development, resulting in price volatility in the metal markets. Additionally, global supply chain restructuring, trade policies, and transportation issues posed the risk of supply chain disruptions.
- The possibility of receiving subpar raw materials from suppliers could directly impact product quality.

Potential Impacts

- Fluctuations in metal prices may lead to increased production and transportation costs, subsequently affecting product prices and company profits.
- Supply chain disruptions can result in production halts and delivery delays, potentially giving rise to the risk of contractual breaches.
- Poor-quality raw materials, if encountered, could lead to production interruptions, machinery equipment damage, customer complaints, and related issues.

Mitigation Measures

- Establish adequate safety stock levels and foster partnerships with multiple suppliers to avoid reliance on a single supplier for raw materials.
- Regularly monitor market prices for risk assessment and implement appropriate procurement strategies in a timely manner.
- Implement a quality monitoring mechanism with suppliers, conduct periodic supplier assessments, and perform quality testing.

Operations

2.1.3 Membership associations

Taiwan Bicycle Association - Chairman

Organizational Purpose

- Dedicated to fostering harmonious and prosperous partnerships within the global bicycle industry, striving together towards a better world.
- Guided by the belief that "only through mutual benefit can we achieve greater good, complementing strengths to create win-win outcomes," we aim to become the most trusted and passionate strategic partner in the global bicycle industry.
- Together, we execute the "C.Y.C.L.E.N.O.W." strategy across the industry, envisioning the bicycle industry as a holistic practitioner in the realms of "production," "lifestyle," "health," and "ecology."
- We leverage "key Taiwan core strengths" and "collaborative global connections" to drive the ultimate goal of "building a new ecosystem," "exploring new opportunities," "transitioning to a new future," and "co-creating a new sustainability."
- We advocate for the "Twin Net-Zero Vision," which involves achieving "net-zero travel" and "net-zero manufacturing," to preserve a beautiful planet for future generations.



**TAIWAN
BICYCLE
ASSOCIATION**

Cycling Life Style Foundation - Director

Organizational Purpose

- Promoting Taiwan as a cycling paradise and a hub for a new bicycle culture.
- Advocating for government efforts to create a safe and cyclist-friendly riding environment.
- Encouraging people to embrace the high-quality, healthy, and recreational lifestyle offered by cycling, and ultimately transition from personal vehicles to bicycles, in pursuit of the vision of a "Cycling Paradise."



**CYCLING LIFE
STYLE
FOUNDATION**

Bicycling Alliance for Sustainability – Membership

Organizational Purpose

- Leading the bicycle industry towards becoming a green and sustainable sector, with a primary commitment to reducing carbon emissions associated with bicycle consumption and production, making bicycles true green products.



**BICYCLING
ALLIANCE FOR
SUSTAINABILITY**

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2.2 Operational Performance

2.2.1 Financial Performance

In 2022, KMC achieved a consolidated revenue of 7.12 billion New Taiwan Dollars (NTD), with a consolidated net profit after tax of 1.92 billion NTD. The earnings per share (EPS) for the year were 15.26 NTD. Despite the challenging market conditions in 2022, KMC maintained a strong financial structure and a track record of stable operations and profitability. The company's focus on efficient asset utilization has been instrumental in creating high returns for shareholders, aligning with its goal of becoming the "world's most valuable chain brand."

Operating ability



The above data is compiled in accordance with International Financial Reporting Standards (IFRSs) and verified by Deloitte Touche.

Profitability



The above data is compiled in accordance with International Financial Reporting Standards (IFRSs) and verified by Deloitte Touche.

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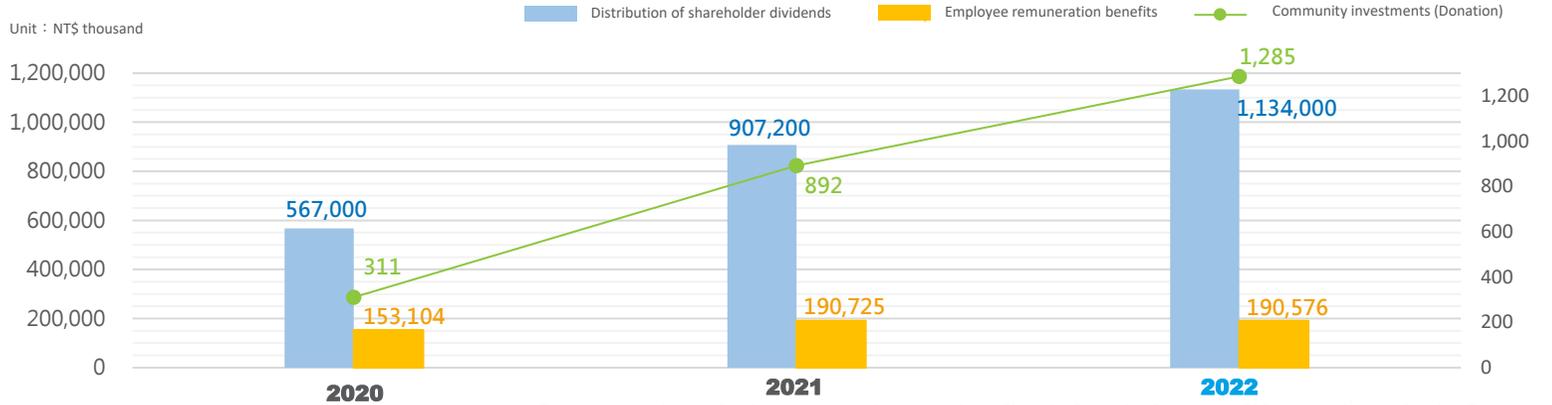
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Distribution of economic value

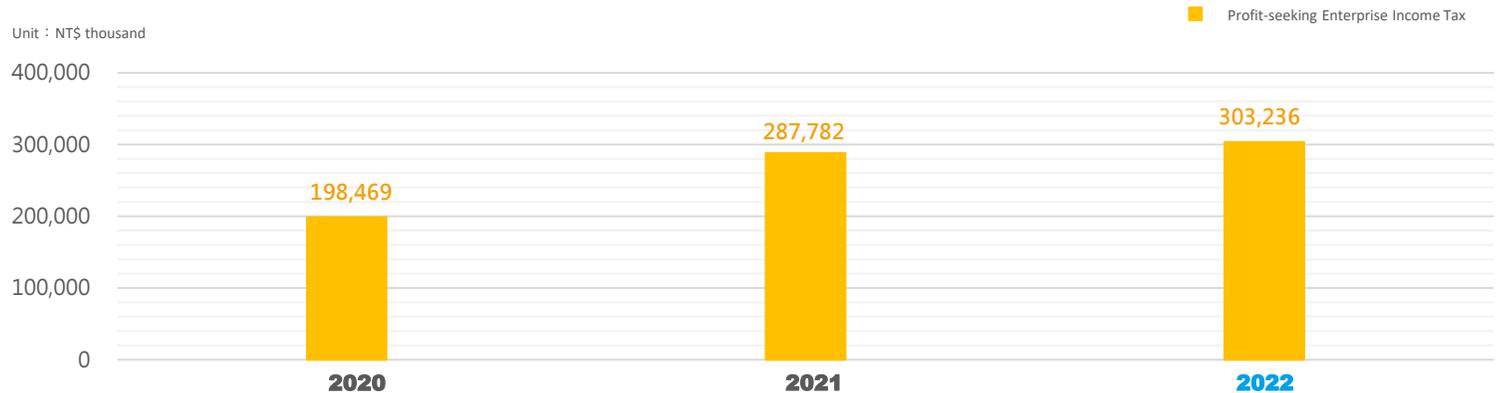


The above data is compiled in accordance with International Financial Reporting Standards (IFRSs) and verified by Deloitte Touche.

2.2.2 Tax Governance

KMC places a strong emphasis on tax governance and adheres strictly to tax regulations, following four key principles: “Honesty in tax reporting and payment, assessing and addressing tax risks, maintaining open and honest communication, and ensuring information transparency.”

Tax information





2.3 Ethical Operations

2.3.1 Code of Business Conduct and Ethics

KMC firmly believes that ethical business conduct is one of the cornerstones of corporate success and sustainable development. In today's highly competitive business environment, a company must be built on a foundation of integrity to establish a strong business reputation and trust. This trust is essential for winning the support of customers, investors, and stakeholders. KMC has consistently maintained strict adherence to legal and industry standards, and it has established comprehensive internal controls and risk management mechanisms to enhance operational efficiency and resilience against risks.

To strengthen the integrity management of the company, the IR Office serves as the dedicated unit under the Board of Directors responsible for promoting integrity management. This unit is tasked with formulating integrity management policies and prevention plans, monitoring their implementation, and reporting on the execution at least once a year to the Board of Directors. In 2022, the focus of integrity management education and training was on raising awareness of information security, protecting corporate trade secrets, and enhancing legal knowledge. Going forward, KMC will continue to promote integrity management-themed education and training to enhance employees' awareness of integrity in business operations.

 **In 2022, KMC did not receive any complaints or cases related to anti-corruption, environmental, or social issues.**

Procedures for Ethical Management and Guidelines for Conduct

To uphold the policy of ethical business conduct and proactively prevent unethical behavior, KMC has established operational procedures and guidelines for ethical conduct. These documents provide specific guidelines for company personnel to follow while conducting business activities.



Ethical Corporate Management Best Practice Principles

KMC, its directors, executives, employees, appointees, and substantial controllers shall not directly or indirectly offer or accept improper advantages from customers, agents, contractors, suppliers, public officials, or other stakeholders while conducting business activities.



Code of Ethics for Directors and Managers

KMC's directors and managers are expected to adhere to the principles of honesty and integrity and to comply with professional standards in the performance of their duties.



Grievance Mechanism

In order to implement honest management and prevent dishonest behavior and eliminate illegal activities or corruption, has clearly formulated regulations related to honest operation, specifically stipulating matters that personnel should pay attention to when performing business, and has a reporting and grievance mechanism in each regulation.

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2.3.2 Legal Compliance

KMC regards compliance with regulations as a critical aspect of its business operations. We require all responsible units to strictly adhere to domestic and international legal standards, upholding the principles of legality in all activities. We continuously monitor regulatory trends and changes, ensuring that our operations and obligations align with legal policies. In 2022, KMC did not incur any significant fines or non-monetary sanctions related to violations of corporate governance, anti-corruption, fair trade laws, or other legal regulations. Additionally, there were no instances of managerial misconduct in violation of insider trading laws during the year.

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.

- ✓ No violations of the Company Act have occurred.
- ✓ No violations of the Securities and Exchange Act have occurred.
- ✓ No corruption incidents have taken place.
- ✓ No violations of the Fair Trade Act have occurred.
- ✓ No involvement in monopoly-related incidents has taken place.

Environmental products

We regularly review and collect product and environmental-related regulations. After identifying any impacts on company policies and regulations, we present mitigation strategies in internal meetings. These strategies are then communicated through the company's internal website.

- ✓ No violations of any environmental regulations have occurred.
- ✓ No violations of product trade regulations have taken place.
- ✓ No violations of product and service information labeling regulations have been committed.

Labor Rights

KMC adheres to human rights principles and international standards and has a human rights policy. In order to protect the rights and interests of employees and provide a workplace free of sexual harassment, KMC has formulated management regulations such as the "Sexual Harassment Prevention Act" and the "Workplace Bullying Prevention and Control" and established a grievance mechanism.

- ✓ No violations of labor regulations.
- ✓ No forced labor.
- ✓ No violations of sexual harassment laws.
- ✓ No discrimination or sexual harassment incidents.
- ✓ No use of child labor.

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2.4 Supplier Management

2.4.1 Localization of procurement

Taiwan is home to many prominent bicycle product manufacturers, and as the world's leading chain manufacturer, KMC firmly believes that a localization procurement strategy is crucial for sustainable business operations and is also part of corporate social responsibility. Implementing localization in procurement not only shortens product lead times, enhances supply chain flexibility, reduces new product development time, and ensures customer service quality and efficiency but also indirectly creates employment opportunities to promote socioeconomic development. Therefore, KMC has been actively promoting localization in procurement for many years, with a preference for suppliers in southern Taiwan, to reduce the environmental footprint associated with the raw materials required for manufacturing.

 **In 2022, KMC's local procurement suppliers accounted for 95.4% of the total supplier base, representing 73% of the total procurement amount.**

2.4.2 Supplier Management

KMC has always adhered to the principle of "Mutual Benefits for Better Outcomes, Complementary Advantages for Win-Win." We believe that suppliers are long-term partners, and to ensure product and service quality, achieve cost-effectiveness, and improve efficiency, we have developed a comprehensive supplier management policy. This policy involves evaluating suppliers' financial stability, supply capabilities, and risk management abilities to establish a sustainable supply chain management mechanism.



Existing Qualified Supplier Management



- ▶ Regular evaluations are conducted every year in January, April, July, and October.
- ▶ These evaluations are performed separately by responsible units based on quality, delivery schedule, and cooperation.
- ▶ Suppliers are categorized based on the evaluation results.
- ▶ In the case of suppliers who do not meet the criteria, they are either provided with guidance for improvement or assessed for potential exclusion from procurement

New Supplier Management



- ▶ Assess the necessity of adding new suppliers.
- ▶ Existing suppliers are unable to meet the company's requirements in a timely manner.
- ▶ On-site or sample evaluation.
- ▶ Regular assessment of qualified suppliers.

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Commit to Environmental Sustainability

- 3.1 Climate Risk Management (TCFD)
- 3.2 Energy and Water Resources Management
- 3.3 Waste Management
- 3.4 Recycling and Reuse

Key stakeholders

- Clients
- Bank
- Government
- Community

SDGs



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Management Guidelines for Material Topics

Commit to Environmental Sustainability

Climate Change Adaptation, Energy and Greenhouse Gas Management, Waste Management

Meaning

From the Paris Climate Agreement to COP27 and the climate policies of governments worldwide, there is increasing emphasis on addressing climate change. As a part of the global bicycle industry, KMC recognizes its responsibility to the planet's environment. We are committed to working alongside other industries to transition towards a low-carbon economy.

Policies and Commitments

KMC commits to following the BAS Carbon Reduction Roadmap, aiming to reduce carbon emissions by 3% annually and achieve a minimum reduction of 25% by 2030. We will continuously improve energy efficiency and other environmental performance measures to reduce the impact of climate change and fulfill our responsibility to protect the environment and care for the planet.

Evaluation Mechanisms

- Each year, responsible units arrange regular internal greenhouse gas inventories at all our factories to continuously track carbon emission data.
- Regular meetings are held each year to monitor and review progress towards achieving our energy efficiency and carbon reduction goals.

Specific Actions

In 2022, our carbon reduction target was 3%, and within our operations in Taiwan, we achieved an actual carbon reduction rate of 3.52%, successfully meeting the BAS carbon reduction goal.

Communication Channels

As detailed in the “Stakeholder Engagement” section.

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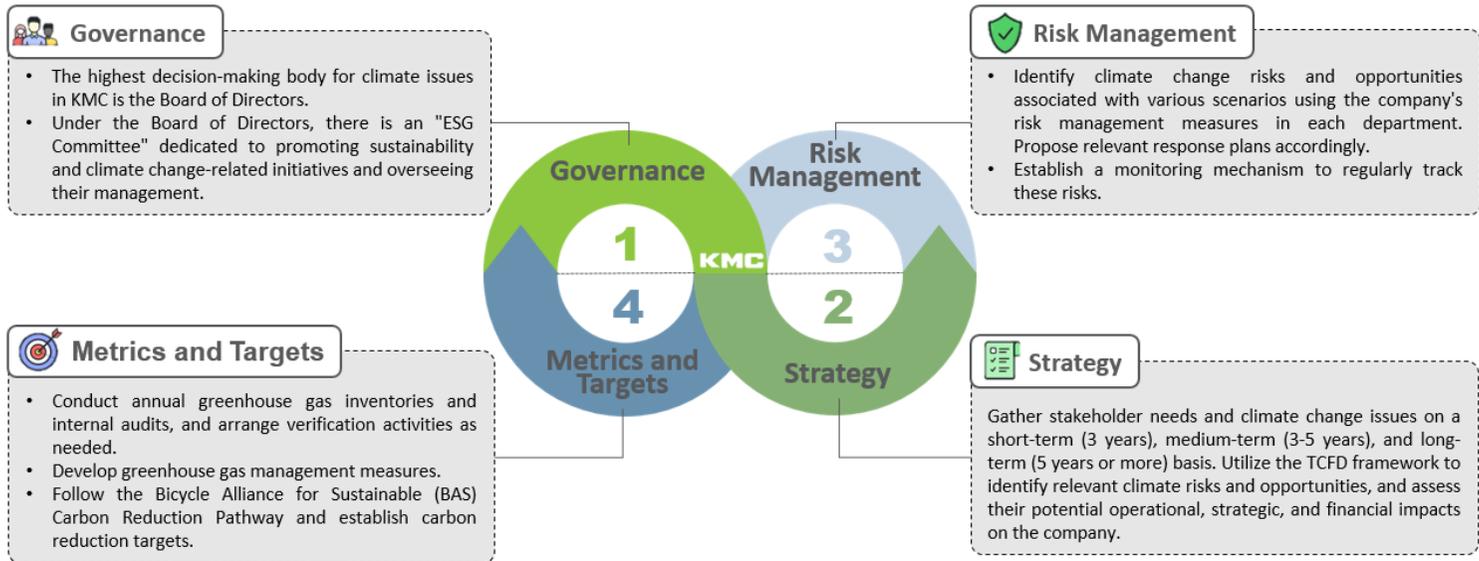


3.1 Climate Risk Management

According to the 2022 Global Risks Report published by the World Economic Forum (WEF), the most significant risk affecting the world in the next 10 years is climate change. Climate-related risks such as the failure of climate action, extreme weather events, biodiversity loss, human environmental damage, and natural resource crises are all ranked among the top 10 global risks. Climate action failure and extreme weather events have been particularly prominent international focuses in recent years.

From the setting of the goal in the Paris Agreement in 2015 to limit global warming to well below 2 degrees Celsius and strive for 1.5 degrees Celsius by 2100, to the reaffirmation of the 1.5-degree goal at the 27th UN Climate Change Conference of the Parties (COP27), countries around the world have been announcing climate-related regulations to strengthen their capacity to address climate change.

KMC recognizes that climate change is a critical issue that global businesses need to confront. How businesses adapt to and mitigate the impacts of climate change is a major focus of sustainable business operations. As such, KMC began implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in 2021 and conducted climate risk scenario analysis in 2022. This analysis identifies significant risks and opportunities that may affect operations and assesses potential climate-related financial impacts. It helps stakeholders and the operational team understand significant risks, enhance climate resilience, and create sustainable development opportunities.



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3.1.1 Climate Change Governance

Climate Change Board Governance

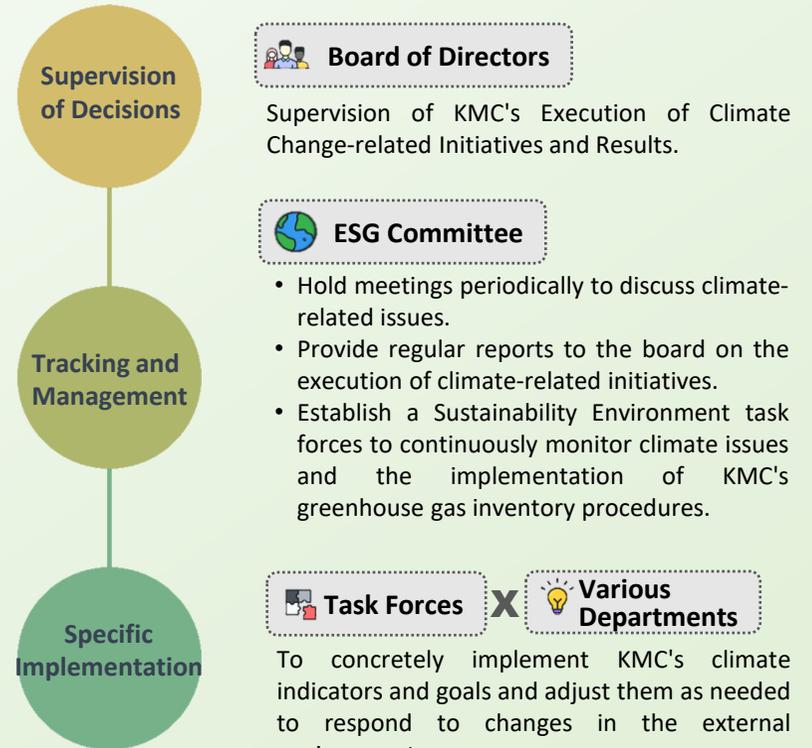
KMC has established an ESG Committee under the purview of the Board of Directors. This committee serves as the specialized organization for driving sustainable development within the company. The governance framework details are outlined in the dedicated "Sustainable Governance Framework" chapter. Furthermore, there are three task forces focused on sustainability in environmental, social, and corporate governance aspects. Each of these working groups promotes and implements ESG initiatives in an organized and systematic manner. Regular meetings are convened by the Chairman and the President, involving top-level managers, to oversee the practical implementation and effectiveness of ESG practices.

To address the issue of climate change, the ESG Committee incorporates climate-related risks into its review and guidance processes. This includes assessing and considering climate change-related risks when reviewing and directing strategies, important action plans, risk management policies, annual budgets, business plans, and the establishment of organizational objectives. Additionally, climate-related risks are taken into account when monitoring the implementation and execution of these strategies and when overseeing significant capital expenditures, acquisitions, and divestments.

The highest decision-making authority on climate change at KMC is the Board of Directors. The ESG Committee is responsible for regularly reporting to the Board of Directors on the execution outcomes and progress of climate-related initiatives for the current year. The Board of Directors is responsible for confirming the achievement status of climate change indicators and goals.

Climate Change Management Hierarchy

The ESG Committee is chaired by the Chairman and the Vice-Chairman is the President, with the Chief of Staff appointed as the overall coordinator. The Sustainable Environment task forces is responsible for regularly convening various units to identify climate-related risks and opportunities relevant to KMC, conducting assessments and quantification of these climate issues, and reporting the results of climate change identification to the ESG Committee. The ESG Committee then regularly reports these findings to the Board of Directors.



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3.1.2 Climate Change Strategy

KMC conducts an assessment of climate-related risks and opportunities based on the TCFD framework, considering six key dimensions: policy and regulations, market reputation, physical risks, resource efficiency, market, products and services. This assessment is conducted from the perspective of the overall business strategy and covers short, medium, and long-term climate-related risks and opportunities. Through this process, KMC identifies potential impacts on its operations and finances, utilizing scientific modeling for climate change scenario analysis to understand the implications of climate change. This analysis aids the operational teams in proposing relevant mitigation measures to enhance KMC's climate resilience.

Climate Change Scenario Analysis

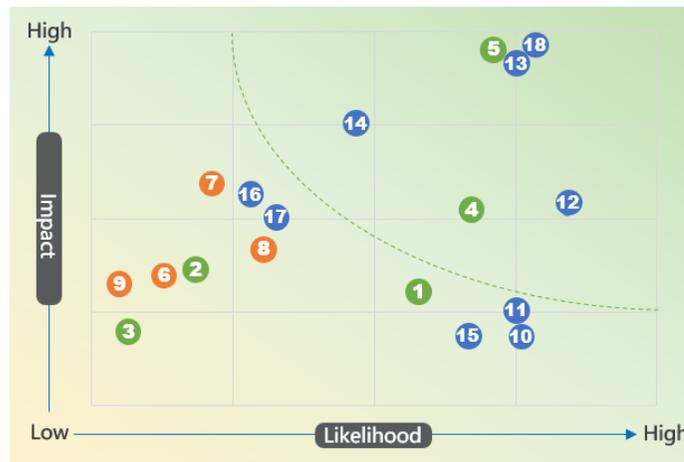
Transition risk

Referencing the International Energy Agency (IEA) Announced Pledges Scenarios (APS) and Net Zero Emissions (NZE) scenarios.

Physical risk

Assessing the impact of extreme weather due to very high emissions scenarios (SSP5-8.5) following the Intergovernmental Panel on Climate Change (IPCC) to evaluate how it affects operational locations.

Climate Change Risk and Opportunity Assessment and Explanation



Transition risk

- 1 Energy-Related Regulatory Risks
- 2 Greenhouse Gas - Related Regulatory Risks
- 3 Water Resource - Related Regulatory Risks
- 4 Upstream - Raw Material Disruption or Cost Increases
- 5 Downstream - Consumer or Client Preference Shift

Physical risk

- 6 Extreme Weather Events Causing Delay in Raw Material Transportation
- 7 Impact on Own Operational Activities Due to Extreme Weather Events
- 8 Rising Temperatures or Extreme Cold Weather
- 9 Increased Water Shortage Events

Opportunity

- 10 Energy - Efficient Transportation and Production
- 11 Development of Renewable Energy Sources
- 12 New Market Partnerships
- 13 Aftermarket Development for Non-Fuel Vehicles
- 14 Increased Shipping Costs in the Upstream
- 15 Government Incentive Measures
- 16 Development or Expansion of Low-Carbon Products and Services
- 17 Low-Carbon or Innovative Products and Services
- 18 Research and Innovation for New Products and Services

- **Likelihood** : The likelihood of climate-related risks and opportunities occurring, 1 (Highly unlikely), 2 (Unlikely), 3 (Possible), 4 (Likely), 5 (Highly likely).
- **Impact** : Assessing the severity of climate-related risks and opportunities affecting the business scope, 1 (Very minor), 2 (Minor), 3 (Moderate), 4 (Severe), 5 (Very severe).
- **Significant Identification** : For each assessment criterion, both rated on a five-point scale, consider a combined score greater than 9.

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| Type | Market/Reputation Risk | Market/Reputation Risk | Market Opportunity |
|--|--|--|---|
| Item | Upstream - Raw Material Disruption or Cost Increases | Downstream - Consumer or Client Preference Shift | New Market Partnerships |
| Expected timeframe | <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid gray; padding: 2px;">Short-term (1-3 year)</div> <div style="background-color: #4a7c59; color: white; padding: 2px;">Mid-term (3-5 year)</div> <div style="border: 1px solid gray; padding: 2px;">Long-term (5 year ↑)</div> </div> | <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid gray; padding: 2px;">Short-term (1-3 year)</div> <div style="background-color: #4a7c59; color: white; padding: 2px;">Mid-term (3-5 year)</div> <div style="border: 1px solid gray; padding: 2px;">Long-term (5 year ↑)</div> </div> | <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid gray; padding: 2px;">Short-term (1-3 year)</div> <div style="border: 1px solid gray; padding: 2px;">Mid-term (3-5 year)</div> <div style="background-color: #0056b3; color: white; padding: 2px;">Long-term (5 year ↑)</div> </div> |
| <div style="text-align: center;"> <p>Risk Explanation</p> </div> | <ol style="list-style-type: none"> 1. Many countries are implementing carbon border adjustment measures, such as the CBAM and the CCA, as part of their efforts to achieve net-zero emissions by 2050. These policies involve imposing carbon tariffs on imported goods, which can lead to increased import costs for various raw materials. 2. One of KMC's primary raw materials is steel, and the steel industry is a key target for carbon policies worldwide. To reduce greenhouse gas emissions, steel producers have been implementing carbon reduction measures, which can result in increased operating costs that may be passed on to the prices of raw materials. | <p>Customers are increasingly joining international advocacy organizations and setting science-based reduction targets (SBT), with a focus on Scope 3 emissions related to the supply chain. This has led to growing demand and pressure on KMC for greenhouse gas reduction. If our carbon reduction performance is poor, there is a risk of order redirection or a decrease in orders.</p> | <ol style="list-style-type: none"> 1. Global efforts to reduce greenhouse gas emissions through green transportation have led to increased rates of bicycle riding, driven by various governments and organizations worldwide. This has effectively boosted the demand for bicycle chains. 2. Additionally, with the influence of low-carbon policies for electric bicycles, there has been a continuous stream of innovative products. The growing demand from the general public for electric bicycles has resulted in increased revenue for electric bicycle chain production. |
| <div style="text-align: center;"> <p>Response Strategies</p> </div> | <ol style="list-style-type: none"> 1. Optimize processes and improve the efficiency of materials and resource usage. 2. Diversify suppliers, shift to local raw materials, and reduce the proportion of raw materials sourced from foreign suppliers. | <ol style="list-style-type: none"> 1. Upgrading energy-intensive facilities and manufacturing equipment. 2. Implementing an energy monitoring system to identify production hotspots and improve energy efficiency. 3. Utilizing green energy or purchasing renewable energy certificates. | <p>Collaborate with government agencies, the bicycle industry, or organizations to promote awareness of energy-efficient and eco-friendly cycling, boost bicycle sales, and increase the demand for bicycle chains.</p> |
| Financial Impact | Increased costs | Decreased Revenue | Increased Revenue |



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| Type | Market Opportunity | | | Market Opportunity | | | Market Opportunity | | |
|---|--|---------------------|----------------------|--|---------------------|----------------------|--|---------------------|----------------------|
| Item | Aftermarket Development for Non-Fuel Vehicles | | | Increased Shipping Costs in the Upstream | | | Research and Innovation for New Products and Services | | |
| Expected timeframe | Short-term (1-3 year) | Mid-term (3-5 year) | Long-term (5 year ↑) | Short-term (1-3 year) | Mid-term (3-5 year) | Long-term (5 year ↑) | Short-term (1-3 year) | Mid-term (3-5 year) | Long-term (5 year ↑) |
|  <p>Risk Explanation</p> | <p>Amidst the trend towards net-zero emissions, major automakers are progressively announcing their plans to phase out the production of gasoline-powered cars and shift towards electric vehicles. However, the aftermarket for gasoline cars remains substantial, and the technical and quality requirements are comparatively more manageable. This trend suggests that there is still significant demand in the aftermarket.</p> | | | <p>In response to climate change, countries are starting to mandate carbon reduction efforts by businesses. The shipping industry has also committed to achieving carbon neutrality by 2050 to reduce carbon emissions. Currently, some raw materials are still being sourced from overseas, and efforts to reduce carbon emissions in the shipping industry are increasing costs. This will result in higher upstream shipping costs for various factories.</p> | | | <p>The market share of new energy vehicles is gradually increasing. However, pure electric vehicles are currently limited by their range. Therefore, plug-in hybrid and extended-range electric vehicles will serve as transitional solutions before the full electrification of automobiles. These are the products that major automotive manufacturers are focusing on developing.</p> | | |
|  <p>Response Strategies</p> | <ol style="list-style-type: none"> Continue collaborating with corporate partners to ensure a wide range of real-time system models are available in the market. Continuously improve molds and production processes to enable mass production of products that meet market demand, thereby expanding the scale of aftermarket sales. Maintain product quality stability and actively develop new products to increase market share. | | | <p>Develop and use locally sourced materials or collaborate in developing new material specifications to reduce transportation costs and carbon emissions, ultimately leading to a reduction in product carbon emissions.</p> | | | <p>Actively engage with major automotive manufacturers on new energy vehicle projects, proactively develop products for hybrid vehicle models, and explore various avenues to enter other new energy vehicle product markets.</p> | | |
| <p>Financial Impact</p> | <p>A comprehensive assessment of order revenue and research and development costs will lead to an overall increase in revenue.</p> | | | <p>Cost reduction</p> | | | <p>A comprehensive assessment of order revenue and research and development costs will lead to an overall increase in revenue.</p> | | |



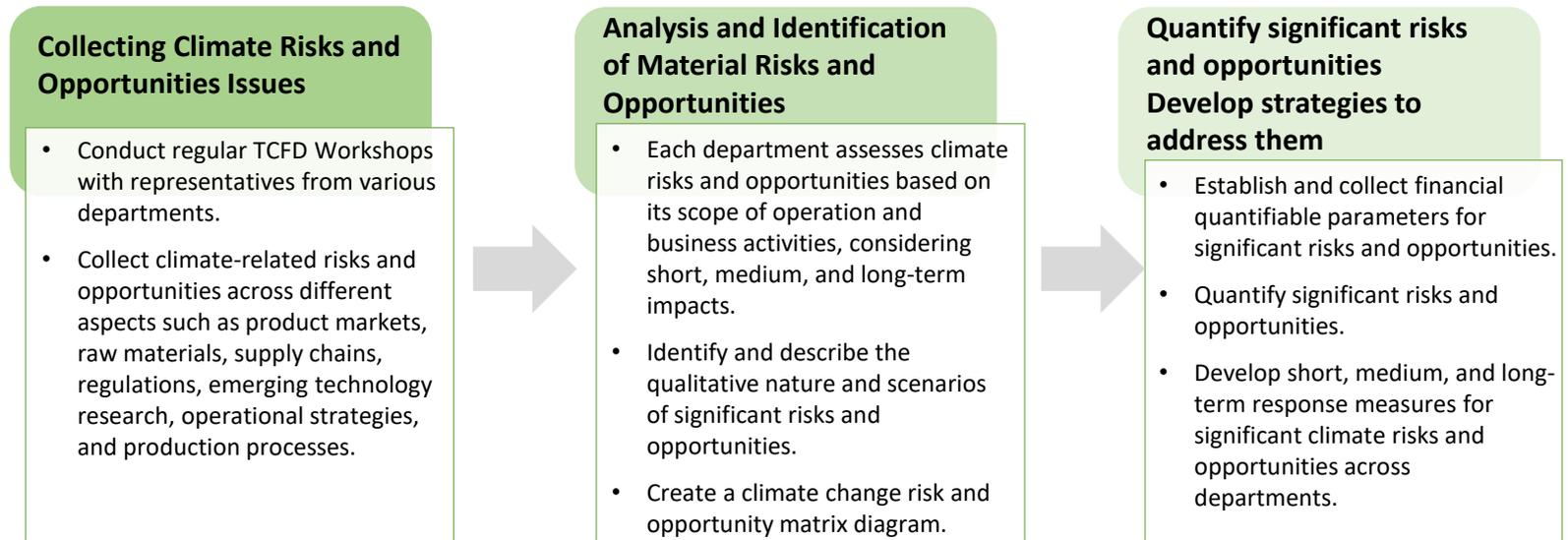
3.1.3 Climate change risk management

The Paris Agreement sets the goal of limiting global average temperature rise to below 2 degrees Celsius by 2100, with efforts to strive for a 1.5-degree limit. Various countries have been strengthening their regulatory efforts regarding climate issues in response. In 2021, Taiwan declared its goal of achieving net-zero emissions by 2050 and, in January 2023, passed legislation amending the "Greenhouse Gas Reduction and Management Act" to the "Climate Change Response Act." This legislation explicitly outlines a phased carbon pricing mechanism to enhance climate change management efforts.

In 2021, KMC initiated a TCFD (Task Force on Climate-related Financial Disclosures) project to address climate change. Using the company's overall operational strategy, external consultants assisted KMC in conducting an inventory and analysis of various climate change risks and opportunities. This systematic approach evaluated the financial relevance of climate change, estimating its impact on operational finances, with the goal of reducing climate change-related risks and capitalizing on opportunities for KMC.

The process of identifying climate change risks and opportunities

KMC will utilize existing risk management measures (detailed in the "Risk Management" chapter) and regularly convene various units through the Sustainable Environment Working Group. Using the company's overall operational strategy and the TCFD framework, it will assess and identify climate transition risks, physical risks, and related opportunities. This will assist KMC in formulating appropriate response strategies to enhance operational resilience in addressing climate-related issues.



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3.1.4 Climate Change Indicators and Objectives

KMC has initiated its product carbon footprint program since 2011, aiming to understand the carbon emissions of its products from raw materials, manufacturing, distribution, sales, consumer usage, to final disposal. In 2012, the company adopted the "Green Travel" philosophy in conjunction with the "Green Manufacturing" concept, implementing the "Green Square Project." The company has remained committed to addressing climate change issues. In December 2021, in response to the global goal of achieving net-zero emissions by 2050, the company began implementing the TCFD (Task Force on Climate-related Financial Disclosures) framework and ISO 14064-1:2018 organizational greenhouse gas accounting. Using 2021 as the base year, various carbon reduction measures have been planned for each stage. Additionally, in June 2022, the company officially joined the "Bicycle Sustainability Alliance (BAS)" and aligned with BAS's sustainability vision, "Ride Towards a Clean and Sustainable Future," by following BAS's carbon reduction roadmap to establish carbon reduction goals.

KMC is committed to the BAS carbon reduction pledge, which entails reducing emissions by 3% annually and achieving at least a 25% reduction by 2030.



In 2012, KMC obtained the first carbon footprint label in the bicycle industry. This label provides a clear calculation of the carbon emissions throughout the entire lifecycle of the product, including raw materials, manufacturing, distribution, sales, consumer use, and end-of-life disposal. To ensure accurate carbon footprint calculations and track the emissions trajectory of their products, KMC's dedicated department conducts annual carbon footprint estimations. In addition to internal estimations, KMC regularly engages third-party organizations to verify the carbon footprints of their products. This commitment to accuracy and sustainability is further manifested through the "CYCLE NOW" initiative.



Product Carbon Footprint and Greenhouse Gas Verification Statement

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Greenhouse Gas Inventory

To integrate real-time greenhouse gas emissions data from various KMC factories and incorporate carbon management into daily operations, KMC began implementing a carbon management platform in 2023. This platform will enable the company to monitor emissions, associated costs, and improvement strategies. Furthermore, to strengthen the link between production and greenhouse gas emissions, KMC will promote an internal Carbon KPI management system within the company. Using product carbon footprint as a basis, this system will identify carbon reduction opportunities in production processes. This initiative will encourage each factory to plan energy-saving and carbon reduction strategies, monitor energy usage, and propose relevant carbon reduction measures.

KMC's operations in Taiwan and the Shenzhen factory started conducting the greenhouse gas emissions inventory for the year 2021 in 2022. In December of the same year, they obtained the 2021 Greenhouse Gas Verification Statement issued by SGS Taiwan Limited (SGS). As a result, starting from 2023, KMC will perform greenhouse gas inventory activities for the previous year annually through the internal Greenhouse Gas Inventory Team.

GHG Emissions for KMC Taiwan Operations in 2021-2022 (ton CO₂e)

| Year | | 2021 (The base year) | 2022 |
|---|---|-----------------------|-----------------------|
| Scope | | | |
| Scope 1 (Direct GHG Emissions) | | 71.61 | 71.75 |
| Scope 2 (Indirect GHG Emissions) | | 3,302.45 ² | 3,183.53 ³ |
| Total amount of Scope 1 and 2 | | 3,374.06 | 3,255.28 |
| Scope 3 (Other Indirect GHG Emissions) | Purchased goods and services | 12,922.08 | 10,379.19 |
| | Downstream transportation and distribution | 826.49 | 636.53 |
| Total amount of Scope 3 | | 13,748.57 | 11,015.72 |
| Total amount of Scope 1 ∙ 2 ∙ 3 | | 17,122.63 | 14,271 |

1. Calculated according to the Greenhouse Gas Protocol and ISO14064-1:2018 standards.
2. Used the carbon emission factor for electricity published by the Ministry of Economic Affairs for the year 2021, which is 0.509 kg CO₂e/kWh.
3. Used the carbon emission factor for electricity published by the Ministry of Economic Affairs for the year 2022, which is 0.495 kg CO₂e/kWh.
4. Scope 3 emissions were identified and assessed for significance, and the two most significant sources of indirect emissions were determined to be Purchased goods and services and Downstream transportation and distribution.
5. Emissions Purchased goods and services were determined using data from the Carbon Footprint Information Platform, while emissions from downstream transportation were calculated for sea and air transportation to customer destination ports, with reference to the ICAO carbon emission calculator.

Greenhouse Gas Emission Intensity (ton CO₂e per unit)

| | |
|------|--------------------------------|
| 2021 | 0.003230 ton CO ₂ e |
| 2022 | 0.002692 ton CO ₂ e |

KMC's primary product is bicycle chains. In order to gain a deeper understanding of the relationship between bicycle chains and greenhouse gas emissions, we will calculate the greenhouse gas emissions intensity (Scope 1-3) per unit based on the annual production quantity of bicycle chains.

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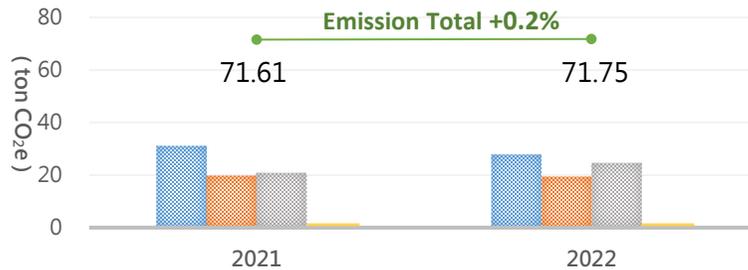


Greenhouse Gas Emission Reduction

Considering that Scope 1 is company's direct emissions, and Scope 2 is indirect emissions from purchased electricity, heat, or steam, which the company consumes, both Scope 1 and Scope 2 are emissions sources that KMC can directly control. According to the greenhouse gas inventory results, it is evident that within these controllable emissions sources (Scope 1 and Scope 2), the majority of emissions, over 97%, come from Scope 2, specifically from purchased energy sources. KMC sources its purchased energy, mainly electricity, from Taiwan Power Company. Therefore, KMC's primary focus for greenhouse gas reduction efforts centers around reducing indirect emissions from purchased energy sources within Scope 2.

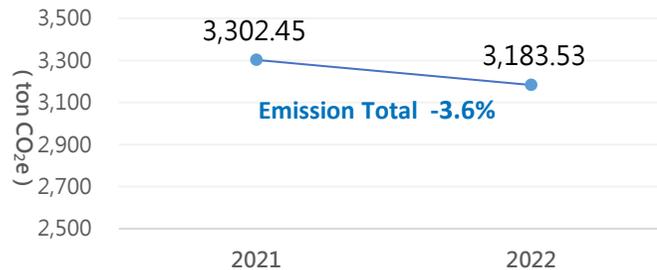
- ✓ In 2022, energy-saving measures were implemented, including the replacement of energy-efficient lighting fixtures. These initiatives are expected to result in an annual electricity savings of 68,200 kWh.
- ✓ In 2022, Scope 1 and Scope 2 emissions combined showed a reduction in carbon emissions compared to 2021, with a total decrease of 118.78 ton CO₂e. This represents a reduction rate of 3.52%.

Scope 1 Direct GHG Emissions

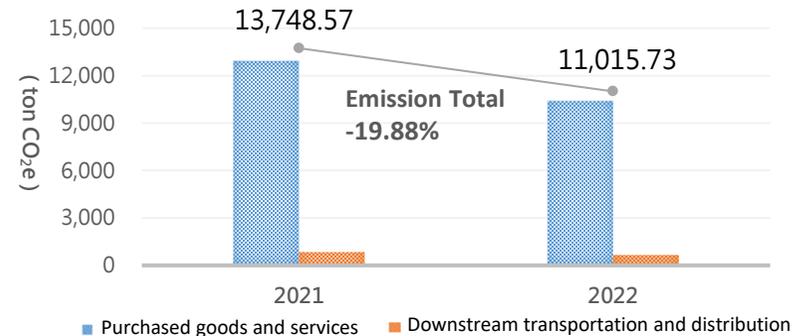


| 排放量(ton CO ₂ e) | 2021 | 2022 |
|----------------------------|-------|-------|
| Stationary combustion | 31.10 | 27.91 |
| Mobile combustion | 19.72 | 19.37 |
| Fugitive Emission | 20.72 | 24.43 |
| Process emission | 0.08 | 0.04 |

Scope 2 Indirect GHG Emissions



Scope 3 Other Indirect GHG Emissions



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3.2 Energy and Water Resources Management

3.2.1 Energy Management

In order to reduce the environmental impact of our business activities on a global scale, we, under the leadership of the ESG Committee, have established greenhouse gas emission reduction targets and are actively working to reduce our energy consumption. Additionally, we have mandated all units to develop energy-saving and carbon reduction strategies and plans. Through regular meetings, we closely monitor the progress of implementation and engage in discussions to identify areas for improvement.

Recognizing that achieving net-zero emissions is a shared global goal, KMC remains committed to implementing various energy-saving initiatives. This includes measures to reduce electricity consumption and enhance energy efficiency. Furthermore, we conduct advocacy campaigns and provide training to raise awareness among our employees about energy conservation and carbon reduction practices.

KMC does not fall into the category of high-carbon emission or energy-intensive industries. Our primary sources of energy include gasoline, diesel, and purchased electricity. Gasoline and diesel are used for company vehicles, internal forklifts, and other applications, while purchased electricity is primarily sourced from Taiwan Power Company.

Energy Usage in Taiwan Operations for 2021 and 2022

| Item | Unit | 2021 | 2022 |
|--------------------------|----------------------|----------|----------|
| Gasoline | GJ | 96.38 | 105.58 |
| Diesel fuel | GJ | 158.82 | 155.92 |
| Electricity | GJ | 23.36 | 23.15 |
| Total energy consumption | GJ | 278.56 | 284.65 |
| Energy intensity | GJ/per bicycle chain | 0.000053 | 0.000053 |

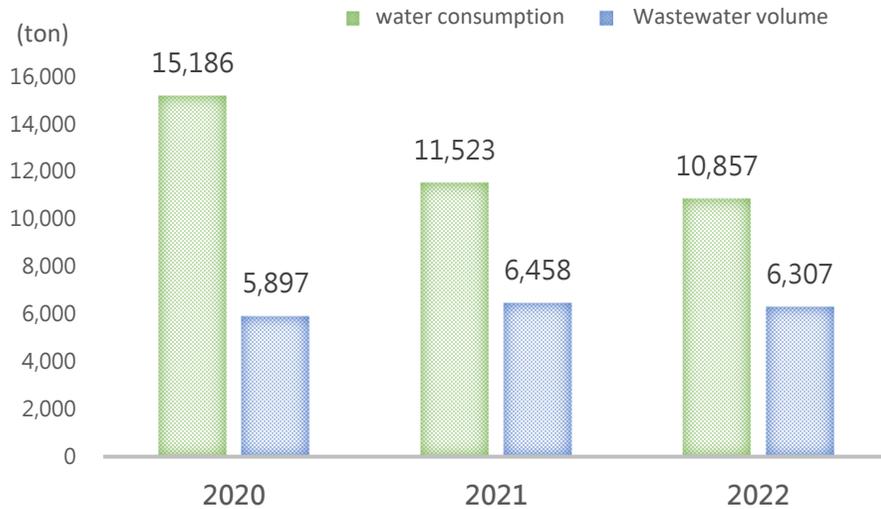
1. Gasoline and diesel are primarily based on actual usage records.
2. Electricity consumption is based on the data provided in the monthly electricity bills.
3. To understand the relationship between KMC's main product, bicycle chains, and energy, energy intensity is calculated based on the production quantity of bicycle chains in the Taiwan factory for the years 2021 and 2022..
4. Conversion factors for energy content: Gasoline 1L = 32,635.2 KJ, Diesel 1L = 35,145.6 KJ, Electricity 1 kWh = 3,600 KJ, 1 Gigajoule (GJ) = 10⁶ KJ.





3.2.2 Water Resources Management

In order to enhance the efficiency of water resource utilization, KMC regularly calculates the amount of water used in its production processes, accurately tracks the direction and flow of water usage, and maximizes the efficiency of every drop of water within its facilities. Additionally, to promote water conservation, relevant departments continue to raise awareness through various means such as slogans and educational programs, integrating a water-saving mindset into every detail of production and office life. KMC is committed to mitigating the environmental impact of wastewater discharge, ensuring the quality of discharged water, and conducting regular testing in accordance with regulations.



Water intensity in 2022 = 0.002 tons/per unit

KMC's primary product is bicycle chains. To gain a deeper understanding of the relationship between bicycle chains and water resources, we calculate the water intensity based on the annual production quantity of bicycle chains.

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3.3 Waste Management

KMC's Taiwan factory manages waste, including general business waste, household waste, and recyclable waste. To ensure proper waste classification and management, the responsible management unit plans waste disposal procedures and implements waste reduction operations. Through source reduction and resource reuse, we minimize the environmental impact of waste. Additionally, we promote environmental awareness among employees through policy advocacy and training, actively implementing waste reduction and resource recycling goals. KMC follows waste disposal regulations to manage and transport waste, entrusting qualified waste disposal companies to handle waste removal, incineration, heat treatment, physical treatment, and recycling, depending on the nature of the waste.

KMC Waste Management Process



Waste Generation and Disposal Methods in 2022

| Item | Weight off factory (tons) | Processing type | processing category | Processing Instructions |
|--|---------------------------|----------------------------------|---------------------|--|
| General waste generated from business activities | 8.8 | Direct disposal | Incineration | Send to Yongkang/Chengxi incineration plant for incineration |
| Inorganic sludge | 138.2 | Direct disposal | Heat treatment | Send to processor |
| Scrap wood | 28.2 | Transfer of disposal | Reuse | For other recycling purposes |
| Total | 175.2 | Resource utilization rate | | 16.01% |

Note: 1. The total waste amount is the value declared on the waste declaration form.

2. Resource utilization rate = (total amount of recycled waste / total waste amount)

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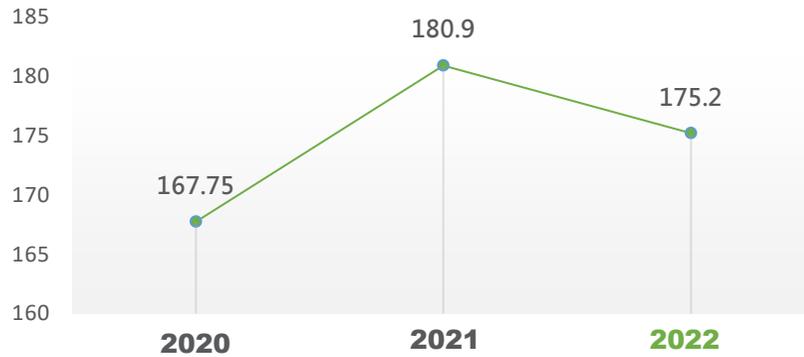
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Total waste quantity (tons)



Note: Due to the reorganization of relevant data, the total waste quantity for the years 2019 to 2021 has been revised.

Waste Intensity in 2022 = 0.000038 tons per unit

KMC's primary product is bicycle chains. In order to gain a deeper understanding of the relationship between bicycle chains and waste, we will calculate the waste intensity based on the annual production quantity of bicycle chains.

Environmental protection expenses

KMC is committed to environmental protection. In addition to making regular declarations for various operations in accordance with the requirements of government agencies, it also pays relevant environmental protection fees. The environmental protection expenditure in 2022 is NT\$2,161 thousand dollars.

Environmental expense expenditures from 2020 to 2022

| Year | Item | Soil and ground water pollution remediation fee | Sewage treatment fee | Waste disposal fee | Total (NT\$ thousand) |
|------|------|---|----------------------|--------------------|-----------------------|
| 2020 | | 2,988 | 2,799 | 1,017.76 | 1,023.54 |
| 2021 | | 3,422 | 2,199 | 1,981.05 | 1,986.67 |
| 2022 | | 2,735 | 2,984 | 2,155.35 | 2,161.07 |

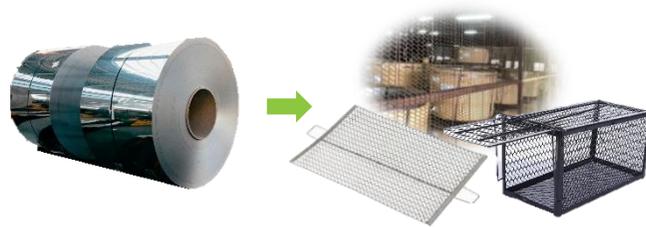
Note: Due to the reorganization of relevant data, the environmental expense expenditures for 2020 and 2021 have been revised.





3.4 Recycling and Reuse

KMC's largest raw material procurement is steel strips, and in the chain stamping process, there will be scrap materials generated. To reduce the generation of scrap materials, relevant units will improve the process design from the source. In addition to increasing the utilization of steel materials, this can also reduce greenhouse gas emissions from raw material procurement. Considering that scrap materials cannot be completely eliminated, KMC seeks cooperation with recycling partners to reduce the environmental impact of scrap materials. Together with these partners, KMC aims to create a win-win green recycling solution. In the future, KMC will continue to enhance material recycling and reuse rates to contribute to environmental protection.



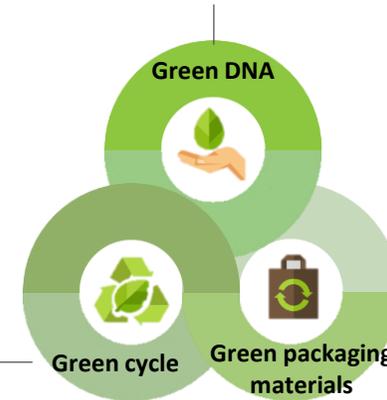
KMC's product packaging primarily utilizes green packaging materials (paper boxes/cartons) made from Eco-Friendly environmentally friendly materials. This packaging is known for its easy recyclability, resource efficiency, and low pollution characteristics. Furthermore, to promote the simplification and consolidation of packaging specifications for transportation, the company has chosen composite materials and foam shells with high recycling rates from nearly a thousand types of product packaging. This optimization has reduced the number of packaging types to around a dozen with a single material, resulting in an overall recyclability rate of approximately 100%.



In 2022, under the theme "Go Green with KMC," KMC has specially selected eco-friendly cups made from recycled coffee grounds as gifts symbolizing the company's image. This initiative aims to promote "green recycling" by reducing unnecessary fancy packaging, thereby lowering household waste, alleviating the burden of environmental pollution on the planet, and creating green values through waste reduction, plastic reduction, and recycling.



It's not just championship DNA; it's also green DNA. KMC employees bring their own eco-friendly tableware, and the use of paper cups is prohibited throughout the venue.



Recycling and reusing raw materials in the factory to share resources within the industry

The entire factory uses environmentally friendly packaging materials to reduce harm to the earth.

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Key stakeholders

Clients
Employees
Government

SDGs ▶





Management Guidelines for Material Topics

Creating a Friendly Workplace

Workplace Health and Safety, Employee Rights and Diversity & Inclusion Talent Development and Growth

Meaning

Workplace safety is a key factor in maintaining the physical health of employees. By providing a safe working environment and reducing workplace accidents, we protect employees from illness and occupational hazards. This, in turn, contributes to increasing employee well-being and job satisfaction, ultimately creating a reassuring work atmosphere.

Policies and Commitments

KMC is committed to establishing a safe and healthy working environment as its core mission. We actively pursue goals such as zero injuries, zero occupational diseases, and zero accidents through various management policies to safeguard the physical and mental well-being of our employees.

Evaluation Mechanisms

- The factory conducts regular safety inspections.
- Through external audits, such as those conducted by customers.
- Annual meetings are held to discuss and review how to continuously enhance occupational health and safety performance.

Specic Actions

- In 2022, a total of 38 on-site health service sessions were conducted.
- In 2022, the Factory Affairs Department conducted a comprehensive review and revision of the company's internal management procedures related to occupational health and hygiene cases.

Communication Channels

As detailed in the “Stakeholder Engagement” section.



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4.1 Overall Employee Profile

4.1.1 Employee statistics

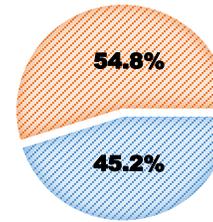
As of December 31, 2022, the total number of employees in KMC's Taiwan operations was 208. The gender distribution was 45.2% male and 54.8% female. The majority of employees fell within the age range of 30 to 50 years old. KMC also employed local staff, accounting for 83.7% of the workforce. Notably, all 12 members of the senior management team were local residents of Taiwan.

Employee Gender and Employment Type in 2022

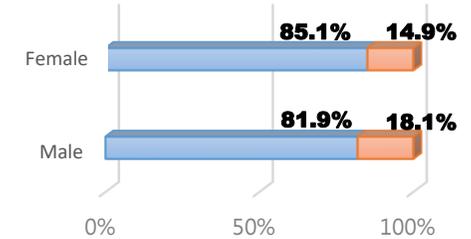
| Gender | Male | | Female | | Total |
|--------------|--------------------|-------------------|--------------------|-------------------|-------|
| | Domestic employees | Foreign employees | Domestic employees | Foreign employees | |
| Full time | 77 | 17 | 97 | 17 | 208 |
| Temporary | 0 | 0 | 0 | 0 | 0 |
| Total | 94 | | 114 | | 208 |

Note: 1. "Domestic employees" refers to employees holding a Taiwan ID card.
2. "Temporary employment type" also includes part-time.

Male Female



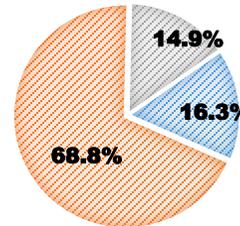
Domestic employees Foreign employees



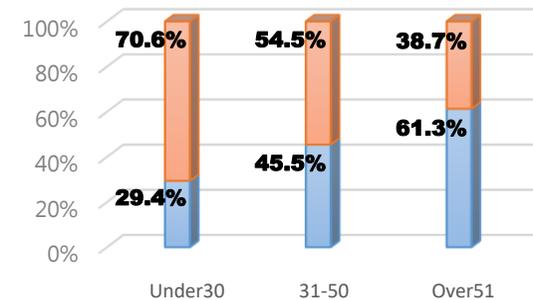
Employee Age Distribution Types in 2022

| Age \ Gender | Male | Female | Total |
|--------------|------|--------|-------|
| Under 30 | 10 | 24 | 34 |
| 31-50 | 65 | 78 | 143 |
| Over 51 | 19 | 21 | 31 |

Under30 31-50 Over51



Male Female



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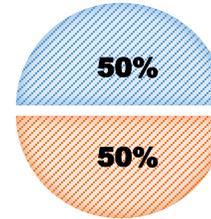


New Employees in 2022

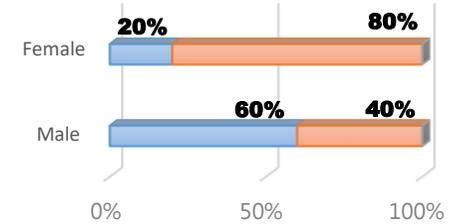
| Gender | Male | | Female | | Total |
|--------------|--------------------|-------------------|--------------------|-------------------|-----------|
| | Domestic employees | Foreign employees | Domestic employees | Foreign employees | |
| Age \ Region | | | | | |
| Under 30 | 3 | 0 | 6 | 3 | 12 |
| 31-50 | 7 | 5 | 4 | 2 | 18 |
| Over 51 | 0 | 0 | 0 | 0 | 0 |
| Total | 10 | 5 | 10 | 5 | 30 |

Note: "Domestic employees" refers to employees holding a Taiwan ID card.

Male Female



Under30 31-50 Over51

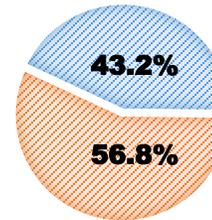


Employee turnover in 2022

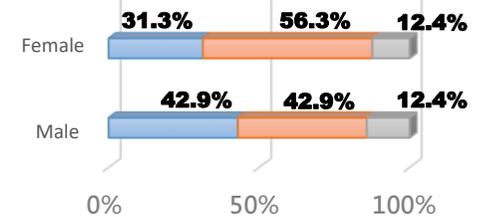
| Gender | Male | | Female | | Total |
|--------------|--------------------|-------------------|--------------------|-------------------|-----------|
| | Domestic employees | Foreign employees | Domestic employees | Foreign employees | |
| Age \ Region | | | | | |
| Under 30 | 0 | 5 | 6 | 3 | 14 |
| 31-50 | 7 | 2 | 6 | 3 | 18 |
| Over 51 | 2 | 0 | 3 | 0 | 5 |
| Total | 9 | 7 | 15 | 6 | 37 |

Note: "Domestic employees" refers to employees holding a Taiwan ID card.

Male Female



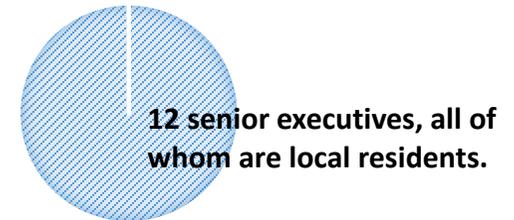
Under30 31-50 Over51



Localization of senior management in 2022

| Gender | Male | | Female | | Total |
|-------------------|--------------------|-------------------|--------------------|-------------------|-----------|
| | Domestic employees | Foreign employees | Domestic employees | Foreign employees | |
| Position \ Region | | | | | |
| Senior executives | 10 | 0 | 2 | 0 | 12 |
| Middle managers | 8 | 0 | 6 | 0 | 14 |
| Junior Managers | 7 | 0 | 6 | 0 | 13 |
| Total | 25 | 0 | 14 | 0 | 39 |

Domestic employees Foreign employees



Note: 1. Senior executives refer to managerial-level personnel and above.
2. "Domestic employees" refer to individuals who hold Taiwanese citizenship and reside in Taiwan.

4.1.2 Parental Leave

In order to support employees in facing the challenges and responsibilities of welcoming a new child, KMC consistently provides necessary support and flexibility, encouraging employees to take parental leave, family care leave, and paternity leave to balance work and family demands. It aims to enhance job satisfaction and loyalty, thereby fostering a supportive and caring corporate culture. In 2022, 12 male colleagues were eligible for paternity leave, but none applied, resulting in an application rate of 0%. To promote childbirth, KMC has set up a lactation room in the office to ensure that female colleagues have a worry-free space for breastfeeding.

Application rate for parental leave in 2022

| Item \ Gender | Female | Male | Total |
|--|--------|------|-------|
| Total eligible number for parental leave | 17 | 12 | 29 |
| Actual number of parental leave | 3 | 0 | 3 |
| Application rate for parental leave | 17.6% | 0% | 10.3% |

Return rate after parental leave in 2022

| Item \ Gender | Female | Male | Total |
|--|--------|------|-------|
| Total number of end of contract for parental leave | 3 | 0 | 3 |
| Total number of returning from parental leave | 2 | 0 | 2 |
| Return rate after parental leave | 66.7% | 0% | 66.7% |



Number of returning from parental leave and retention rate

| Item \ Gender | Female | Male | Total |
|---|--------|------|-------|
| 2021 Total number of returning from parental leave | 2 | 0 | 2 |
| 2021 One year retention rate after return from parental leave | 1 | 0 | 1 |
| 2021 Number of returning from parental leave and retention rate | 50% | 0% | 50% |





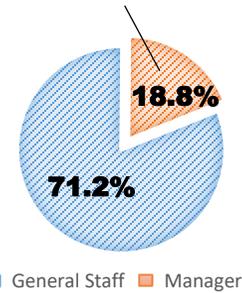
4.1.3 Diverse workplace

KMC actively promotes gender diversity to foster equality and inclusivity, striving to create a friendly workplace that respects and values individual differences. We maintain consistent salary, promotion, and educational systems for all employees to ensure that everyone can participate, grow, and develop fairly. Recognizing that KMC is a traditional manufacturing company with a relatively high proportion of male executives, the representation of female employees in leadership positions is also considered one of the indicators of workplace diversity.

Employee Gender and Employment Type in 2022

| Age \ Position | Male | | | | Female | | | |
|----------------|-------------------|-----------------|-----------------|---------------|-------------------|-----------------|-----------------|---------------|
| | Manger (25人) | | | General Staff | Manger (24人) | | | General Staff |
| | Senior executives | Middle managers | Junior Managers | | Senior executives | Middle managers | Junior Managers | |
| Under 30 | 0 | 0 | 0 | 10 | 0 | 0 | 1 | 23 |
| 31-50 | 6 | 7 | 7 | 45 | 1 | 6 | 5 | 66 |
| Over 51 | 4 | 1 | 0 | 14 | 1 | 0 | 0 | 11 |
| Total | 10 | 8 | 7 | 69 | 2 | 6 | 6 | 100 |

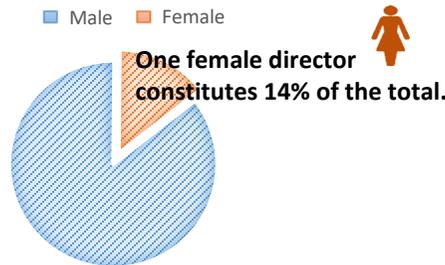
Female executives make up 35.9% of all executives.



In 2022, among the 7 members of the board of directors, there is 1 female director, accounting for 14% of the total. KMC will continue to enhance board diversity and corporate governance effectiveness.

2022 Board of Directors

| Age \ Gender | Male | Female | Total |
|--------------|----------|----------|----------|
| Under 30 | 0 | 0 | 0 |
| 31-50 | 1 | 0 | 1 |
| Over 51 | 5 | 1 | 6 |
| Total | 6 | 1 | 7 |





4.2 Compensation and Benefits

4.2.1 Compensation System

KMC is committed to promoting a fair, transparent, and sustainable compensation policy. Through systems such as promotions, salary adjustments, performance evaluations, and rewards and penalties, we establish a clear performance assessment mechanism. Compensation is adjusted based on employee performance to motivate and reward exceptional job performance. Additionally, to attract and retain top talent, KMC regularly reviews the compensation levels for similar positions in the market to ensure that our compensation is competitive.

KMC firmly believes that an appropriate compensation system can motivate employees' enthusiasm, creativity, and job performance, thereby driving the growth and success of the company. In 2022, the average annual fixed salary for male and female general employees in Taiwan, in equivalent positions and with similar job duties and performance, was 1.82 times the basic wage for males and 1.59 times the basic wage for females in Taiwan. The reason for the salary difference is due to differences in seniority, not gender-related disparities.

The number of full-time non-managerial employees, their salaries, and historical differences over the years.

| Item \ Year | 2021 | 2022 | Difference Comparison |
|--|---------------------------|---------------------------|-----------------------|
| Number of full-time non-managerial employees | 50 | 52 | ↑4% |
| Average salary of full-time non-managerial employees | NT\$ 803 thousand dollars | NT\$ 952 thousand dollars | ↑18.6% |
| Median salary of full-time non-managerial employees | NT\$ 691 thousand dollars | NT\$ 755 thousand dollars | ↑9.3% |

Note: Limited to employees of KMC (KUEI MENG) INTERNATIONAL INC. in the Taiwan region.

Basic Salary and Annual Total Compensation by Gender in 2022

| Item | Basic salary (month) | | Total compensation (year) | |
|-------------------|----------------------|------|---------------------------|------|
| | Female | Male | Female | Male |
| Senior executives | 1 | 1.50 | 1 | 1.22 |
| Middle managers | 1 | 1.17 | 1 | 1.41 |
| Junior Managers | 1 | 1.23 | 1 | 1.07 |
| Total | 1 | 1.14 | 1 | 1.08 |

Note:

- All calculations are based on the actual cash compensation received in the current year, and performance is included as a comparative factor in the current year to compare male and female compensation for equivalent positions, roles, and performance.
- The primary reason for the difference in basic salary ratio for managerial positions is seniority."

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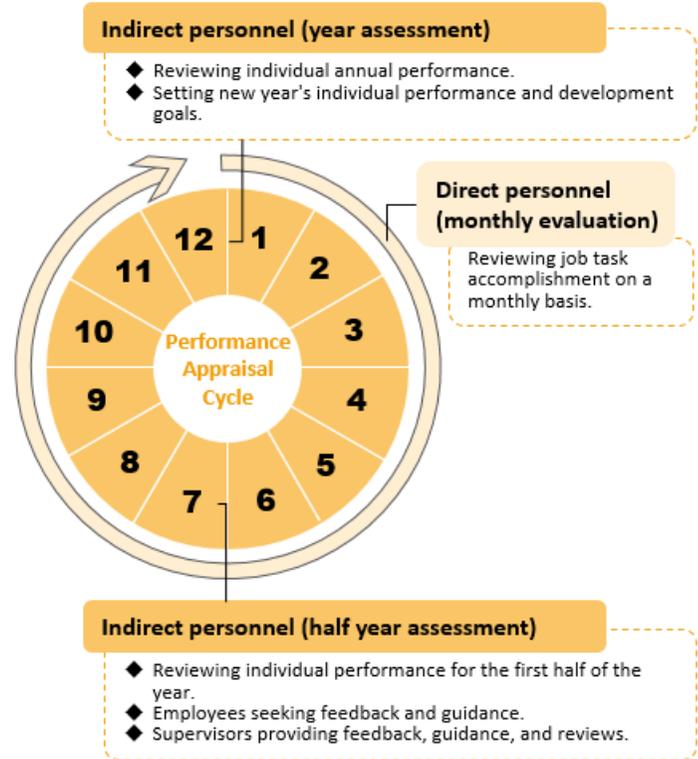
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To establish an effective incentive mechanism and encourage long-term employee commitment, both new employees upon completing their probationary period and regular employees of all genders and job categories undergo annual performance evaluations. KMC adjusts salaries and promotions based on promotions or individual performance, without any gender disparities. Additionally, performance-related year-end bonuses and profit-sharing schemes are in place. In 2022, the Board of Directors decided to allocate a total of 30.82 million New Taiwan Dollars for employee compensation.

The performance evaluation criteria include past achievement of work goals, setting future work objectives, improving job attitudes and competencies required in the current position, and leadership skills of supervisors. Employees and supervisors collaboratively develop development plans and set the next stage of work goals. Based on the evaluation results, for those with subpar performance, supervisors provide necessary coaching and support to help formulate performance improvement plans aimed at enhancing competencies.



Employees Undergoing Evaluation in 2022

| Gender / Employees Type | | Direct personnel (monthly evaluation) | Indirect personnel (half year/year assessment) |
|-------------------------|------------------|---------------------------------------|--|
| Male | Number of people | 44 | 73 |
| | Percentage | 100% | 96% |
| Female | Number of people | 39 | 84 |
| | Percentage | 100% | 97.67% |
| Total | | 100% | 96.84% |

Note: (1) The reason the indirect staff do not reach 100% is because new hires and employees on unpaid leave do not need to undergo evaluation. (2) Excluding new hires and employees on unpaid leave, the evaluation rate for indirect staff reaches 100%.



4.2.2 Welfare System

Employee health and well-being are the cornerstones of our company's success, and maintaining a friendly workplace relationship with our employees is the key to our sustainable operation. In 2022, amidst the resurgence of the COVID-19 pandemic and a shortage of rapid test kits, KMC took steps to safeguard the health of its employees. We ensured an adequate supply of rapid test kits for all employees. Additionally, during the three-year period of the pandemic, any confirmed cases among employees or their family members seeking confirmation from a doctor for the use of NRICM101 could apply to receive it from the company free of charge. This measure allowed employees to recover with peace of mind during their illness.

Apart from providing actual pandemic-related assistance to employees, we also offer pandemic-related leaves such as quarantine leave, pandemic care leave, and vaccine leave as per the changing pandemic situation. These leaves do not affect attendance.

KMC has established an Employee Welfare Committee composed of representatives elected by all employees. This committee is responsible for coordinating, planning, and implementing various welfare measures within the company. In addition to government-mandated welfare measures, KMC provides diverse welfare programs to its employees, aiming to create a workplace environment that promotes happiness and warmth while simultaneously caring for the physical and mental well-being of our employees. This approach enhances work efficiency and helps employees achieve a perfect work-life balance.

| Item | Description |
|--|--|
| Employee Stock Ownership Trust | Based on job level, seniority, and the company's annual profit, KMC will allocate a certain amount for the purchase of company stocks, aiming to retain talent and boost employee morale. |
| Various Subsidies and Bonuses | Meal Allowance, Maternity Celebration, Hospitalization Condolence (for illness or injury), Wedding and Funeral Allowance, Holiday and Birthday Bonus. |
| Domestic and International Travel | An annual travel allowance is provided to encourage employees to balance work and family life by spending quality time outdoors with their loved ones. |
| Lactation Room | To encourage childbirth and protect the rights of female employees to breastfeed, both the office and the factory are equipped with Lactation Room. |
| Travel Insurance | Proactively, we provide high-value travel insurance for employees traveling abroad, ensuring their comprehensive protection. |
| Annual Health Check | Annually, in accordance with Article 20 of the Occupational Safety and Health Act and Article 17 of the Regulations on Labor Health Protection, we conduct health check-ups for employees, which include both general and specialized occupational health assessments. |
| On-Site Health Services | Contracted healthcare professionals regularly visit the factory to provide health-related expertise and services. |
| Flexible Work Hours | To enable employees to balance family life, we offer flexible work hours, allowing them to choose their start and end times, fostering a harmonious balance between family and work. |
| Contracted Kindergarten | To care for and support employees' children, the company collaborates with specific kindergartens, which assist in providing a high-quality educational environment and childcare services. |

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4.2.3 Retirement System

Employees are the most valuable assets of the company, as their hard work and dedication contribute to the stable growth and development of KMC. To express our gratitude for the long-term contributions of each employee, KMC has established a comprehensive retirement system in accordance with the Labor Standards Act and the Labor Pension Act. We allocate social insurance funds on a monthly basis for every employee, ensuring that they can enjoy a high-quality life and care after retirement.

| | |
|---|---|
| <p style="text-align: center;">\$</p> <p style="text-align: center;">Old System Labor Retirement Pension</p> | <p>KMC has engaged an actuary to perform actuarial calculations and allocates monthly contributions for the labor retirement pension, which are deposited into the Labor Retirement Reserve Account at the Bank of Taiwan. The full allocation for 2022 has been completed.</p> |
| <p style="text-align: center;">\$</p> <p style="text-align: center;">New System Labor Retirement Pension</p> | <ul style="list-style-type: none"> • Based on employees' insured salary levels, a monthly allocation of 6% is made to the individual retirement account at the Labor Insurance Bureau. Employees also have the option to voluntarily contribute an additional 6% or less to their personal retirement account. • If employees meet the statutory retirement conditions, they may submit a retirement application. For those with qualifications under the old system, the company processes the payment according to relevant procedures, while retirement benefits from the personal account are claimed from the Labor Insurance Bureau in accordance with the law. |



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4.3 Human Rights Protection and Employee Communication

4.3.1 Human Rights Policies



(KMC's Human Rights Policies)

As a corporate citizen, KMC upholds the fundamental values of human rights and considers safeguarding the basic rights of all employees as one of its core corporate social responsibility objectives. KMC also supports and adheres to internationally recognized human rights norms and principles, including the Universal Declaration of Human Rights, the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights, the International Labor Organization, and the ILO Declaration on Fundamental Principles and Rights at Work. We have clearly formulated and disclosed policies to protect labor rights, maintain employee human rights, and treat them with dignity and respect.

Diversity and inclusion

Adhering to principles of openness and fairness, we provide employees with a gender-equal and diverse and inclusive working environment.

Equal opportunity

We do not discriminate based on age, gender, physical or mental disabilities, race, religion, political preferences, or any other factors.

Labor rights

We provide fair wages and working hours, establish a safe and healthy work environment, and maintain open channels for complaints.

Stop sexual harassment and workplace bullying

We ensure workplace safety and employment rights for all employees and provide a work environment free from harassment.



Prohibition of child labor and forced labor

We protect the rights of children and respect the willingness of labor to provide work and services.

Eradicate unfair discrimination



In 2022, there were no instances of discrimination reported.

KMC actively fosters an inclusive and diverse company environment to ensure that every employee can work in a fair, equal, and respectful workplace. Discrimination on the basis of race, class, language, ideology, religion, political affiliation, place of origin, birthplace, gender, sexual orientation, age, marital status, appearance, physical or mental disabilities, constellation, blood type, or any other factors is strictly prohibited in the workplace or any other activities. KMC also adheres to the standards of fairness, non-discrimination, and impartiality in talent recruitment in accordance with the Employment Services Act and international human rights norms, and does not request any irrelevant information from job applicants.

To create a fair, inclusive, and open work environment, the company regularly reviews and improves internal management practices based on guidelines issued by supervisory authorities or international human rights policies. For example, in 2019, as Taiwan took a significant step toward marriage equality through the Judicial Yuan Interpretation No. 748, KMC promptly conducted an inventory of all related internal management practices and made modifications to uphold employee rights.

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Sexual Harassment and Workplace Bullying Prevention Measures

Any form of sexual harassment and bullying can have a severe impact on the psychological well-being and job performance of the victims. To ensure that every employee can work in a safe, respectful, and supportive environment, KMC actively establishes relevant prevention mechanisms in accordance with gender equality laws, sexual harassment prevention laws, and other regulations. We have set up dedicated complaint channels and have formulated "Sexual Harassment Prevention Measures, Complaints, and Disciplinary Procedures" as well as internal guidelines for "Prohibition of Workplace Bullying." These measures are aimed at safeguarding the rights of our employees. Additionally, to protect employee privacy, KMC has established a "Sexual Harassment Complaint Review Committee" specifically tasked with handling sexual harassment complaint cases.

✔ 2022 Annual Report on Non-Sexual Harassment and Workplace Bullying Incidents

Sexual Harassment Case Handling Procedure



Prohibition of Forced Labor and Child Labor.

Labor enjoys the right to work freely, and protecting the right to education and the physical and mental health of children is a universal value of human rights worldwide. KMC strictly adheres to government labor regulations and international human rights standards, never depriving individuals of their free will and the right to choose their work or subjecting laborers to inhumane conditions. We also ensure that children receive appropriate education, protection, and development, preventing them from experiencing abuse and exploitation. To this end, KMC actively follows principles such as the prohibition of forced labor and child labor, which are clearly stated in our human rights policy and work rules. These principles are also included in contracts with suppliers, and we aim to collaboratively construct a fairer and more humane global labor environment with our partners.

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4.3.2 Employee Communication and Grievance Channels

In order to broadly embrace employee opinions and suggestions, listen to the voices of employees, and create a pleasant working environment, KMC not only holds regular labor-management meetings every three months where representatives from both labor and management engage in extensive communication but also has established an employee grievance handling system and conducts an annual employee satisfaction survey to collect a wide range of employee feedback, fostering a harmonious relationship between labor and management

- ✔ In 2022, KMC Taiwan held a total of 12 labor-management meetings within its operational scope.
- ✔ The 2022 employee satisfaction survey yielded an overall satisfaction rate of 71%.



Employees are the core of the company's operations, playing a crucial role similar to that of family members. KMC is always reluctant to resort to layoffs, and in the event of significant operational changes, we may have to terminate the employment relationship with employees. In accordance with Article 16 of the Labor Standards Act, the company will provide legally required notice to employees prior to terminating their employment contracts. To ensure employees' right to seek alternative employment, KMC will grant employees job-seeking leave in accordance with the law. After receiving the notice, employees may take leave during working hours to seek other employment, with a maximum of two days of leave per week, and their wages will be maintained during this leave period

Article 16 of the Labor Standards Act :

The employer's notice period for terminating the labor contract

| Labor service time | Employer's Notice Period |
|--|---|
| The labor has worked continuously for more than three months but less than one year. | The notice shall be given ten days in advance. |
| The labor has worked continuously for more than one year but less than three years. | The notice shall be given twenty days in advance. |
| The labor has worked continuously for more than three years. | The notice shall be given thirty days in advance. |

Where an employer terminates the contract without serving an advance notice within the time limit prescribed in the first paragraph of this article, he/she shall pay the worker wages for the advance notice period.



4.4 Education and Training

In the rapidly changing business environment of today, where technology and knowledge are constantly evolving, KMC ensures that its employees stay updated and continue to learn in order to acquire new knowledge. Every year, with the goal of enhancing unit operations, improving management performance, and maintaining workplace safety, each department is encouraged to plan relevant training courses based on the employees' skills and professional requirements. This is done to cultivate their knowledge and professional skills, ultimately improving work performance and quality. Furthermore, to ensure the safe operation of factory equipment, employees operating machinery are required to undergo educational training and participate in regular retraining to guarantee safety in the factory work environment.

In this era that emphasizes diverse skills, we also encourage expanding employees' capabilities through job rotation, enabling them to adapt to broader job requirements and acquire expertise in multiple fields. This approach helps us identify and nurture potential leaders within the organization, continually replenishing our talent pool with outstanding managerial personnel.

The COVID-19 pandemic prompted KMC to introduce online training to enhance educational content. To overcome geographical limitations, we have transitioned from traditional in-person training to a more diverse and self-paced digital learning format. This approach ensures that employees can continue their learning journey without interruptions due to the pandemic, allowing them to continually improve their professional skills and acquire new knowledge. This, in turn, enhances their adaptability to various changes, ultimately supporting the company in facing market competition and innovation.

The average training hours by position in 2022

| Position | Number of trainees (person) | Training hours (hours) | Average training hours (hours/person) |
|-------------------|-----------------------------|------------------------|---------------------------------------|
| Senior executives | 7 | 35 | 5 |
| Middle managers | 14 | 175 | 12.5 |
| Junior Managers | 13 | 171.5 | 13.2 |
| General Staff | 141 | 3,687 | 26.1 |

Average hours of training for gender in 2022

| Gender | Number of trainees (person) | Training hours (hours) | Average training hours (hours/person) |
|--------|-----------------------------|------------------------|---------------------------------------|
| Male | 73 | 1,602.5 | 22 |
| Female | 102 | 2,466 | 24.2 |

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4.5 Healthy Workplace

4.5.1 Protecting Employee Physical and Mental Health

KMC aligns with the United Nations' "Global Occupational Health Action Plan" goals, supporting the provision of occupational health services for all workplaces and all workers. In accordance with occupational safety and health regulations, we contract with hospitals to carry out labor health protection matters. Professional healthcare personnel regularly visit our premises to provide on-site health services, including one-on-one health consultations (for abnormal check-up results, return-to-work assessments, hypertension, overwork, and human factor consultations). This assistance helps employees strike a balance between work and physical and mental well-being, enabling them to receive professional medical advice during working hours and, in turn, gain insights into their health status and early warning signs.

The number of individuals receiving on-site health services in 2022

| Age \ Gender | Male | Female | Total |
|--------------|-----------|-----------|-----------|
| Under 30 | 2 | 4 | 6 |
| 31-50 | 10 | 8 | 18 |
| Over 51 | 7 | 4 | 11 |
| Total | 19 | 16 | 35 |



In 2022, a total of 38 sessions, spanning 96 hours, of on-site health services were provided.

To create a safe, healthy, and caring work environment, at the end of 2022, we installed Automated External Defibrillators (AEDs) within the workplace. Simultaneously, we initiated plans to arrange for employees to participate in AED and CPR educational training. The training will cover basic cardiopulmonary resuscitation techniques, AED operation, and emergency procedures. We encourage all employees to participate in this training and provide the necessary resources and support to ensure that employees gain the latest first aid knowledge and skills.

Furthermore, as a demonstration of our commitment to employee health and well-being, KMC established a medical room in 2022. This initiative aims to provide immediate medical assistance to employees in case of accidents or health discomfort in the workplace.



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As KMC primarily manufactures chain products, it is inevitable that noise and other potential factors that could pose health risks may be present during the production process. To address this, KMC utilizes "Work Environment Monitoring" and "Special Health Examinations" to understand employee health and the safety of the working environment.

In accordance with Article 20 of the Occupational Safety and Health Act and Article 17 of the Labor Health Protection Regulations, the company conducts regular annual general and specific job health examinations for employees. Additionally, due to the substantial noise generated during the production of chain products, the company provides suitable noise-cancelling protective equipment to employees based on their workstations, ensuring the protection of employees' hearing.

| | |
|--|--|
|  Physical Checkup | <ul style="list-style-type: none"> • Employees aged 65 and above are required to undergo an annual examination. Employees aged 40 and above but under 65 should have an examination every three years. Employees under the age of 40 should have an examination every five years. • Examination items include blood pressure, vision, color vision, hearing, blood tests, urine tests, liver function, gallbladder function, kidney function, blood lipids, heart function, metabolism, bone density, chest X-ray, and a medical examination by a physician. |
|  Particular Physical Checkup | Inspection items: Noise |





4.5.2 Maintain workplace safety

To provide employees with a safe and secure workplace, KMC's responsible units regularly conduct regulatory assessments, inspect significant machinery and equipment, and evaluate the workplace environment and potential risks. Through a risk management mechanism, KMC progressively optimizes occupational health and safety management by staying updated on regulatory policies, enhancing employee awareness of hazards, strengthening prevention measures, and substantially improving operational procedures. This approach aims to ensure the safety and well-being of all employees and move toward a sustainable work environment. In 2022, the Facilities Department conducted a comprehensive review and revision of the company's internal management regulations related to occupational health and safety. It clearly outlines KMC's occupational health and safety management strategy in five key directions, utilizing a "Plan-Do-Check-Action" cycle to continually enhance the management process.

2022 Occupational Accident Statistics - Full-Time Employees ¹

| | |
|---|----------------|
| working hours | 487,672 |
| Number of deaths | 0 |
| Number of disability cases | 0 |
| Number of minor injuries | 3 ² |
| Fatality rate ³ | 0 |
| Disabling Injury Severity Rate ⁴ | 6.15 |
| Disabling Frequency Rate ⁵ | 151.74 |
| Total Recordable Injury Frequency Rate ⁶ | 16.4 |

Note

- In 2022, within KMC Taiwan's operational scope, the employed labor force consisted solely of full-time employees.
- A total of 5 people reported occupational disasters, including 2 infected with COVID-19. In order to faithfully present the current situation in the factory, 2 COVID-19 cases were deducted in advance. The remaining three people were divided into one person who fell, one person who was pinched/injured, and one person who performed improper operation.
- Fatality rate, calculated as the number of fatalities due to occupational injuries per one million work hours. The formula is as follows: Number of fatalities from occupational injuries $\times 10^6 \div$ total work hours.
- Disabling Injury Severity Rate (referred to as SR), calculated as the total number of lost days due to disabling injuries per one million work hours. The formula is as follows: Total lost days due to disabling injuries $\times 10^6 \div$ total work hours.
- Disabling Frequency Rate (F.R.), calculated as the frequency of disabling injuries (including fatalities) per one million work hours. The formula is as follows: (Number of disabling cases + Number of fatalities) $\times 10^6 \div$ total work hours.
- Total Recordable Injury Frequency Rate (TRIFR): Calculated as the number of recordable occupational injuries, including fatalities, disabling injuries, minor injuries, and cases requiring medical treatment, per one million work hours. The formula is as follows: Number of recordable occupational injuries $\times 10^6 \div$ total work hours.

Contractor Safety Management

To enhance contractor safety management, eliminate illegal operations, and prevent accidents.

The Response and Investigation of Accidents

Enhancing employee response capabilities and integrating emergency rescue communication channels to prevent or mitigate the impact of hazards. Additionally, through investigating the root causes of accidents, we aim to improve management strategies.

Compliance with regulations and policies

Collecting relevant environmental, safety, and health regulations, reviewing internal company management for any deficiencies, assisting relevant departments in assessing and proposing improvement plans to ensure compliance with the law.



Material Safety Management

Control of hazardous materials within the facility is ensured through management measures to maintain safe labeling, storage, and procurement of these materials.

Workplace Environmental Risk Management

Regularly inspect and assess significant machinery and equipment inventory, as well as identify potential or indirect hazards within the factory environment and occupational safety and health.

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The Response and Investigation of Accidents

KMC places great emphasis on immediate reporting, post-accident investigation, and prevention of every accident. It has established management procedures for major accidents, outlined in the "Emergency Response Plan" and "Accident Investigation Management" regulations. To efficiently control accident reporting, investigation, and improvement implementation, the Factory Affairs Department has developed an Accident Reporting Standard Operating Procedure (SOP) to manage the process systematically. The department also maintains communication with relevant units and preserves accident-related data.

In 2022, there were no employee fatalities, with only 3 cases of minor injuries. The units where these accidents occurred collaborated with the Factory Affairs Department to conduct accident investigations. Upon identifying the root causes, they undertook reviews for improvement. In the future, continuous enhancement of workplace safety management will be achieved through measures such as intensified education and training, occupational safety diagnoses, and emergency awareness campaigns, all aimed at establishing a safe work environment.

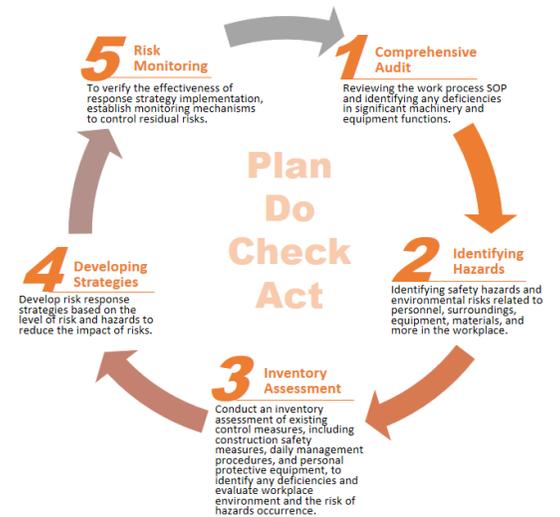
Accident Handling Process



Workplace Environmental Risk Management

To maintain workplace safety and proactively prevent potential hazards, KMC has established the "Implementation of Automatic Inspection" and "Risk Assessment" procedures. The Facilities Department, in collaboration with various units, conducts regular inspections to identify malfunctions or defects in significant machinery and equipment, thoroughly assess the factory's environmental safety and health for potential hazards, and review the Standard Operating Procedures (SOP) in work processes. The management is done through a graded system based on the degree of risk and potential harm. Additionally, they ensure that the existing protective measures are sufficient to withstand potential impacts and, as a result, formulate risk response strategies to mitigate these risk factors.

To verify the effectiveness of the implementation strategies, the Facilities Department and various units establish a monitoring and management mechanism for each risk factor, facilitating tracking and control of residual risks.





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Key stakeholders

- Clients
- Employees
- Government
- Community

SDGs ▶

| | | | |
|----------------------------|-----------------------------------|---|---|
| 1 NO POVERTY | 4 QUALITY EDUCATION | 8 DECENT WORK AND ECONOMIC GROWTH | 17 PARTNERSHIPS FOR THE GOALS |
|----------------------------|-----------------------------------|---|---|



Management Guidelines

Building a Prosperous Society

Meaning

KMC believes that "taking from society, using for society" is one of the responsibilities of a business. If every company can contribute to various charitable activities from an industry perspective, it can harness the power of goodwill and bring about positive change to society.

Policies and Commitments

KMC will uphold the spirit of "Starting from Love, Keep Moving Forward." Through its affiliated foundations, the company integrates resources and the efforts of its colleagues to focus on grassroots sports education, sports support, charitable philanthropy, and community outreach, thereby fulfilling KMC's social responsibility.

Evaluation Mechanisms

An annual meeting is convened to discuss how to promote cycling culture and efficiently utilize resources to expand social impact.

Specic Actions

KMC will focus on promoting cycling education, bicycle recycling, charitable philanthropy, support for cycling sports, and community outreach, each as separate initiatives.

Communication Channels

As detailed in the "Stakeholder Engagement" section.

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5.1 Drive Positive Change Through Charity

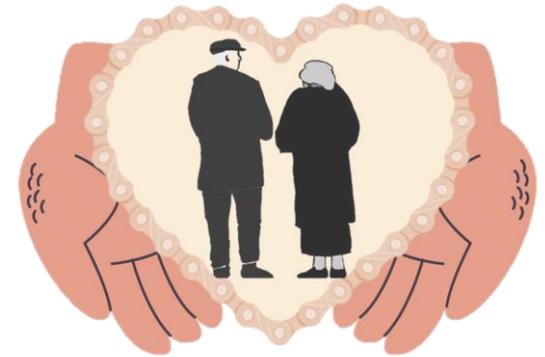
KMC places a strong emphasis on the principle of caring for people and views charitable philanthropy as one of its core values and missions in fulfilling social responsibility. KMC firmly believes that everyone deserves equal opportunities and the right to live a dignified life. Through its charitable philanthropic actions, the company aims to provide warmth and support to those facing difficulties, thereby easing their hardships.

KMC has always believed that every individual has the capacity and responsibility to bring positive change to the world. In recent years, whenever there have been significant earthquakes, natural disasters, or charitable events in Taiwan or internationally, all employees of the company come together to initiate donation campaigns, often in the form of "N-Day Donations." This collective effort reflects their commitment to sharing love and hope and assisting those in need in overcoming challenges. The goal is to help them embrace their dreams and aspire to a brighter future. While KMC may not be a government organization that contributes constantly, it aspires to be a conduit of love and a catalyst for change through charitable philanthropy, spreading love to various regions.



In 2022, KMC, through its charitable trust, the KMC Caring Charity Fund, participated in the 19th "Love for the Elderly, Love for Reunion" event organized by the Huashan Social Welfare Foundation. The company made donations to support underprivileged senior citizens in the Tainan area, offering love and care during the Lunar New Year. This initiative involved reaching out to hundreds of elderly individuals living alone, ensuring that they could comfortably and warmly celebrate the cold Lunar New Year season.

For KMC, aiding the elderly extends beyond material assistance; it represents a form of spiritual nourishment and connection. Through this support, the company seeks to build emotional bonds with the elderly, fostering meaningful exchanges. The result is a sense of fulfillment and joy derived from charitable philanthropy and making a positive impact.



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In 2022, apart from caring for underprivileged senior citizens, KMC, following the "Go Green with KMC" concept, collaborated with the Bicycle New Culture Foundation. They took a batch of old bicycles that were being replaced at rental stations, refurbished and replaced parts, and transformed them into environmentally-friendly, reusable bicycles. These rejuvenated bicycles were then donated to elementary school children in remote areas, providing transportation safety resources to the campuses and breathing new life into the old bikes.

✔ This time, we partnered with the Bicycle New Culture Foundation to donate refurbished bicycles to the Tainan Municipal Annan District Jhenhai Elementary School.



In the future, KMC will embark on charitable and philanthropic activities in the Tainan area, with a focus on helping local disadvantaged groups, children, seniors, and patients to lead safe and joyful lives. We will make efforts to provide essential life necessities, including daily supplies, education, and healthcare. Through these benevolent actions, we hope to spread compassion and set in motion a chain reaction of love, extending it to a broader section of society, embodying KMC's corporate philosophy of connecting with love.



5.2 Child Riding Education

Faced with rising global temperatures and the consequences of climate change, people are increasingly recognizing the need to combat the greenhouse effect. Countries around the world are advocating for net-zero emissions in order to mitigate the impact of climate change. This has led to a growing emphasis on environmental protection and carbon reduction. In the wave of carbon reduction efforts, bicycles have emerged as one of the best options for green transportation.

With the growing number of cyclists, the next challenge is how to ensure that everyone can ride happily and return home safely. KMC believes that promoting bicycle safety awareness is the key to protecting cyclists. As a result, a series of cycling knowledge and safety education activities have been planned. By instilling bicycle safety concepts from an early age, KMC aims to emphasize the importance of cycling knowledge and safety. This way, young riders can enjoy the freedom of riding their bicycles safely and create more cherished cycling memories.

KMC launched the "Child Riding Education" series of educational camps in 2020, bringing bicycle knowledge to schools and allowing children to learn to coexist with bicycles in the most relaxed environment. For young riders hitting the road for the first time, the most important lesson is how to protect themselves and reduce the risk of injury while cycling. Therefore, we have incorporated various challenges into our cycling courses, aiming to enhance the young riders' sense of awareness regarding safety and potential hazards.

In 2021, KMC introduced a comprehensive upgrade to the "Child Riding Education" program, designed in three stages: "Young Rider Safety Camp," "Young Rider Bicycle Simulation License," and "Graduation Cycling Journey." These stages aim to promote cycling education to young riders of different age groups. Through an enjoyable and educational approach, the goal is to cultivate a deep appreciation for bicycle culture in their hearts.



In 2022, a total of 6 Young Riders Mobilization events were held, with a combined participation of 1,550 individuals.





5.3 Green Cycling

KMC has been committed to promoting the culture of cycling for a long time. Not only did they establish the "Passion in Motion Sports Foundation," but they also lead by example, enjoying the pleasure of cycling with their company partners. Guided by the philosophy of "Collaboration, we can do more," they have partnered with numerous domestic and international cycling culture associations, such as the Bicycle New Culture Foundation, Taiwan Bicycle Island Association, Bicycle Research and Development Center, People for Bikes in the USA, IMBA, Duchenne H in the Netherlands, and others. Together, they work towards spreading the bicycle culture worldwide with the hope that cycling will become a new choice for everyday mobility for the general public. They are dedicated to contributing their efforts towards mitigating climate change, and they stride together towards a better world through cycling.

✔ In 2022, KMC sponsored a total of 9 major cycling events, with a combined participation of 14,500 people.



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5.4 National Athlete Development

KMC has a long-standing commitment to lightweight component research and development, aiming for superior cycling performance in pursuit of "Link to Perfection." "Link to Perfection" serves as a symbol of excellence for us. Consequently, KMC shares a common goal with athletes and cycling teams that strive for excellence. To enable athletes and teams to focus on training and self-improvement without any worries, KMC annually sponsors domestic cyclists and teams. This sponsorship contributes to the growth of domestic cycling sports, allowing athletes to confidently pursue higher goals, thus promoting the popularization of cycling sports.

- ✓ In 2022, KMC sponsored the Nambao Resin Cycling Team, Bryton Merida Team, and the Taichung Heroic Cycling Team.



5.5 Sponsor Cycling Team

Since 2012, KMC has been sponsoring international cycling teams. Through the performance of athletes and the products they use in international events, KMC continuously refines its product designs to provide the best cycling experience for cyclists worldwide. In 2022, KMC sponsored the "Team KMC ORBEA." In recent years, Team KMC ORBEA has achieved remarkable success in international competitions using KMC championship chains. KMC's sponsorship aims to support these athletes in continuing to shine on the international stage and showcase Taiwan's outstanding cycling technology to the world.



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Statement of Use

KMC (KUEI MENG) INTERNATIONAL INC. has reported in accordance with the GRI Standards for the period 2022.1.1-2022.12.31.

GRI 1 Used

GRI 1: Foundation 2021

Applicable GRI Sector Standard(s)

NA

GRI 2 : General Disclosures 2021

| GRI Number | Disclosure Title | Location | Page | Note/Omission |
|--|--|---------------------------|------|----------------------------|
| 1. The organization and its reporting practices | | | | |
| 2-1 | Organizational details | About KMC | 8 | |
| 2-2 | Entities included in the organization's sustainability reporting | About This Report | 2 | |
| 2-3 | Reporting period, frequency and contact point | About This Report | 2 | |
| 2-4 | Restatements of information | 3.3 Waste Management | 50 | |
| 2-5 | External assurance | N/A | N/A | Without external assurance |
| 2. Activities and workers | | | | |
| 2-6 | Activities, value chain and other business relationships | KMC's Value chain | 11 | |
| 2-7 | Employees | 4.1.1 Employee statistics | 54 | |
| 2-8 | Workers who are not employees | 4.1.1 Employee statistics | 54 | |



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| 3. Governance | | | | |
| 2-9 | Governance structure and composition | 2.1.1 Governance Framework | 22 | |
| 2-10 | Nomination and selection of the highest governance body | 2.1.1 Governance Framework | 23 | |
| 2-11 | Chair of the highest governance body | 2.1.1 Governance Framework | 23 | |
| 2-12 | Role of the highest governance body in overseeing the management of impacts | 2.1.1 Governance Framework | 23 | |
| 2-13 | Delegation of responsibility for managing impacts | 2.1.1 Governance Framework | 23 | |
| 2-14 | Role of the highest governance body in sustainability reporting | 1.2 Sustainable Governance 3.1.1 Climate Change Governance | 15 39 | |
| 2-15 | Conflicts of interest | 2.1.1 Governance Framework | 23 | |
| 2-16 | Communication of critical concerns | 2.1.1 Governance Framework | 23 | |
| 2-17 | Collective knowledge of the highest governance body | 2.1.1 Governance Framework | 23 | |
| 2-18 | Evaluation of the performance of the highest governance body | 2.1.1 Governance Framework | 24 | |
| 2-19 | Remuneration policies | 2.1.1 Governance Framework | 25 | |
| 2-20 | Process to determine remuneration | 2.1.1 Governance Framework | 25 | |
| 2-21 | Annual total compensation ratio | N/A | N/A | Not to disclose personal information involved |



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| GRI 2 : General Disclosures 2021 | | | | |
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| GRI Number | Disclosure Title | Location | Page | Note/Omission |
| 4. Strategy, policies and practices | | | | |
| 2-22 | Statement on sustainable development strategy | Letter from the Chairman 1.1 Sustainable Philosophy | 4-5 14 | |
| 2-23 | Policy commitments | 4.3.1 Human Rights Policies | 62 | |
| 2-24 | Embedding policy commitments | 2.3.1 Code of Business Conduct and Ethics 3.1.4 Climate Change Indicators and Objectives 4.3.1 Human Rights Policies | 33 44 62 | |
| 2-25 | Processes to remediate negative impacts | 1.3 Materiality Analysis & Stakeholder Engagement | 16 | |
| 2-26 | Mechanisms for seeking advice and raising concerns | 1.3.5 Stakeholder Engagement 2.3 Ethical Operations 4.3.1 Human Rights Policies 4.3.2 Employee Communication and Grievance Channels | 19 33 62 64 | |
| 2-27 | Compliance with laws and regulations | 2.3.2 Legal Compliance | 34 | |
| 2-28 | Membership associations | 2.1.3 Membership associations | 30 | |

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| 5. Stakeholder engagement | | | | |
| 2-29 | Approach to stakeholder engagement | 1.3.5 Stakeholder Engagement | 19 | |
| 2-30 | Collective bargaining agreements | N/A | N/A | There is currently no labor union organization at KMC, so a collective agreement has not been signed with employees at this time. |
| GRI 3 : Material Topics 2021 | | | | |
| 3-1 | Process to determine material topics | 1.3.2 Determination of Material Topics | 17 | |
| 3-2 | List of material topics | 1.3.4 Material Topics | 18 | |
| Material Topics : Financial Performance | | | | |
| 3-3 | Management of material topics | Management Guidelines for Material Topics in Transparent Corporate Governance | 21 | |
| GRI 201: Economic Performance 2016 | 201-1 Direct economic value generated and distributed | 2.2.1 Financial Performance | 31 | |
| | 201-2 Financial implications and other risks and opportunities due to climate change | 3.1 Climate Risk Management | 38 | |
| | 201-3 Defined benefit plan obligations and other retirement plans | 4.2.3 Retirement System | 61 | |



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| GRI Number | Disclosure Title | Location | Page | Note/Omission |
| Material Topics : Integrity and Legal Compliance | | | | |
| 3-3 | Management of material topics | Management Guidelines for Material Topics in Transparent Corporate Governance | 21 | |
| GRI 205: Anti-corruption 2016 | 205-2 Communication and training about anti-corruption policies and procedures | 2.3 Ethical Operations | 33 | |
| | 205-3 Confirmed incidents of corruption and actions taken | 2.3 Ethical Operations | 33 | |
| Material Topics : Corporate Governance and Risk Management | | | | |
| 3-3 | Management of material topics | Management Guidelines for Material Topics in Transparent Corporate Governance | 21 | |
| Material Topics : Procurement and Supplier Management | | | | |
| 3-3 | Management of material topics | Management Guidelines for Material Topics in Transparent Corporate Governance | 21 | |
| GRI 204: Procurement Practices 2016 | 204-1 Proportion of spending on local suppliers | 2.4 Supplier Management | 35 | |



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| Material Topics : Climate Change Adaptation | | | | |
| 3-3 | Management of material topics | Management Guidelines for Material Topics in Commit to Environmental Sustainability | 37 | |
| Material Topics : Energy and Greenhouse Gas Management | | | | |
| 3-3 | Management of material topics | Management Guidelines for Material Topics in Commit to Environmental Sustainability | 37 | |
| GRI 302: Energy 2016 | 302-1 Energy consumption within the organization | 3.2.1 Energy Management | 47 | |
| | 302-3 Energy intensity | 3.2.1 Energy Management | 47 | |
| GRI 305: Emissions 2016 | 305-1 Direct (Scope 1) GHG emissions | 3.1.4 Climate Change Indicators and Objectives | 45 | |
| | 305-2 Energy indirect (Scope 2) GHG emissions | 3.1.4 Climate Change Indicators and Objectives | 45 | |
| | 305-3 Other indirect (Scope 3) GHG emissions | 3.1.4 Climate Change Indicators and Objectives | 45 | |
| | 305-4 GHG emissions intensity | 3.1.4 Climate Change Indicators and Objectives | 45 | |
| | 305-5 Reduction of GHG emissions | 3.1.4 Climate Change Indicators and Objectives | 46 | |



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| GRI 3 : Material Topics 2021 | | | | |
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| GRI Number | Disclosure Title | Location | Page | Note/Omission |
| Material Topics : Waste Management | | | | |
| 3-3 | Management of material topics | Management Guidelines for Material Topics in Commit to Environmental Sustainability | 37 | |
| GRI 306: Waste 2020 | 306-2 Management of significant waste-related impacts | 3.3 Waste Management | 49 | |
| | 306-3 Waste generated | 3.3 Waste Management | 49 | |
| | 306-4 Waste diverted from disposal | 3.3 Waste Management | 49 | |
| | 306-5 Waste directed to disposal | 3.3 Waste Management | 49 | |
| Material Topics : Talent Development and Growth | | | | |
| 3-3 | Management of material topics | Management Guidelines for Material Topics in Creating a Friendly Workplace | 53 | |
| GRI 404: Training and Education 2016 | 404-1 Average hours of training per year per employee | 4.4 Education and Training | 65 | |
| | 404-2 Programs for upgrading employee skills and transition assistance programs | 4.2.1 Compensation System | 59 | |
| | 404-3 Percentage of employees receiving regular performance and career development reviews | 4.2.1 Compensation System | 59 | |

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| Material Topics : Workplace Health and Safety | | | | |
| 3-3 | Management of material topics | Management Guidelines for Material Topics in Creating a Friendly Workplace | 53 | |
| GRI 403: Occupational Health and Safety2018 | 403-1 Occupational health and safety management system | 4.5.2 Maintain workplace safety | 68 | |
| | 403-2 Hazard identification, risk assessment, and incident investigation | 4.5.2 Maintain workplace safety | 69 | |
| | 403-3 Occupational health services | 4.5.1 Protecting Employee Physical and Mental Health | 66 | |
| | 403-4 Worker participation, consultation, and communication on occupational health and safety | 4.5.2 Maintain workplace safety | 68 | |
| | 403-5 Worker training on occupational health and safety | 4.4 Education and Training | 65 | |
| | 403-6 Promotion of worker health | 4.5.1 Protecting Employee Physical and Mental Health | 66 | |
| | 403-8 Workers covered by an occupational health and safety management system | 4.5.2 Maintain workplace safety | 68 | |
| | 403-9 Work-related injuries | 4.5.2 Maintain workplace safety | 68 | |
| | 403-10 Work-related ill health | 4.5.2 Maintain workplace safety | 68 | |

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| Material Topics : Employee Rights and Diversity & Inclusion | | | | |
| 3-3 | Management of material topics | Management Guidelines for Material Topics in Creating a Friendly Workplace | 53 | |
| GRI 401: Employment 2016 | 401-1 New employee hires and employee turnover | 4.1.1 Employee statistics | 55 | |
| | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | 4.2.2 Welfare System | 60 | |
| | 401-3 Parental leave | 4.1.2 Parental Leave | 56 | |
| GRI 402: Labor/Management Relations 2016 | 402-1 Minimum notice periods regarding operational changes | 4.3.2 Employee Communication and Grievance Channels | 64 | |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 Diversity of governance bodies and employees | 4.1.3 Diverse workplace | 57 | |
| | 405-2 Ratio of basic salary and remuneration of women to men | 4.2.1 Compensation System | 58 | |
| GRI 406: Non-discrimination 2016 | 406-1 Incidents of discrimination and corrective actions taken | 4.3.1 Human Rights Policies | 62-63 | |

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| | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | 4.2.2 Welfare System | 60 | |
| | 401-3 Parental leave | 4.1.2 Parental Leave | 56 | |
| GRI 402: Labor/Management Relations 2016 | 402-1 Minimum notice periods regarding operational changes | 4.3.2 Employee Communication and Grievance Channels | 64 | |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 Diversity of governance bodies and employees | 4.1.3 Diverse workplace | 57 | |
| | 405-2 Ratio of basic salary and remuneration of women to men | 4.2.1 Compensation System | 58 | |
| GRI 406: Non-discrimination 2016 | 406-1 Incidents of discrimination and corrective actions taken | 4.3.1 Human Rights Policies | 62-63 | |

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| GRI Number | Disclosure Title | Location | Page | Note/Omission |
| Topic Specific Guidelines: 200 Economic Indicators | | | | |
| GRI 202: Market Presence 2016 | 202-1 Ratios of standard entry level wage by gender compared to local minimum wage | 4.2.1 Compensation System | 58 | |
| | 202-2 Proportion of senior management hired from the local community | 4.1.1 Employee statistics | 55 | |
| Topic Specific Guidelines: 300 Environmental Indicators | | | | |
| GRI 303: Water and Effluents 2018 | 303-3 Water withdrawal | 3.2.2 Water Resources Management | 48 | |
| | 303-4 Water discharge | 3.2.2 Water Resources Management | 48 | |
| Topic Specific Guidelines: 400 Social Indicators | | | | |
| GRI 408: Child Labor 2016 | 408-1 Operations and suppliers at significant risk for incidents of child labor | 4.3.1 Human Rights Policies | 63 | |
| GRI 409: Forced or Compulsory Labor 2016 | 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor | 4.3.1 Human Rights Policies | 63 | |



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| Topic | Recommended disclosures | Page |
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| Governance | a. The board's oversight of climate-related risks and opportunities. | 39 |
| | b. Management's role in assessing and managing climate-related risks and opportunities. | 39 |
| Strategy | c. The climate-related risks and opportunities the organization has identified over the short, medium, and long term. | 41-42 |
| | d. The impact of climate related risks and opportunities on the organization's businesses, strategy, and financial planning. | 41-42 |
| | e. The resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | 40 |
| Risk Management | The organization's processes for identifying and assessing climate-related risks. | 43 |
| | The organization's processes for managing climate-related risks. | 43 |
| | How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. | 43 |
| Metrics and Targets | Metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process. | 44 |
| | Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. | 45 |
| | Targets used by the organization to manage climate-related risks and opportunities and performance against targets. | 46 |

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