



2019 CSR REPORT

KMC International Inc.

Corporate Social Responsibility Report

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Letter from the Chairman

This year, KMC made a brilliant achievement again with our operating revenue and after tax profit hitting a record high. Since the beginning of 2018, the rise of protectionism has posed a challenge to our company. In this case, KMC sought to localize all over the world to respond to the rapid change of the external environment. We dedicated our efforts to managing our local manufacturing plants and sales channels which located in Mainland China, Taiwan, the ASEAN countries, Europe, and America. The increasing penetration of electric and high-end bicycles as well as the growing demand in the repair markets of Europe and USA all helped to push the operation of KMC forward.

Ever since 2011, KMC has always upheld the principle of "from small to large, from simple to complex and resource integration" to carry out the integration plan. In 2017, KMC completed its integration plan. That is, KMC has built a completed world-wide chain business territory in bicycle, motorcycle, automotive parts and home transmission market. The phase II development plan was kicked off in 2018. In order to expanding the diversity of products and meet different needs of customers with multiple brand marketing, we acquired 100% shareholdings of "Maya Chain co. Ltd". This investment not only completed our product lines and improved the production efficiency, but also makes our operation much closer to the market and customers, and create a win-win situation.

Since the rate of urbanization increased rapidly across the world, some issues including environmental protection, traffic congestion and public health are getting more and more serious. Therefore, governments have gradually slotted bicycle into the optimal option of green vehicles. Bicycle is also the best outdoor leisure and sports equipment in tourism due to its great benefit to physical and mental health. Furthermore, riding bicycle has

become a high-class life style recently. These are all the factors that drive the growing trend of cycling. We believe these factors will also make contribution to long-term and stable development of cycling.

As a part of the green transporting industry, KMC recognizes its obligations in environmental protection. Therefore, KMC's green commitment starts with the product manufacturing process as well as the acts of every KMC members. We set green competitiveness as our long-term target and strive to provide more optimized and environmental friendly products. Thus, all of the consumers who use KMC products could benefit from the green economy. In this case, we could make our green transportation industry become a real green industry.

Our Focus and Strategy

In 2020, KMC will focus on three aspects of our bicycle chain and component business. First of all, we will follow the trend of electric bikes and put our resources in the diversification of electric bikes related parts. Second, we will strive to increase our share in the repair market of Europe and USA. The increase of the penetration rate of electric bikes and high-end bicycles will help to push the repair market for further growth, which in turn will enhance the overall performance of KMC. Third, we will put our efforts on the chains of high-end sport bicycles. Since a number of manufacturers will equip ultra-high transmission system in their new models, which is expected to bring another wave of upgrade and replacement for new bicycles, and in turn drive the demand for high-end chains.

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

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

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

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

Chairman
Wu, Ying-Chin

Chapter 1. Corporate Governance

◆ Significance of issues to KMC

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

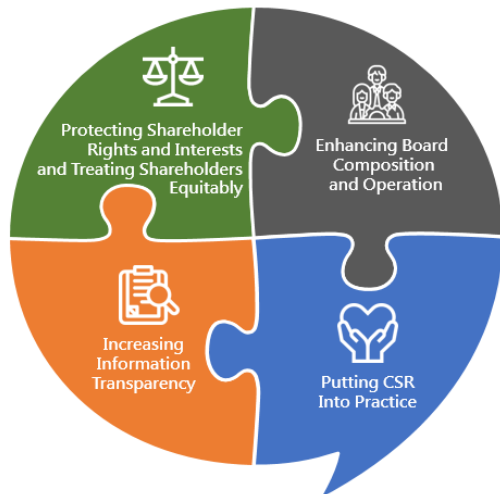
◆ Management system and target

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

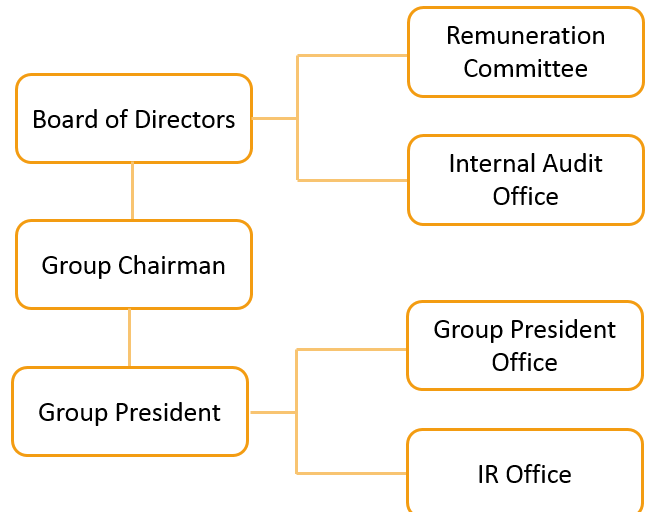
In terms of corporate governance, KMC always adheres to the principle of ethical operation management, and continues to optimize organizational structure so as to establish a sound corporate governance system. Complying with the trend of international corporate governance, we have formulated our "Corporate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

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

◆ **Vision and Concept**



◆ **Corporate Governance Structure**



◆ **Corporate Governance Mechanism**

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

- **Board of Directors**

KMC's Board of Directors consists of five distinguished members, including three general directors and two independent directors. The Board of Directors has diverse expertise, including enterprise development and strategic planning, business and production management, financial and economic law, accounting and investment analysis. Every year, members of the Board still continue to receive courses with regard to corporate governance, business management, risk control and regulatory compliance. In 2019, the Board of Directors held six meetings, with an actual director attendance rate of 100%, showing the directors' highly active participation in the company operation. Furthermore, after the re-election of the shareholders' meeting on June 24, 2020, there is a female director in the Board and the female to male ratio is up to 14%.

- **Remuneration Committee**

Based on its expertise, the Remuneration Committee establish and regularly review policies, systems, standards and structures relevant to the performance assessment and compensation policies for directors and managers. The Committee shall also evaluate the compensation of directors and managers periodically and take the correlations between the company's operating performance and future risks exposure into account. In 2019, the Remuneration Committee held two meetings, and the actual attendance rate of the convener and committee members was 100%.

- **Internal Audit Office**

By offering independent and objective consultation, internal auditors add value to the Company by assisting directors and managers to examine the defect of internal control system and evaluate the effectiveness and efficiency of operation so as to ensure that the internal control policy is

implemented effectively for the purpose of maximizing profitability while preventing fraud. In doing so, they help to improve the Company's performance, minimize risks, enhance crisis management, provide timely suggestions for improvement and assist the company to achieve the goal of the internal control system, and ensure the internal control system is sustainable effectively implemented.

◆ **Implementation of Ethical management**

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

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

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

I. About KMC

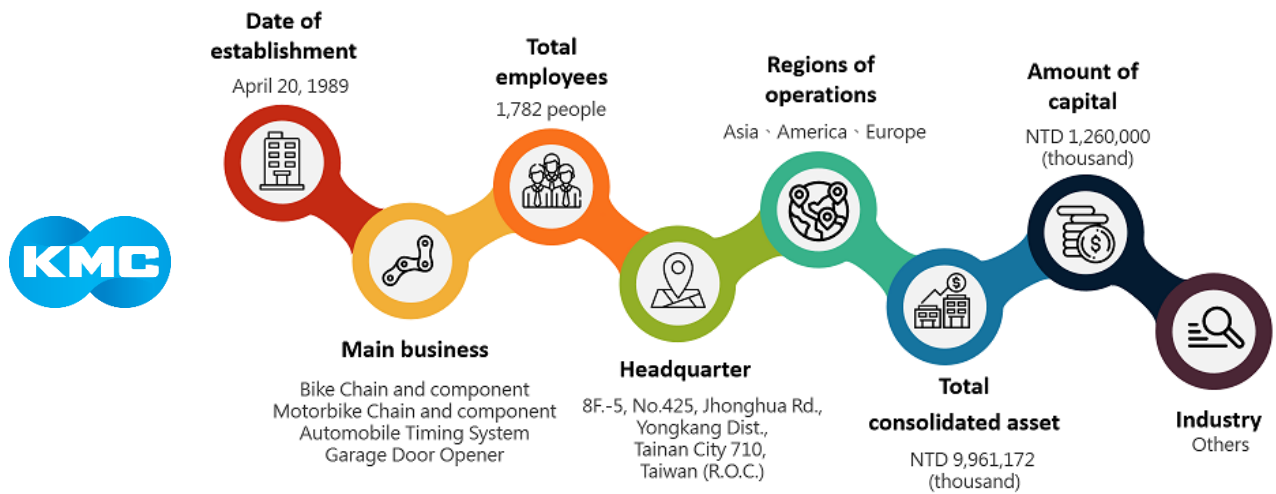
In 1977, Charles Wu founded "KMC Chain Industrial Co., Ltd" with only a few pieces of used machinery. KMC was the world's smallest chain factory at the time but Charles believed that with continued dedication and a drive for perfection, we would become the world's largest chain supplier. In 2011, KMC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

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

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

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

◆ Company Profile



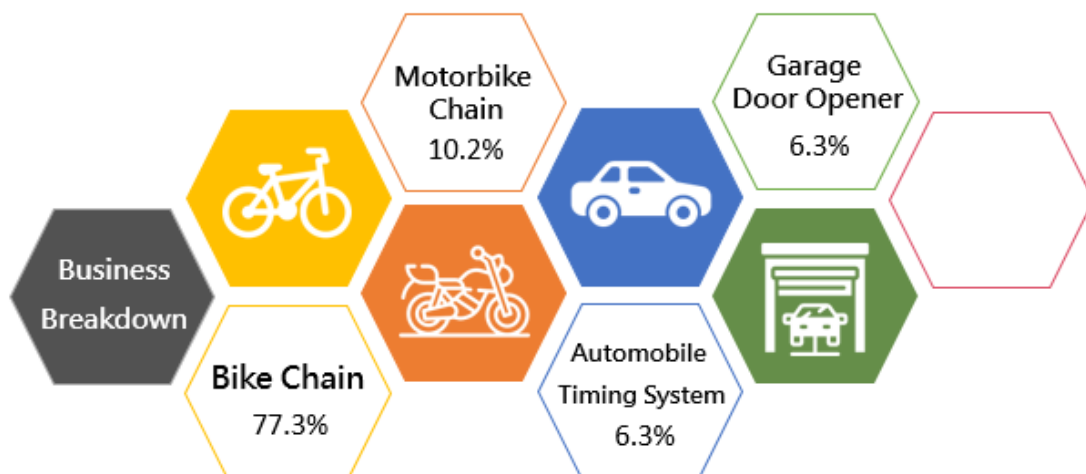
Unit : NT\$ thousand

KMC (Kuei Meng) International Inc.

	2017	2018	2019
Consolidated revenue	5,050,603	5,056,832	5,239,635
Consolidated gross margin	2,122,446	2,138,990	2,143,280
Consolidated net profit after tax	1,042,941	947,666	1,007,490

◆ Product Mix

KMC provides various chains and related components, including bicycle chain and component, motorcycle chain and component, automobile timing system and garage door opener. Bicycle chain and component are our main products which accounted for 77.3% of our total revenue.



◆ Production and marketing locations of related companies

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

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



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II. Risk Management

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

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

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

III. External Initiatives

◆ Human Rights Policy

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

KMC devoted to the following human rights topics:

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



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◆ Participation in external associations

In 2019, KMC actively participated in different industry associations, such as Taiwan Bicycle Association and the Cycling Life Style Foundation, to exchange ideas with our peers and to build up a relationship of mutual support and cooperation. We engaged ourselves in these industry platforms which can not only build consensus but also unify counterparts to promote industrial upgrading and to benefit the development of bicycle industry substantially.

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

IV. Tax governance

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

Unit : NT\$ thousand

Year	Individual income tax expense paid
2017	110,658
2018	182,225
2019	197,912

V. Regulatory Compliance

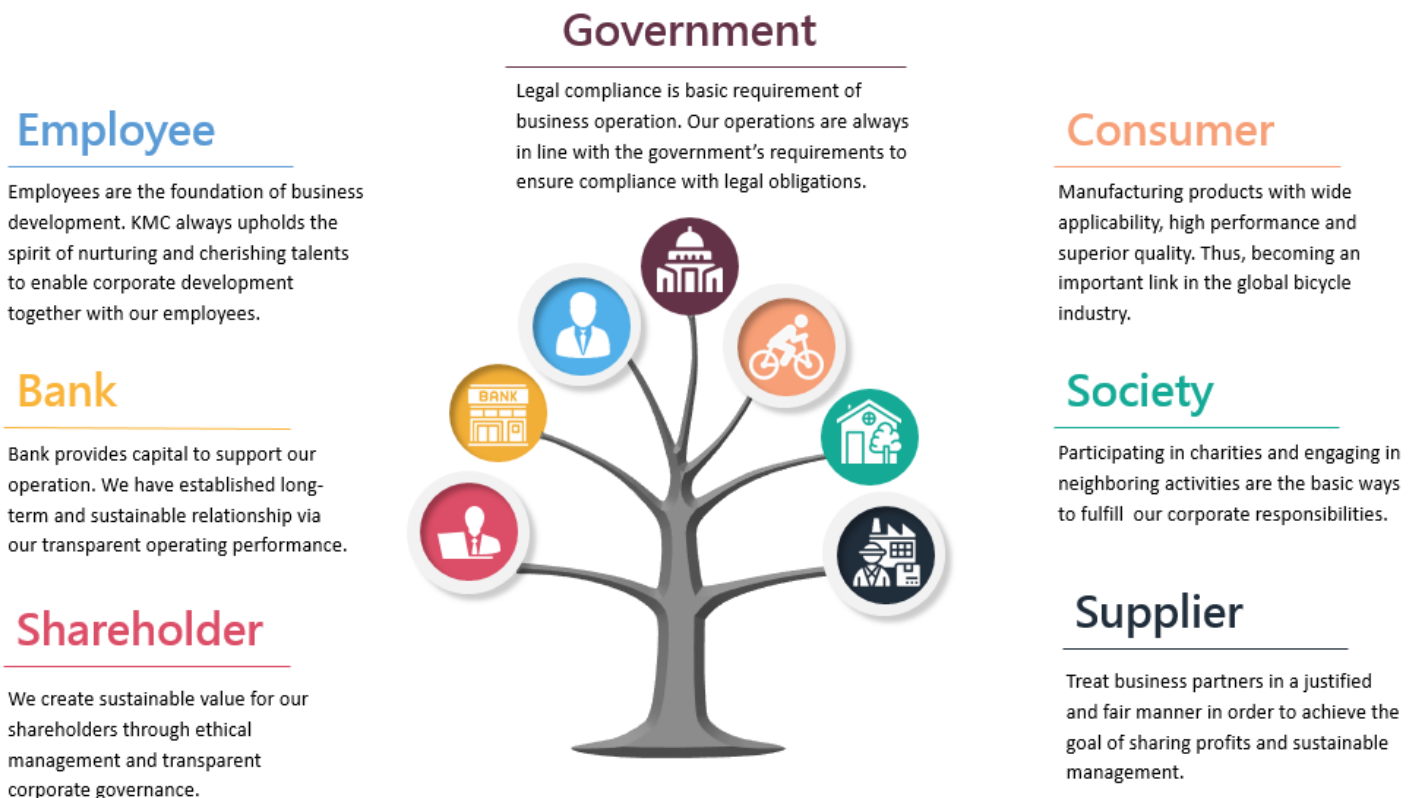
Operating business in compliance with all applicable laws and regulations is our primary goal. We have specialized units in place to ensure our legal compliance through constantly monitor any changes in regulations.

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

VI. Stakeholder Communication

◆ Define Major Stakeholders

Taking into account the significance of stakeholder influence on KMC and KMC's dependency on the stakeholders, we regard the following seven stakeholders as the major stakeholders for communication.



◆ Material issues for 2019

Understanding and giving appropriate responses to the issues related to stakeholders' interests are key factors to ensure sustainable development. We first identify major stakeholders and perform investigations on them to truly understand what our stakeholders concerned from various channels. Then, we take into account the level of interest and impact on operation to identify material issues for 2019.

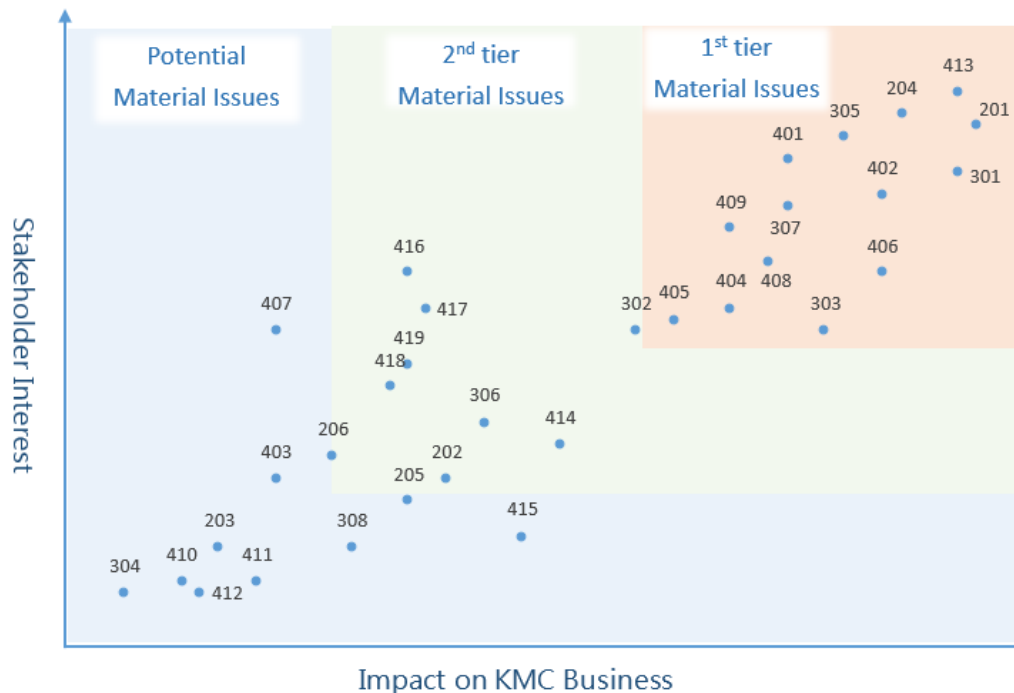
After analyzing the materiality of topics, the management will reach the consensus of major issues. To respond to the issues that stakeholders concerned, we analyze the impacts of each issue on operations and collect required information for reporting period. Based on the principles of completeness, responsiveness and stakeholder inclusiveness, we could make full disclosure of the information regarding the material issues in this report.

Identification and Prioritization

- 01 Identifying Stakeholders**
 Based on the influence scale of stakeholders on KMC and our dependency on stakeholders, we have identified seven stakeholder groups.
- 02 Identifying Material Issues**
 The material issues were identified after taking into account the sustainable strategies, future vision and GRI standards topics.
- 03 Analyzing the levels of concern**
 We conduct a survey with our major stakeholders on their views of the levels of concern about our material issues to evaluate the materiality of each topic.
- 04 Evaluating the Impact on Business**
 After evaluating the impact of each issue on operations, the management will reach the consensus of major issues.



After completing the above steps, we could identify the material topics for 2019 as follows.



◆ Material Issues Impact Boundary

The impact scope of our major stakeholders to each material issue and

the corresponding chapters of our responses are as follows :

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

◆ Stakeholder Communication

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

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

Chapter 2. Business Performance and Profitability

◆ Significance of issues to KMC

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

◆ Management strategy

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

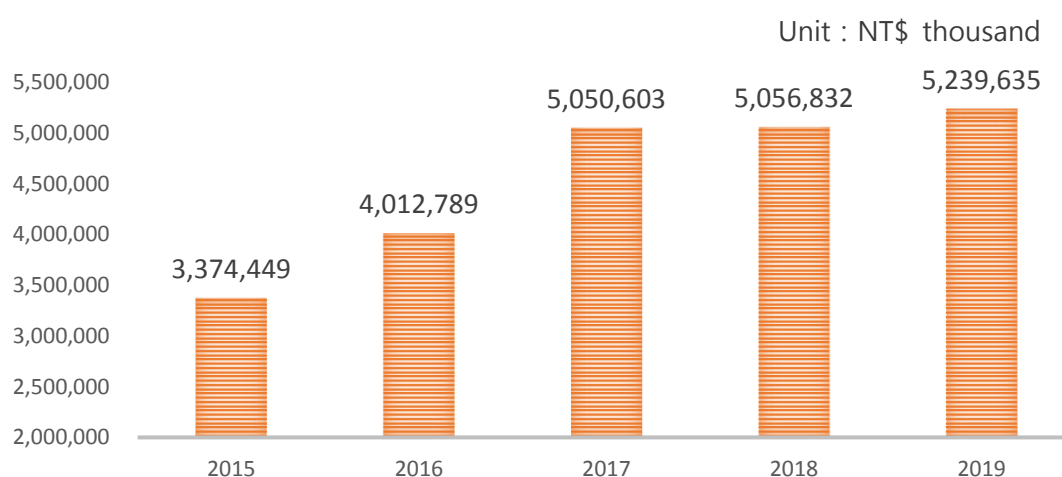
◆ Management Strategy Valuation

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

I. Operating Performances

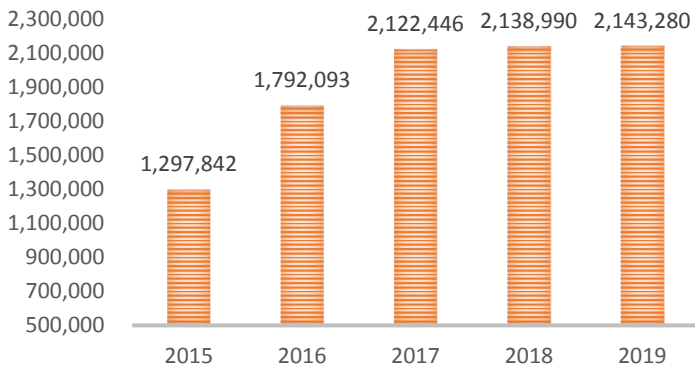
KMC possesses robust financial performance and continues to pursue profitable growth. Facing the rapid change of the international situation and industrial environment, we still focused on our primary business so as to create greater economic value for our shareholders and continuously strived toward the goal of "Becoming the most valuable chain brand of the world". Through a series of relentless efforts, our consolidated revenue reached NT\$5.24 billion and consolidated gross margin was NT\$2.14 billion. Net income was NT\$1.01 billion and earnings per share were NT\$8.

OPERATING REVENUE

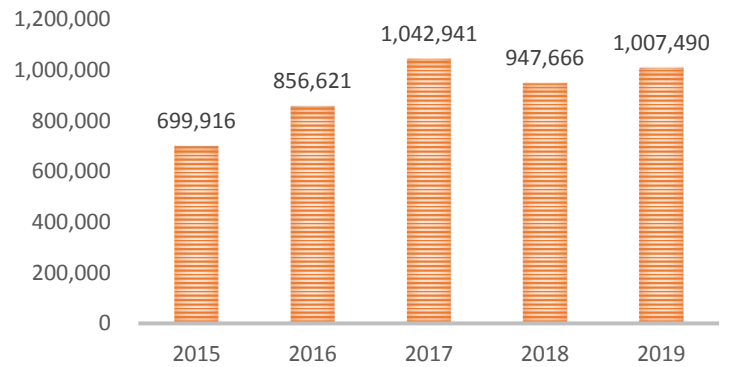


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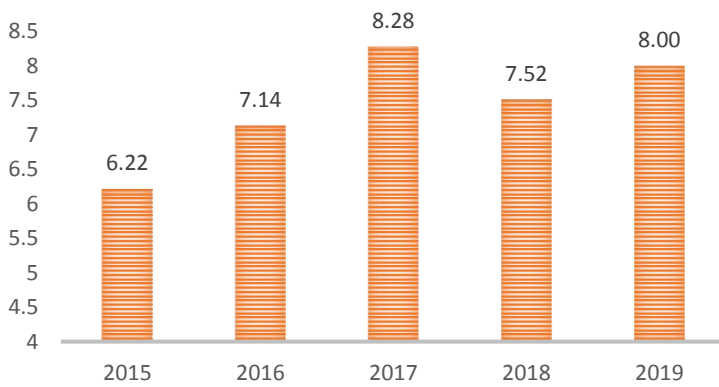
GROSS PROFIT



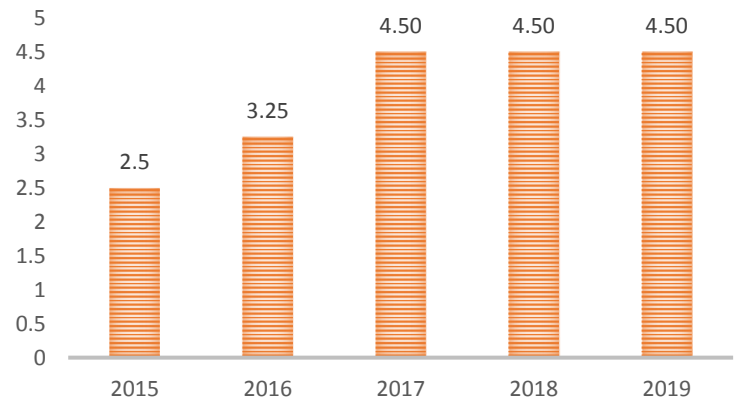
NET INCOME



EARNINGS PER SHARE



CASH DIVIDEND



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◆ Economic Value Generated and Distributed by the Organization

Unit : NT\$ thousand

		2019	2018
Economic value generated		<u>2,464,921</u>	<u>2,373,844</u>
Operating revenue	Net sales	2,185,137	2,054,112
	Realized (unrealized) gain on sales to affiliated companies	24,232	(31,893)
	Interest income	13,187	13,428
	Other income	14,217	23,598
	Other gains and losses	(14,709)	10,266
	Investment gains	242,857	304,333
Economic value distributed		<u>2,177,895</u>	<u>2,146,970</u>
Operating cost	Cost generated from operating activities	1,224,490	1,205,483
Employee wages and benefits	Employee welfare expenses	152,060	152,781
Payments to providers of capital	Cash dividend	567,000	567,000
	Interest expense	35,033	38,481
Payments to government	Business income tax	197,912	182,225
Community investments	Donation	1,400	1,000
Economic value retained		<u>287,026</u>	<u>226,874</u>

※ For more details of related financial figures, please refer to KMC's 2019 Annual Report which can be found on KMC's website (<http://www.kmc-international.com>) and MOPS (<http://mops.twse.com.tw>).

II. Business Scope and Applications

1. Bicycle Chain :

Mountain bike chain series



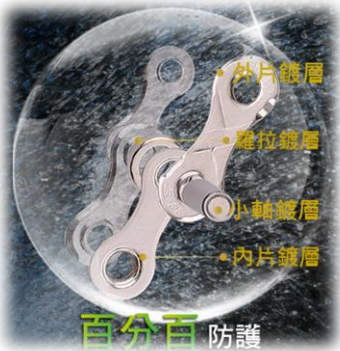
Road bike chain series



BMX chain series



Rust Buster chain series



E-bike chain series



EcoProTech chain



2. Motorcycle Chain and Gears :

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

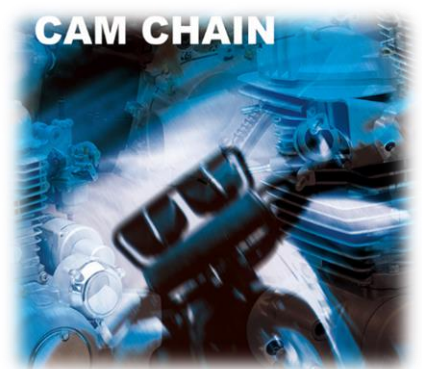
Heavy Duty Chain Series



Standard Driving Chain Series



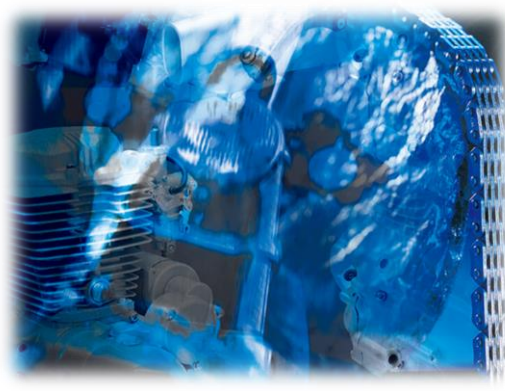
Cam Chain Series



Chain and Sprocket Kit



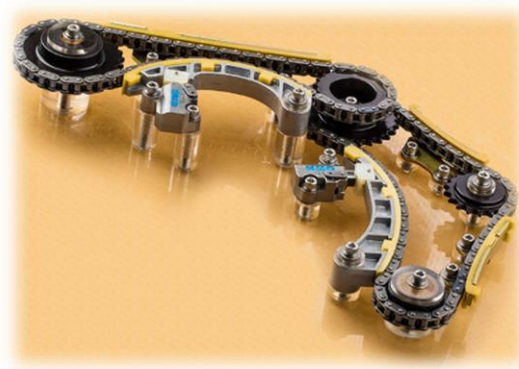
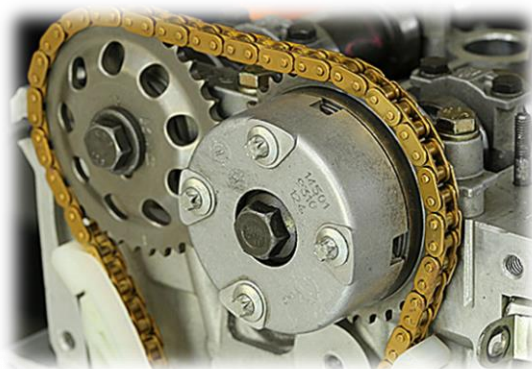
Silent Chain Series



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

3. Automobile Timing System

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



4. Garage Door Opener

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

III. Climate Change Issue

In 2019, many governments or organizations declared climate emergency in response to the frequent climate disasters around the world. That is, emergency actions must be taken to mitigate climate change so as to avoid irreversible environmental damage. It is obvious that the issue of climate change is important to the global development and the operation of enterprises in the future. Hence, we actively optimize our management mechanism of climate-related risks and take specific actions to reduce operational impact and also bring contributions to the mitigation of climate change.

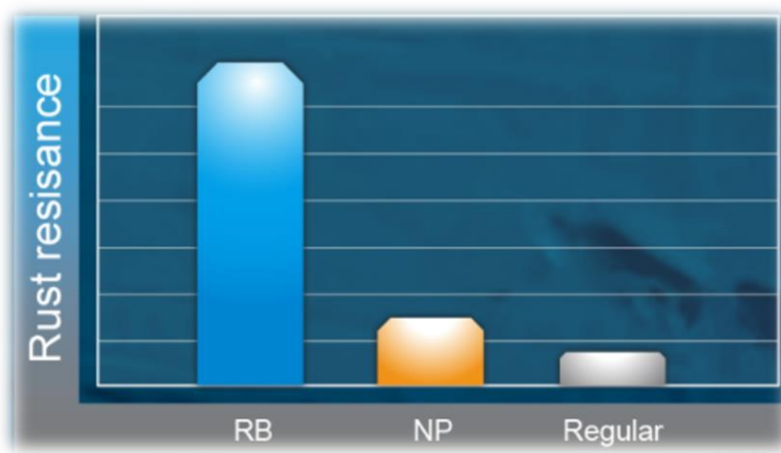
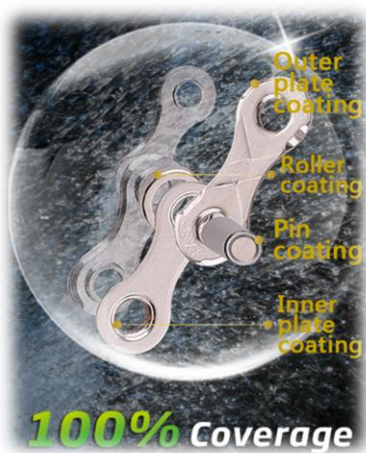
◆ Climate-related Management Strategies

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

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

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

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



◆ Climate Change Risk and Opportunity Identification and Response Measures

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

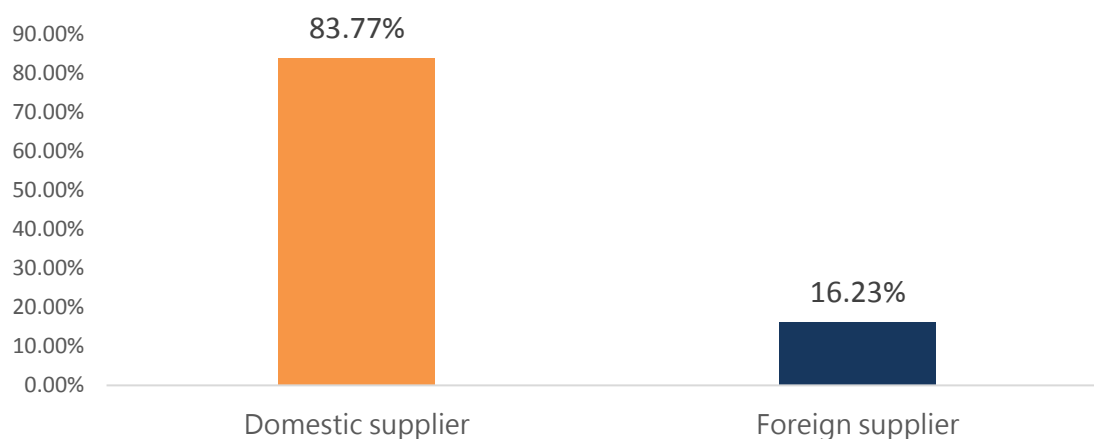
Type of opportunity	Possible opportunities	Countermeasures
Energy shortage and price hike	With the rapid development of the global economy, countries around the world are competing to consume resources such as oil and coal. In this case, energy conservation and carbon reduction have become an international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

IV. Optimize Local Sourcing Proportion

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

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

Percentage of Local Sourcing



Chapter 3. Commit to Environmental Sustainability

◆ Significance of issues to KMC

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

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

◆ Management strategy

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

◆ Management Strategy Valuation

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

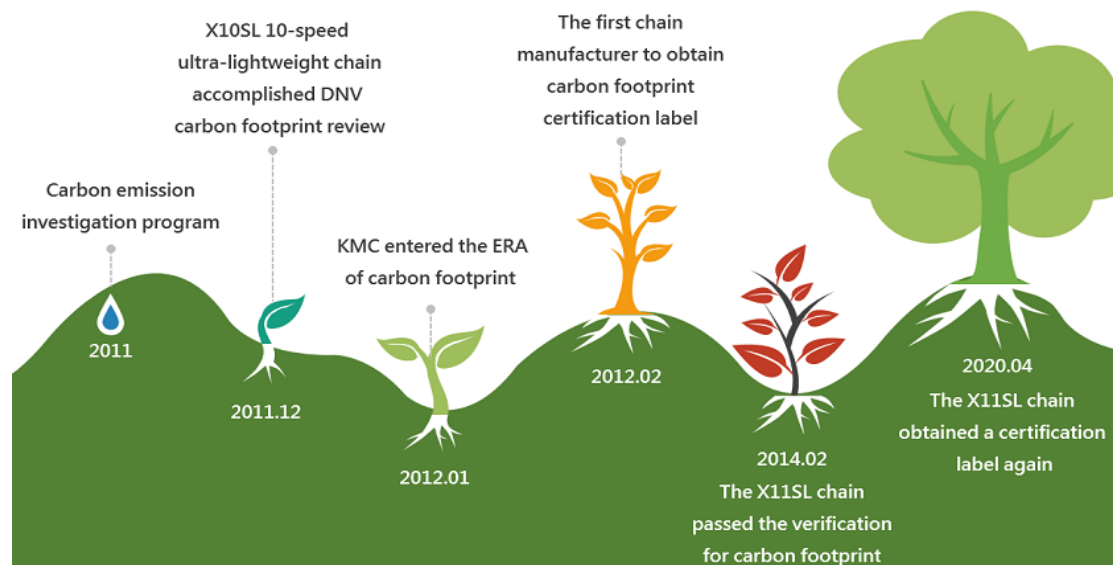
I. Raw Material Management

We committed to improving our resource efficiency within a reasonable range, such as planning for electronic workflow process to reduce paper usage and using energy-saving products to minimize our impact on the environment. With the advantages of easy recycling, resource saving and low pollution, we use environmentally-friendly packaging material and promote simplified and consolidated packaging when delivering our products.



▲ Recycle the net scraps for making fence after stamping the inner and outer plates

KMC ECO Solution Milestones



II. Greenhouse Gases (GHS) Inventory

We are paying close attention to the impact of climate change on operating activities so as to further strengthen our competitive advantages. By conducting regular inventory of greenhouse gas emissions, we would be able to control the greenhouse gas emission situation due to electricity consumption and thereby formulate corresponding action plans. In 2019, the total greenhouse gas emissions were 2,697 tCO₂e. The relevant information of it could be found below:

Reporting period :

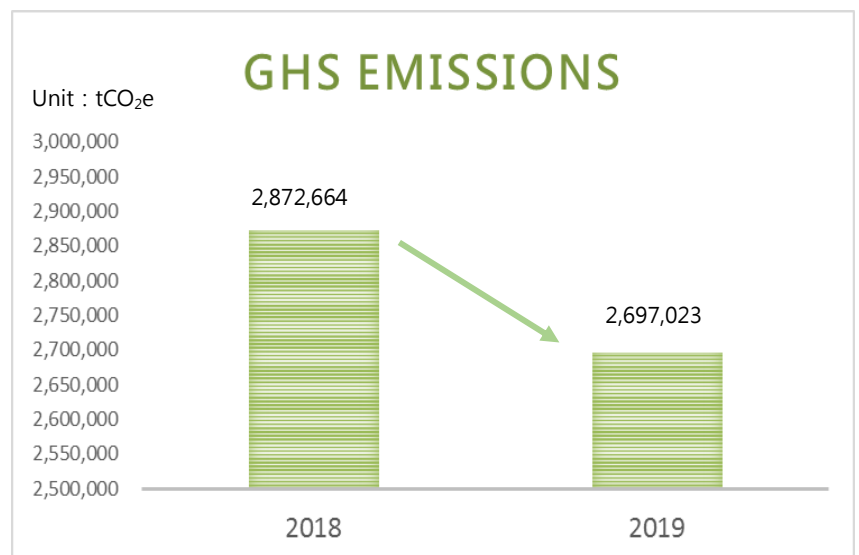
1. 2019.01.01~2019.12.31
2. Conduct full-year inventory of GHS emissions and disclose the result.

Boundary of data collection :

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

The scope of the GHG emission data :

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



Note: Emission factor is based on data released in 2018 by the Bureau of Energy.



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

III. Greenhouse Gases Reduction

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

In February 2014, our "X11SL" chain also passed the verification for carbon footprint and obtained the certification label. The carbon footprint certification promotes product life cycle assessment and carbon emission review under the PAS2050 standard. In April 2020, the "X11SL" chain passed the verification for carbon footprint again. In the future, we will always take concrete actions to implement environmental protection.

◆ Certificate of Achievement



◆ X10SL and X11SL Carbon Footprint Verification Statement by BV



Product Carbon Footprint Verification Statement
 The assessment of life cycle GHG emissions of
Bicycle Chain X10SL
 Which is made by:
KMC Chain Industrial Co., Ltd.
 No.41 Jhongshan Rd., Sinhua Dist., Tainan City 71243, Taiwan (R.O.C.)

Bureau Veritas Certification Taiwan verified the quantity of the product carbon footprint of the above organisation's product and found to be in accordance with the requirements of the standards detailed below with reasonable level of assurance

Standards
PAS 2050:2011

System boundary: Cradle-to-Gate
 Supplementary requirement: N/A
 Functional unit: 1pcs Bicycle Chain X10SL
 Functional unit emissions: 613 g CO₂e
 Assessment period: 2012.11.01 ~ 2013.10.31

Expiry Date: 18/Feb./2016
 To check this statement validity please call +886 2 2570 7655
 Further clarifications regarding the scope of this statement may be obtained by consulting the organization

Date: 18/Feb./2016
 Registered Number: **TAIN/PC/12016/A**
202001-001023-Annex 1 (non-Confidential) (Category: B1.2, No. 14, Group 1, Ref. No. 4, Type 01), Taiwan (R.O.C.)

ISSUING OFFICE: Bureau Veritas Certification (Taiwan), S.R.O. No. 10, Hsingfeng Rd., Sec. 4, Taipei 105, Taiwan (R.O.C.)
 總公司：台灣經濟發展委員會核准登記之BUREAU VERITAS (S.R.O. No. 10, Hsingfeng Rd., Sec. 4, Taipei 105, Taiwan (R.O.C.))



Product Carbon Footprint Verification Statement
 The assessment of life cycle GHG emissions of
Bicycle Chain X11SL
 Which is made by:
KMC Chain Industrial Co., Ltd.
 No.41 Jhongshan Rd., Sinhua Dist., Tainan City 71243, Taiwan (R.O.C.)

Bureau Veritas Certification Taiwan verified the quantity of the product carbon footprint of the above organisation's product and found to be in accordance with the requirements of the standards detailed below with reasonable level of assurance

Standards
PAS 2050:2011

System boundary: Cradle-to-Gate
 Supplementary requirement: N/A
 Functional unit: 1pcs Bicycle Chain X11SL
 Functional unit emissions: 589 g CO₂e
 Assessment period: 2012.11.01 ~ 2013.10.31

Expiry Date: 18/Feb./2016
 To check this statement validity please call +886 2 2570 7655
 Further clarifications regarding the scope of this statement may be obtained by consulting the organization

Date: 18/Feb./2016
 Registered Number: **TAIN/PC/12016/B**
202001-001023-Annex 1 (non-Confidential) (Category: B1.2, No. 14, Group 1, Ref. No. 4, Type 01), Taiwan (R.O.C.)

ISSUING OFFICE: Bureau Veritas Certification (Taiwan), S.R.O. No. 10, Hsingfeng Rd., Sec. 4, Taipei 105, Taiwan (R.O.C.)
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◆ X11SL Carbon Footprint Verification Statement by TAF

Product Carbon Footprint Verification Statement

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

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

has been verified in meeting the following requirements:
 Standards: ISO/TS 14067:2013
 Product Category Rule: 19-019 Iron and Steel Chain CFP-PCR V1.0 (Taiwan, 2019.11.20)
 PCF programme: Taiwan Carbon Label (Guide to Assess the Carbon Footprint of Products and Services)

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

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

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

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

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

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

商品碳足跡查驗證書

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

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

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

查驗的過程包含:
 - 文件審查, 訪談, 現場查驗與重新計算

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

有效性: 本查驗有效期自 2020/04/15 到 2022/04/14 止。

證書生效期為 2020/04/15
 台灣德商萊因技術服務股份有限公司
 台灣 105 台北市八德路四段 758 號 11 樓

Jason J. S. Wu
 德商萊因大中華區管理系統服務
 2020/04/15

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◆ Carbon Reduction Actions

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

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

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



▲ The solar panels installed on the rooftop of our Taiwan factory

IV. Water Management

Although there is sufficient rainfall in Taiwan, the long-term water condition is unstable due to the uneven distribution of rainwater in terms of space and time. Furthermore, climate change has recently intensified torrential rain and water depletion, which increases the complexity of water management. Thus, we regard

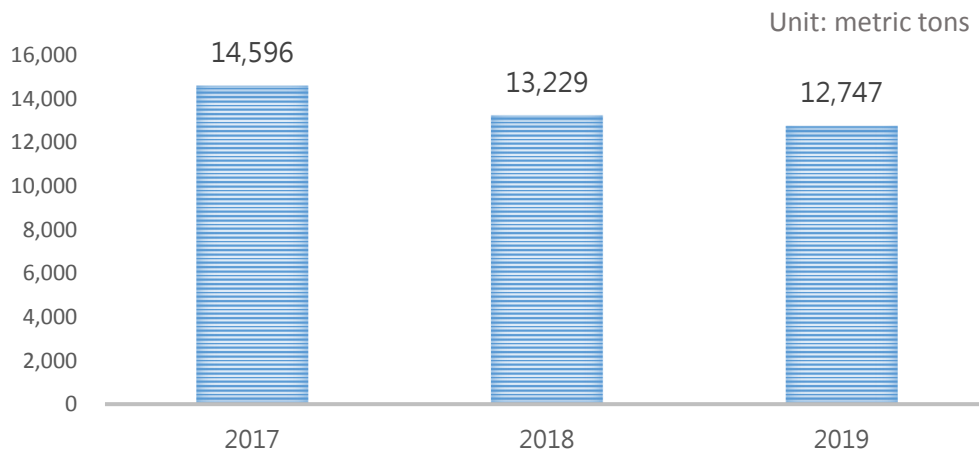


water as a major environmental and operational issue, and will dedicate efforts to improve our resilience and adaptability to water resource.

◆ Water Resource Management Strategy

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

WATER CONSUMPTION



In 2019, the total city water consumption of our Taiwan facility was about 12,747 metric tons. The city water supplied from reservoirs would be our main water source. Over the years, the total water consumption has continued to decline. That is, our promotion of water conservation measures has come into effect gradually. We will continue to calculate water consumption in production process, wastewater, and domestic water consumption in facilities, as well as to track the direction and quantity of water flow for better water resource efficiency. By implementing water conservation in our daily life, we would be able to mitigate our impacts on water consumption.

V. Waste Management Strategy

KMC has formulated the Waste Disposal Procedures to ensure that all wastes are properly classified, managed, cleared and disposed of. Our wastes are entrusted to the certified waste treatment vendor to dispose of and properly use recycled materials. In 2019, the waste generated from operation was about 123 metric tons which decreased 52% from the 2018 level of 258 metric tons. In order to promote waste reduction and improve resource classification and management, we have set up targets in waste management. Our strategy is primarily focused on minimizing resource consumption at the source. Moreover, after raw materials are used in production processes, on-site recycling is prioritized so that resources are sufficiently reused to delay the disposal of materials as waste.



VI. Environmental Costs

We have committed to environmental protection. In addition to making mandatory declaration in accordance with local laws and regulations, we also paid environment-related costs. In 2019, the total environmental costs was about NT\$970 thousand dollars and there is no significant loss, compensation, or penalty due to environmental pollution.

Category	Description	Amount (NT\$ thousand)
Soil and water	Waste water quality testing fee 、 Water pollution control fee 、 Soil and ground water pollution remediation fee	95
Waste	Waste disposal fee 、 Wood dust disposal fee 、 Inorganic sludge disposal fee 、 Flying ash and bottom residue mixtures disposal fee	788
Environment and equipment	Environment 、 Firefighting equipment 、 Electrical equipment detection fee 、 Outsourcing testing fee	87
Total		<u>970</u>

Chapter 4. Creating a Friendly Workplace

◆ Significance of issues to KMC

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

◆ Management strategy

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

◆ Management Strategy Valuation

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

I. Workforce Structure

In 2019, there were a total of 1,782 employees at KMC, including 221 employees based in Taiwan. Around 85.97% of Taiwan employees are hired from local residents. We believe that recruiting professional talent will help enhance our growth in the long-term.

New Employees								
Age	Domestic employees				Foreign employees			
	Male	Percentage (%)	Female	Percentage (%)	Male	Percentage (%)	Female	Percentage (%)
Below 30	2	0.90%	8	3.62%	2	0.90%	2	0.90%
30-50	12	5.43%	12	5.43%	0	0.00%	1	0.45%
Above 50	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total	14	-	20	-	2	-	3	-

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

Employee Turnover								
Age	Domestic employees				Foreign employees			
	Male	Percentage (%)	Female	Percentage (%)	Male	Percentage (%)	Female	Percentage (%)
Below 30	7	3.17%	3	1.36%	2	0.90%	3	1.36%
30-50	18	8.14%	25	11.31%	1	0.45%	6	2.71%
Above 50	4	1.81%	1	0.45%	0	0.00%	0	0.00%
Total	29	-	29	-	3	-	9	-

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

※ There were four people retired in 2019.

Employee Gender			
	Male	Female	Total
Employee	110	111	221

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

Employee Type and Gender					
	Domestic employees		Foreign employees		Total
	Male	Female	Male	Female	
Full time	94	96	16	15	221
Temporary	0	0	0	0	0
Total	94	52	14	15	221
Full time	94	96	16	15	221
Part-time	0	0	0	0	0
Total	94	96	16	15	221

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

◆ Diversified BOD and Workforce

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

Total Employees						
	Senior level		Mid- level		Base level	
	Male	Female	Male	Female	Male	Female
Below 30	0	0	2	0	10	21
30-50	10	2	20	12	50	58
Above 50	4	3	4	0	10	15
Total	14	5	26	12	70	94

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

II. Employee Training and Education Programs

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

◆ Fulfill Talent Development and Enhance Employees' Potential

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

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

to increase internal talent mobility and allow them to utilize their talents and grow. We also promote self-learning by cultivating a self-learning mindset in employees. Employees are encouraged to engage in learning at all places, at all times, and in all forms in line with our direction of development, the specific needs of each organization, and personal requirements. A self-learning culture enhances work performance, facilitates corporate growth, and contributes to social progress.

Total Training Hours of Employees in 2019						
2019	Male			Female		
	Number of employee	Total training hours	Average training hours per employee	Number of employee	Total training hours	Average training hours per employee
Senior level	14	45	3.2	5	0	0.0
Mid-level	26	371.5	14.3	12	220	18.3
Base level	70	526	7.5	94	99	1.1

◆ Establish Framework for Employee Development

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

III. Employee Communication

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

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

IV. Compensation and Benefits

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

◆ Compensation Management

In order to motivate each employee to do his best in the workplace, we will evaluate the individual expertise and job responsibility to provide a reasonable compensation package. We conduct performance-review every month, and the year-end bonuses with linkage to employee's job responsibilities and performance will be paid at the end of the year. In 2019, employee performance assessment registered a completion rate of 100%.

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

Unit: NT\$ thousand dollar/person

Full-time employees in non-executive positions			
Year	Average compensation	Median compensation	Average compensation of industry peers
2019	650	549	627
2018	639	NA	617

※Source: Market Observation Post System

◆ Employee Benefits

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

1. Employee Stock Ownership Trust: This program will take into consideration of company's financial and operational performance to designate a portion of its annual profits for purchasing company's stocks and allocate it to the employees with linkage to their occupational grades and the service period to retain talents and increase their cohesion.
2. Subsidies: Subsidies for marriage, childbirth and funeral as well as cash gift on three major festivals.
3. Insurance and Retirement: All employees would participate in labor insurance, national health insurance, and group insurance as well as make monthly contributions to the pension fund under the Labor Pension Act.

4. Medical insurance: Health examination.
5. Other benefits: Provide sound promotion channels and distribute bonus based on comprehensive considerations such as annual profit, employees' contribution, occupational grades and their service period.

Unit: Number of persons

Reinstatement after parental leave		
Item	Male	Female
Employees qualified for parental leave in 2019	22	10
Employees applied for parental leave in 2019	2	2
Employees expected to return to work after parental leave in 2019 (A)	1	1
Actual number of employees returned to work in 2019 (B)	1	1
Actual number of employees returned to work in 2018	1	0
Employees actually returned to work in 2018 and still in service in 2019	0	1

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

◆ Pension System

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

V. Provide a Safe and Healthy Working Environment

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

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



VI. Building an Optimal Workplace

◆ Eliminate Illegal Discrimination

We strictly comply with government labor laws and international labor standards. From the beginning of recruitment, all KMC hiring procedures does not discriminate on the basis of race, social class, belief, religion, political preference, nationality, gender and age. Also, we won't ask applicants about any personal information that is not job-related during the interview. In 2019, there had been no reported incident of discrimination against employees.

◆ Sexual Harassment Prevention

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

◆ Prohibit Forced Labor and Child Labor

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

Chapter 5. Building a Prosperous Society

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

I. Drive Positive Change Through Charity

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

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



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

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

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

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

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



◆ KMC Sponsored Cycling Surround Island Service Project

Taiwan has officially become an aged society. The need of taking care of elder people has become an urgent priority. A group of enthusiastic college students formed a bicycle team and planned to start a two-week cycling around Taiwan tour service project. Riding all the way from north to south, they brought warmth to 14 nursing homes and accompanied every elder in the institution so as to convey their love and care. As a Taiwanese company, KMC is committed to promoting the concept that cycling could generate a positive cycle and become a force for uplifting society. For three consecutive years, we have sponsored bicycle equipment and resources for the Love Now Youth Volunteer Association to provide our encouragement and support.

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



II. Green Cycling

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

◆ KMC entered elementary school for the first time

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

KMC continues to contribute our effort through social activities for many years. Based on our six individual CSR activities, "Kids" is specific for child which we hold educational camps to deliver safe-riden concept. It's our first time to enter the elementary school campus, carrying out the riding knowledge and cycling culture to our children. Childhood is the most



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

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

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



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

Cycling is a very pleasant activity. We hope to become a leader to bring more people to experience the infinite charm of riding bicycle.



◆ KMC Accompanied the Kids to Complete the Bike Tour Around Taiwan Challenge



Since 2006, the predecessor of the Yellow Ribbon Network Association has started the "free after-school care program" for educationally disadvantaged students. From 2014, the association started to carry out cycling training and has already completed several cycling challenges, including Tainan to Alishan, Wuling, Taitung and also cycling around island. In 2019, the challenge of bike tour around Taiwan still kept going. During the 1000km road trip, 20 children from disadvantaged families faced extreme challenges, such as physical status, psychological state, road conditions, and weather. Challenging themselves through actual experiences will help them to build confidence to overcome difficulty and adhere to the spirit of never giving up.

KMC has long been caring for the Yellow Ribbon Association over the years. On the road towards caring for the disadvantaged, KMC has collaborated with teachers of association to launch a series of activities. We hope that by cycling around the island, children can step out their comfort zone to see different scenery and thereby broaden their horizons. In this case, they would cherish the land where they grow and leave their own memories on the land of Taiwan.

In order to cycle around Taiwan, when the other children were still asleep, the little riders had been warming up at dawn. When the other children were playing in the air-conditioned room, the little riders still carried out cycling training courses regardless of climatic



circumstances. Coalescing around the common goal, it also helps the little riders to increase their cohesion and support each other toward the destination when they are totally burnout. During the training, they complete the challenges step by step and experience a sense of accomplishment.

Life is like riding a bicycle. There is a smooth and easy downhill road but also exists a difficult uphill section. Through this bike tour challenge, the little riders can not only experience the beauty of Taiwan on their own, but also learn to accept the ups and downs of their lives.

Although the process of cycling around Taiwan is hard and arduous, the little riders have overcome all the obstacles by their willpower. In the future, we believe that they will still be able to confront with the adversity of life with the spirit of tenacity. They also proved that "Winners are not people who never fail, but people who never quit." As long as they courageously move forward, their future could be different.



III. National Athlete Cultivation

Excellence is the goal we are striving toward.

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

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

◆ KMC Riders – Huang Ting-Ying won the gold medal at 2019 Taiwan Cup Track International Classic

In the 2019 Taiwan Cup Track International Classic, the Rio Olympic athlete Huang Ting-Ying led the way in the women's omnium competition and crowned champion again with 156 points. Also, she received 200 world ranking points and took one more step toward the Tokyo 2020 Olympic Games.



Huang Ting-Ying is an excellent athlete who has long been supported by KMC. The bicycles that she rode in this event were all equipped with KMC chains. This year, Ting-Ying crowned women's omnium champion

again and we were highly honored and proud of her outstanding performance. We expect that Ting-Ying will reach for new heights in the future.

◆ 2019 Taiwan Mountain Bike Race KMC Riders –Chiang Sheng-Shan and Tsai Ya-Yu Winning the Trophy in a row

2019 Taiwan Mountain Bike Selective Tournament was held on May 10 in Taoyuan City. The results of the competition will be used as a reference for the selection of the National Team for the Asian Mountain Bike Championships.

The race was held for two days. It comes as no surprise that KMC Rider – Chiang Sheng-Shan had retained his title as champion in the men's Cross Country race for the sixth consecutive year with a time of 1:55:59:638. Sheng-shan said that this track is of medium difficulty to ride. The key point is that it needed to leverage rider's power at the beginning. It also had steep slopes and some skewed sloping roads. Normally, he could ride the bike throughout the race without pushing it. As it was raining, the ground became muddy and slippery. He also came down to push the bike on some road sections.



Tsai Ya-Yu led the way in the women's Cross Country race and had secured her title as champion for the fourth consecutive year with a time of 1:37:31:977. She will be the member of the National Team to participate in the Asian Mountain Bike Championships which was held in Lebanon. The results of the Asian Mountain Bike Championships will be relevant to the qualification for the Tokyo 2020 Olympic Games.

IV. Sharing Cycling-Related Knowledge

Knowledge is an essential foundation for riding.

We can simply step on the pedals and hit the road with our bicycle. But if we want to ride further, we need to know how to ride safely. From simple inspection to bicycle maintenance, KMC works with bike shops, school clubs and government institutions to provide the necessary workshop. Through our Dr. Chain workshops, we could not only share bicycle-related knowledge, but also reduce bicycle injuries by teaching safe riding behaviors.



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

On April 24, the Dr. Chain workshop was invited by the National Tsing Hua University Bicycle Club to give their members practical courses and teach them how to repair and maintain their bicycles properly. This workshop covered the following topics: the maintenance of the bicycle chain, standard principle of checking the status of the chain and choosing different cleaning ways according to the dirty condition of chain. Through simple course and hands-on practices, we make it easy for them to learn and quickly master the skills that we taught in the classroom.



About This Report

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

◆ Reporting Guidelines and Principles

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

◆ Reporting Period, Boundary and Scope

We established systematic processes to manage major sustainability issues and used materiality to serve as the basis for compiling our CSR Report. The reporting period was between January 1 and December 31, 2019, with part of the information tracing back to related performances before 2019. The disclosed information stated in this report included factory and office located in Taiwan. Compared to last year, there was no significant change in our scale, structure or ownership as well as no material impacts on the content of the report. Please refer to our 2019 Annual Report for details regarding the structure of KMC Group.

◆ CSR Information Disclosure

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

◆ Responsible Unit

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

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GRI Standards Comparison Table

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	GRI 102-46	Defining report content and topic boundaries	66-67	About This Report
	GRI 102-47	List of material topics	23-24	Corporate Governance
	GRI 102-48	Restatements of information	-	None
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