



國統國際股份有限公司
KUO TOONG INTERNATIONAL CO., LTD.

2022 ESG Report of
KUO TOONG

國統國際永續報告書



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Words From Leaders

Under the global climate change circumstances, it is essential to establish a new corporate culture grounded in sustainability principles.

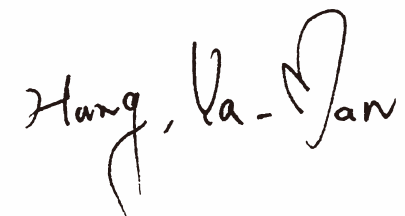
In the face of global warming, carbon reduction has become a common challenge for major countries and corporations worldwide. Taiwan has set a "2050 Net Zero Emissions Target," and companies are actively responding to this global trend through concrete actions. In response to the environmental issues caused by climate change, Kuo Toong Co., Ltd. is taking proactive steps within its own industry to develop water resource management. The Company strives to minimize secondary pollution and reduce environmental impact in its engineering and water treatment activities. Moreover, it is planning towards energy efficiency and carbon reduction, formulating relevant policies and measures, including carbon reduction targets, adoption of renewable energy, energy and resource efficiency management, and innovative environmental protection technologies. These efforts aim to decrease greenhouse gas emissions and realize energy efficiency and carbon reduction goals.

We aspire to achieve minimal utilization of natural resources (energy conservation), with a positive impact on society and the environment, embracing the principles of circular economy. Following the path of net zero emissions and related policies, we align with international trends to optimize the Company's profitability. Aligned with the ESG (Environmental, Social, and Governance) framework, we have consistently embraced environmental protection (E), social responsibility (S), and corporate governance (G) as our core business principles. Apart from environmental protection, we continually enhance corporate governance systems. Rooted in the concept of giving back to society, we allocate a portion of our annual budget towards social initiatives. Simultaneously, we prioritize the welfare of our employees, ensuring that our profits benefit both society and our workforce.

Kuo Toong Co., Ltd. specializes in the service and relevant products of water resources. Regarding the "Water Resources Management" as company's core competence and continuously develop core technologies. With an innovative approach, sound operational style, strong determination, and a spirit of innovation, the Company is committed to growth and robust development. Upholding the fundamental belief in sustainable operation, and driven by the collaborative efforts of all employees, the Company continually refines and develops new techniques and technologies. These are applied throughout the phases of public engineering planning, design, construction, and operation. This includes methods such as minimizing the use of chemical agents, reducing energy consumption, designing low-carbon and carbon reduction methodologies, and standardizing construction processes. The Company is dedicated to contributing to the future of the planet.

We aspire for Kuo-Toong Co., Ltd.'s professional stature to be further recognized by the engineering industry and water resources organizations. While pursuing stable business growth, we also strive to fulfill corporate social responsibilities by prioritizing green energy, environmental protection, sustainability, employee welfare, and community engagement.

Hong, Ya-Man
Chairman



About this Report

Kuo Toong International Co., Ltd (hereinafter referred to as “Kuo Toong”) focuses on the operation of water resources relevant products and services. With the expanded operation and the expectations of the stakeholders, start the sustainable development promotion and review the environment and risks to combine the business strategies of sustainable operation. The 2022 sustainability report (hereinafter referred to as “the report”) is the first issued sustainability disclosure report. The report relevant information as shown below:

Disclosure Scope

Kuo Toong issues an annual Corporate Sustainability Report once a year. The report covers all operational activities of Kuo Toong's operational sites and subsidiaries in Taiwan, disclosing overall performance in the economic, social, and environmental aspects from January 1st to December 31st, 2022. The main operational sites include the Kaohsiung Headquarter, Xinyuan Complex, Penghu Seawater Desalination Plant, and Kuo Yang Company. No further specific explanations will be provided in subsequent reports. Considering the completeness and difficulty of information collection in the past three years, some information is primarily based on the disclosure of data from 2022.

Last report issued in September 2022.

Current report issued in September 2023.

Regulation Compliance

Follow the UK AccountAbility Organization AA1000 Stakeholder Engagement Standards, AA1000(SES) to conduct stakeholder Identification and implement the relevant information compilation procedures based on the AA1000 v3 standard formulated on accountability. Moreover, it is in accordance with GRI Standards disclosure released by The Global Reporting initiative (GRI), carrying out management procedures for material sustainability issues.

To consider the trend of sustainability disclosure and the measurement of investor's expectations, regarding Sustainability Accounting Standards Board (SASB) as the core disclosure information of the report, also the engineering and construction service industry standards in the infrastructure field of SASB are used as the basis for the preparation of the report. In addition, refer to the relevant trend and assessment of sustainability, some supplementary issues will be disclosed.

Management Method

The data disclosed in the report, financial performance is based on the financial report audited by the accountant. All financial figures are calculated in New Taiwan dollars, and the financial data is disclosed according to IFRSs. Other data are self-compiling and statistical, using the general numerical descriptions and rounding in principle.

All disclosed data and information in the report is provided by each competent department and compiled through the report team. The finished report is sent to the heads of each department and the corporate governance director for confirmation, and then submitted to the chairman for approval to complete interior reviewing. In addition, the report is commissioned by Legendary & Steadfast Accountancy (LSA) in accordance with Standards on Assurance Engagements Bulletin No.1 of the Republic of China: Assurance Engagements other than Audits or Reviews of Non-historical Financial Information, to conduct limited assurance procedure. The assurance report is disclosed in the appendix of the report and will be published on the official website.

Contact Information

If you have any questions about the report or any opinions for Kuo Toong, please feel free to contact us via the following methods:

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Sustainability Performance in 2022



Governance

1. Proportion of female directors on the Board of Directors is 22%.
2. Proportion of domestic purchase amount is about 98%



Environment

1. Average percentage of recycled raw material is about 59.37% in the past three years.
2. Completed ISO 14064-1:2018 Greenhouse Gas Inventory and Third-Party Verification.
3. Construction development projects never sanctioned for environmental pollution incidents by the competent authority.



Social

1. There is no re-construction situation happened related to defects and safety in construction development projects.
2. Ratio of the minimum wage of male to female employees is 1.21, ratio of the minimum wage and remuneration of women to men is 1.42.
3. Employed 5 individuals with disabilities beyond the required quota and 4 indigenous individuals beyond the required quota of 2 (as stipulated by law).
4. Zero disabling Injury incidents.



01

About Kuo Toong

1-1 Corporate Overview

Name	Kuo Toong International Co., Ltd
Establishment Date	1978/7/15
Stock No.	8936
Type	Construction and pipeline industry
Address	No. 400, Mazu Rd., Xinyuan Township, Pingtung County
Location	Taiwan and China
Chairman	Hong, Ya-Man
General Manager	Hong, Ya-Man
Capital	NT\$2.481 billion (as of December 31, 2022)
Revenue	NT\$3.792 billion (In 2022)
Number of Employees	338 people (as of December 31, 2022)
Main Business	(1) Manufacture and sale of large size prestressed concrete pipes, steel pipes, ductile iron pipes. (2) Installation of water pipes, including open cut, jacking method, shield pipelines and tunneling pipelines constructions. (3) Establishment and operation of desalination, water purification plant, sewage treatment plant and water recycling plant.
Participant	Taiwan Environmental Engineering Association (as supervisor)

Company History

Kuo Toong International Co., Ltd (hereinafter referred to as "Kuo Toong") was established in 1978, which specializes in design, manufacture and installation of large size water supply and division pipes. The products include steel pipes and ductile iron pipes. We also offer service of the design, manufacture and construction of water supply and division pipes, no-dig jacking methods, tunneling pipelines, jacking construction, the specific mechanical equipment and plant set up for desalination, water purification and sewage water.

In 2002, Kuo Toong was listed and traded in Taipei Exchange of the Republic of China. Except for undertaking the design, manufacture and installation of large size water supply and division pipes, it is also spanned on the business of water treatment and desalination. In 2004, we set up the first private desalination plant in Penghu. Through the actual operation experience in the plant of decades to integrate the upstream and downstream equipment technology of domestic desalination. Develop a desalination technology that belongs to Kuo Toong which helped to solve the domestic water shortage problem day by day.

Kuo Toong has been adhering to steady operation, strong perseverance and innovative spirit to provide various projects throughout Taiwan since its establishment more than 40 years ago. Our professional status has been unanimously recognized by engineering industry and water resources organizations. In the future, we will continue with forward-looking water-related projects and grasp various water resource initiatives promoted by the Water Resources Agency of the Ministry of Economic Affairs, including the 10-year, 160-billion-dollar investment in projects such as reclaimed water plants, new seawater desalination plants, regional dispatch networks for water sources, artificial lake construction, capturing subsurface flow water, reservoir silt removal, and other national strategic projects. Aligned

with the Water Resources Agency's initiatives like the "Pearl String Plan," and leveraging our advantage in producing DIP and SP pipe materials, coupled with our specialized expertise in pipeline construction, we are advancing in a multi-faceted manner to offer complete water resource solutions. Beyond tasks such as sediment clearance and water conveyance (via pipelines) for water distribution, water purification (filtration systems), and water generation (desalination), our focus extends to wastewater treatment and reclaimed water application. Moreover, given the impact of recent extreme climatic conditions, including fewer typhoons resulting in uneven rainfall distribution across northern, central, and southern Taiwan, the significance of water source development has grown. In light of this, our company is committed to establishing water resources utilization modeling projects in the tidal section of the Zengwen River and collaborating with the government to create new water sources. This endeavor positions us as a comprehensive water resource solution provider and propels us toward internationalization.

Milestones

In 1978	Kuo Toong Cement Products Co., Ltd was established, engaged in the design, manufacture and assembly of concrete products, etc., with a capital of NT\$ 2 million dollars.
In 1979	Build a factory by purchase land in Xinyuan and officially produced prestressed concrete non-cylinder pipes and fittings of coated steel pipes for water service (SP accessory).
In 1981	Obtained the qualification of water pipe contractor and officially produced Reinforced Concrete Pipes (RCP), Reinforced Concrete Pipes for Sewerage-Jacking Method (JCP), and Reinforced Concrete Pipe Steel Joints for Sewerage-Jacking Method (JCP Joints).
In 1998	Passed ISO 9002 International Quality Assurance by Bureau of Standards, Metrology and Inspection, MOEA.
In 1999	Changed the company's name into "Kuo Toong International Co., Ltd."
In 2002	The stock was officially listed on the Taipei Exchange.
In 2004	Set up the first private desalination plant in Penghu.
In 2005	Invested in Xiyu Desalination Co., Ltd., whose main business are water operator and piping engineering etc.
In 2008	The joint venture Xinjiang Kuo Toong Pipeline Co., Ltd., was officially listed on the A-share market (code: 002205) in Shenzhen in December.
In 2009	Participated in the "Promote Private Participation in the Construction and Operation Transfer Plan of Toufen, Miaoli County (including Toufen Interchange of Expressway) sewage sewer system" of Miaoli government. Also invested in Kuo Yang Environment Technology Co., Ltd., whose main business are construction of Toufen sewage sewer system and its subsequent operation and maintenance. Officially produced the ductile iron pipes (DIP).
In 2014	Prepared subsidiary's establishment of Fujian Taiming Cast Pipe Technology Co., Ltd. which specialize in Ductile Iron Pipes development in China.
In 2017	Used the world's first elephant trunk diversion steel pipe method on "Zengwen Reservoir Anti-silt tunnel project" and received the Public Construction Prime Quality Awards by Ministry of Economic Affairs.
In 2018	"Dashu Section Second Pipeline Project of Nanhua Gaoping Leveling Pipeline" was received the Excellent Construction Award by Water Resources Agency.
In 2019	"Kinmen Desalination Plant Improvement and Expansion Project" was received the Excellent Construction Award by Water Resources Agency.
In 2021	To meet the water shortage in Taiwan, Kuo Toong joined drought-resistant national team to complete Hsinchu emergency desalination 3,000CMD unit and Taichung construction site of emergency groundwater well treatment project. Kuo Toong and its subsidiary "Kuo Yang Environment Technology Co., Ltd." won the Private Team Award and Charity Award of "The 19th Golden Thumb Awards For PPP".
In 2022	Obtained the "Zengwen River Tidal Reach Water Resources Utilization Modeling Plant Construction Project" and engaged in government-led water source development initiatives.

Organization structure and responsibilities

Kuo Toong possesses a comprehensive operating structure which divides the rights and responsibilities very clearly of organizations. The Board of Directors make business decisions of the company, and the general manager is responsible for managing the overall execution. The subordinates are subdivided into different departments and arrange senior executives to supervise daily operations for implementing the decentralized management and dedicated assignment.

Department	Responsibilities
Chairman's Office	- Formulate the company's operating philosophy, strategy, and goal - Approval and supervision of investment business - Planning and supervising various operations of corporate governance - Maintain public relations and corporate image
General Manager's Office	- Implement the operating goal - Assessment and execution of investment business - Assessment, analysis and improvement of company's operating performance - Implementation of goal management and hierarchical accountability, including rewards and penalties - Supervise the execution of company's quality, environmental safety and health plans
Audit Office	- Planning, execution and improvement of auditing internal control system - Ensure all operations comply with the laws and company's interior regulations and assist in improving operational performance
Financial & Administrative Department	- Deal with general administrative affairs and company-related stock affairs - Operation and discussion of the Audit Committee and the Board of Directors - Comprehensive management of HR regulations, recruitment, compensation, labor and health insurance, organizational development, education and training and labor relations and other related affairs - Procurement of bulk raw materials and fixed assets and setting contracts to control - Analyze the accounting affairs and manage abnormal operations - Financial funds division and management - Integrate Information system, information security training and maintenance, management and maintenance for machines
Pipeline Construction Department	- Construction assessment and supervision of undertaking relevant projects - Relevant affairs of construction business development, expansion, planning and construction drawing manual - Comprehensive management of construction quotation, contract, quality, progress, cost, contract out and tender - Cost control and construction quality audit, assessment of various construction methods and account management results - Annual budget assessment and immediate revision - Manage and assign on-site personnel

Department	Responsibilities
Sales Department	- Collect and analyze the market information, sales development, expansion and planning - Manage quotation, signing, sale contracts, tracking raw materials and finished product delivery, controlling customer payment methods and accounts receivable - Analysis of market cost, competitiveness and sales cost - Annual budget assessment and immediate revision
Research & Development Department	- Research and development of raw materials, products, production process, methods, production equipment and mechanical equipment - Assist each department to implement research results, training company's interior personnel
Xinyuan Complex	- Product manufacturing control, quality control, production management, raw material purchase control, factory affairs management, access control - Purchase, management, and maintenance of the factory, office and production equipment - Control the labor cost and material cost, formulate and analyze the cost structure - Safety and sanitary protection, ISO system maintenance and improvement, production line planning improvement
Overseas Department	- Overseas business development, expansion and planning - International trade business - Control overseas investment business and subsidiaries
Environmental Engineering Department	- Relevant affairs of environmental engineering business development, expansion and planning - Comprehensive management of environmental engineering quotation, contract, purchase, quality, progress, cost, construction, contract out and tender - In charge of water plant's construction maintenance, supervision and monitoring related business - Operate and supervise the desalination plants and sewage treatment plants - Comprehensively manage water affairs design, construction supervision, construction and professional technology development, technology research and development, assessment and execution of introduction and other related development affairs. - Cost control and construction quality audit, assessment of various account

Participation of Associations and External Organizations

Kuo Toong strengthens understanding of industrial trends, market information and laws by participating in industry associations to communicate with peers, enhancing cooperation with other organizations to promote service competitiveness and industry influence.

Participated associations in 2022 are listed as follows:

Company	Association	Member	Director
Kuo Toong	Taiwan Underground Pipeline Engineering Association	√	
	Taiwan Water Pipe Engineering Industries Association	√	
	Taiwan Electrical Contractors Association	√	
	Taiwan Environmental Engineering Association	√	√
	Chinese Taipei Society for Trenchless Technology	√	
	Taiwan Sewerage Association	√	
	Water Industry Development and Promotion Association	√	
	Kaohsiung Chamber of Industry	√	
	Taiwan Association of Machinery Industry	√	
	Taiwan Foundry Society	√	
	Pingtung Chamber of Commerce	√	
	Chinese Taiwan Water Works Association	√	
	Northern Taiwan Occupational Safety and Health Promotion Association of Construction Industry	√	
	Southern Taiwan Occupational Safety and Health Promotion Association of Construction Industry	√	
	Central Taiwan Occupational Safety and Health Promotion Association of Construction Industry	√	
Kuo Chuang	Taiwan Underground Pipeline Engineering Association	√	
	Taiwan Water Pipe Engineering Industries Association	√	
	Taiwan Electrical Contractors Association	√	
	Taiwan Environmental Engineering Association	√	
	Taiwan Casting Industry Association	√	
	Chinese Taiwan Water Works Association	√	
	Northern Taiwan Occupational Safety and Health Promotion Association of Construction Industry	√	
	Central Taiwan Occupational Safety and Health Promotion Association of Construction Industry	√	
Jianyi	Taiwan Regional Engineering Contractors Association (A Class)	√	
	Northern Taiwan Occupational Safety and Health Promotion Association of Construction Industry	√	
	Southern Taiwan Occupational Safety and Health Promotion Association of Construction Industry	√	
	Central Taiwan Occupational Safety and Health Promotion Association of Construction Industry	√	

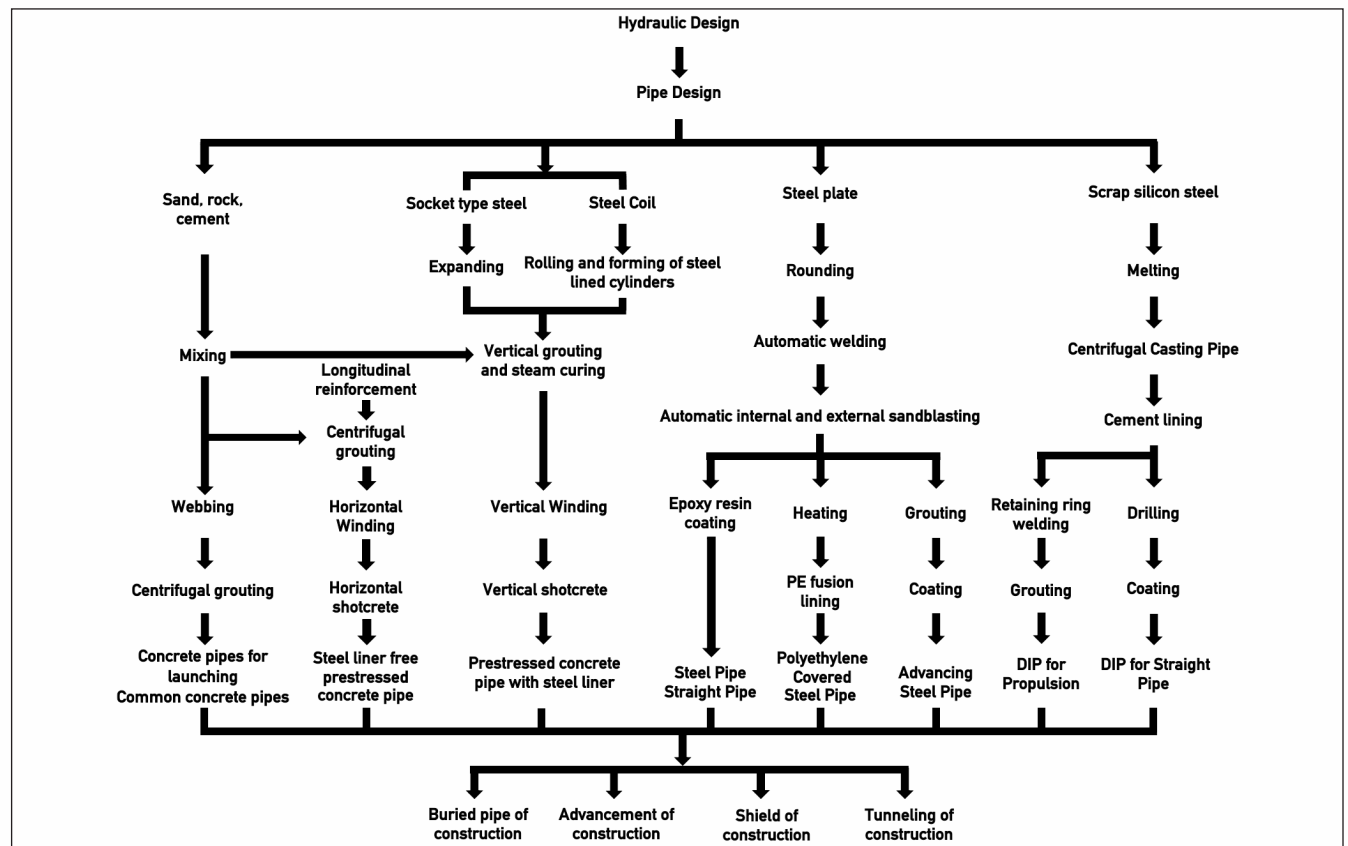
1-2 Introduction of Products

Type of product and service

Kuo Toong's primary services encompass the manufacturing and installation of pipes, water treatment construction, and seawater desalination.

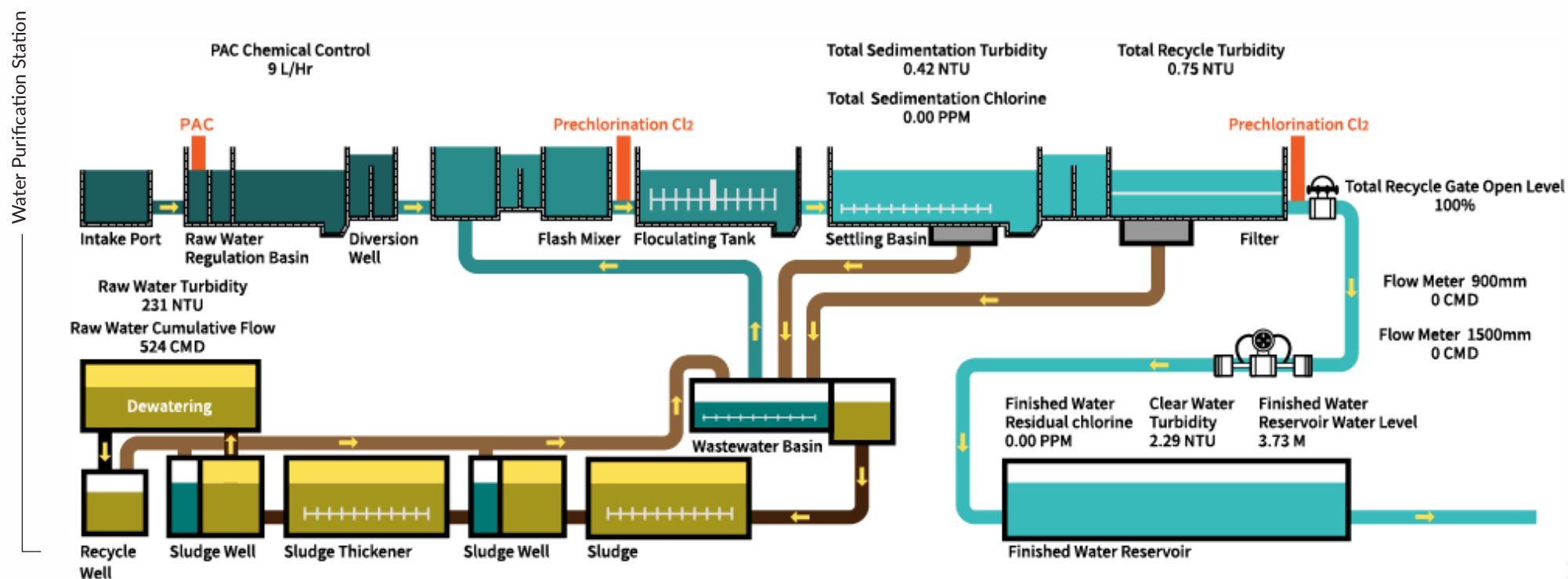
1. Manufacturing and installation of pipes

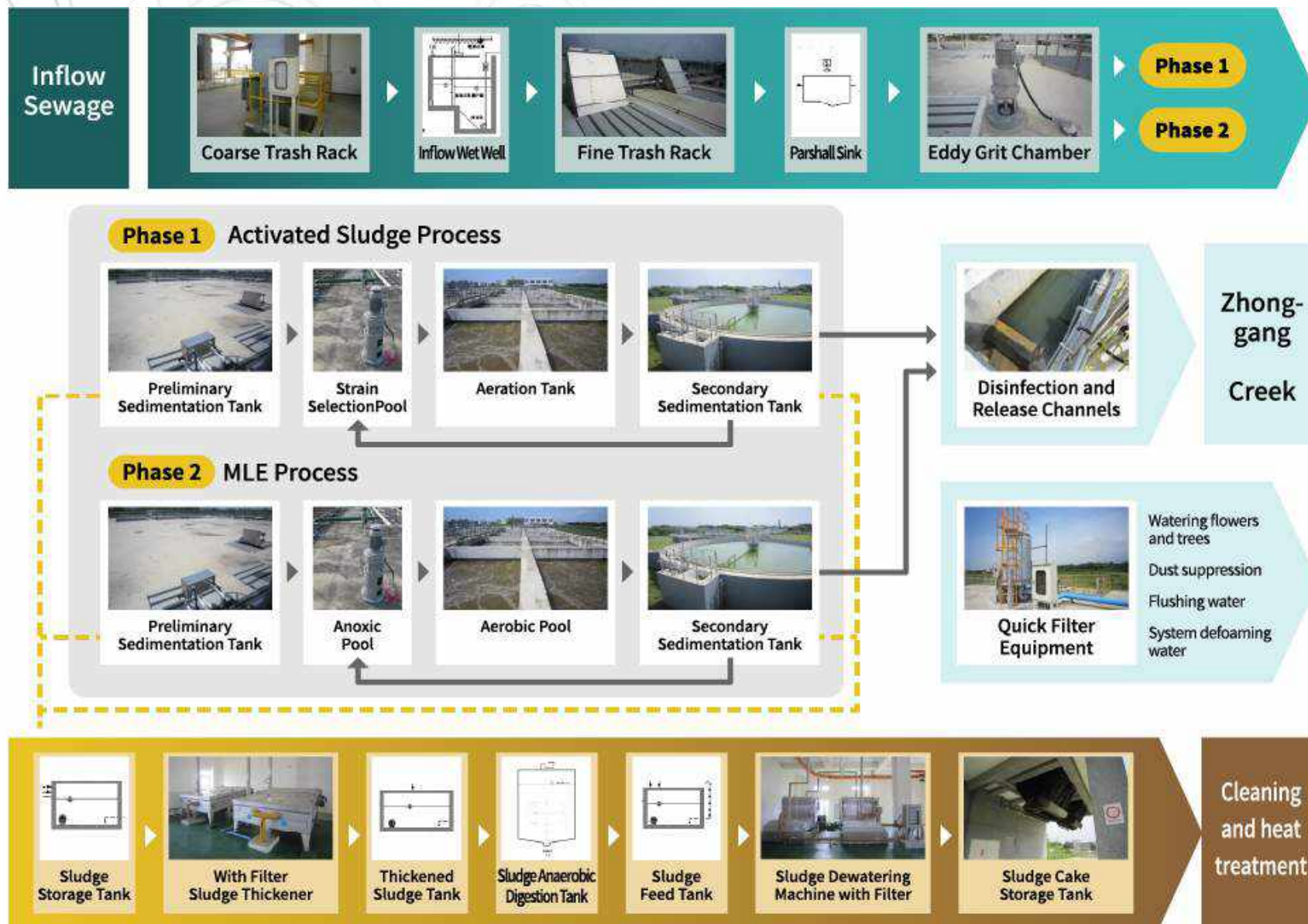
discharge pipes and other water pipes etc. Pipe installation includes installation, contracting project and conducting construction of tap water diversion system, hydraulic conveying system, diversion system of industrial parks and sewage and rainwater sewer system, etc. Taiwan's social economy has relentlessly developed in these years; the national quality of life also continued to improve. Whether it is industrial water or people's livelihood water, there is an increasing trend. However, the distribution of water resources in Taiwan is originally uneven and therefore water scarcity often occurred in some areas. In addition, economic development concentrated in certain areas, resulting in water demand being rapidly increased in some areas as well. All kinds of conveying pipes produced by pipe manufacturing industry are applied in these water system constructions. Therefore, pipe manufacturing and installation is not only an infrastructure for people's livelihood, but also an essential industry for promoting domestic economic development and improving people's quality of life. Kuo Toong has a comprehensive industrial layout, which can manufacture large size concrete pipes, pre-stressed concrete cylinder pipes, steel pipes and ductile iron pipes. We are one of the few professional domestic pipe manufacturers and contractors, also a piping factory with vertical integration.



2. Water Treatment Construction

Water treatment construction mainly includes three parts: water purification, sewage, reclaimed water. In addition to the management of treatment plant, it also includes relevant connecting pipeline constructions and subsequent operation works. As civilization advances, human demands for living conditions have become more stringent, and a well-developed sewage and drainage system has become a crucial benchmark. When assessing national competitiveness, the IMD World Competitiveness Ranking utilizes the "public sewage and drainage coverage rate" as an indicator of "health and environment". Therefore, enhancing the overall sewage treatment rate contributes to elevating the country's image and competitiveness. Since 1992, the Ministry of the Interior has consistently introduced "Sewage and Drainage Six-Year Construction Plans," with the completion of the fifth phase in 2020. In July 2020, the Executive Yuan approved the sixth-phase construction plan for the years 2021 to 2026, allocating a budget of 106.8 billion NTD. The aim is to elevate the public sewage and drainage coverage rate from 36.17% to 46% and increase the overall sewage treatment rate from 55.9% to 72%.



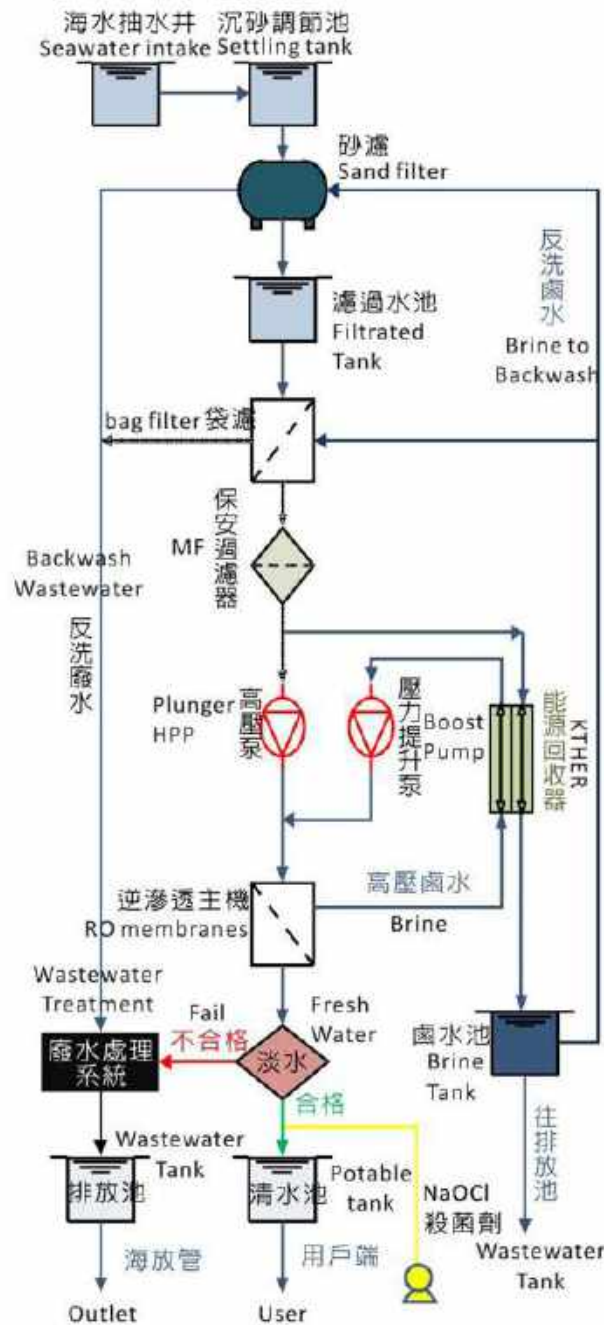
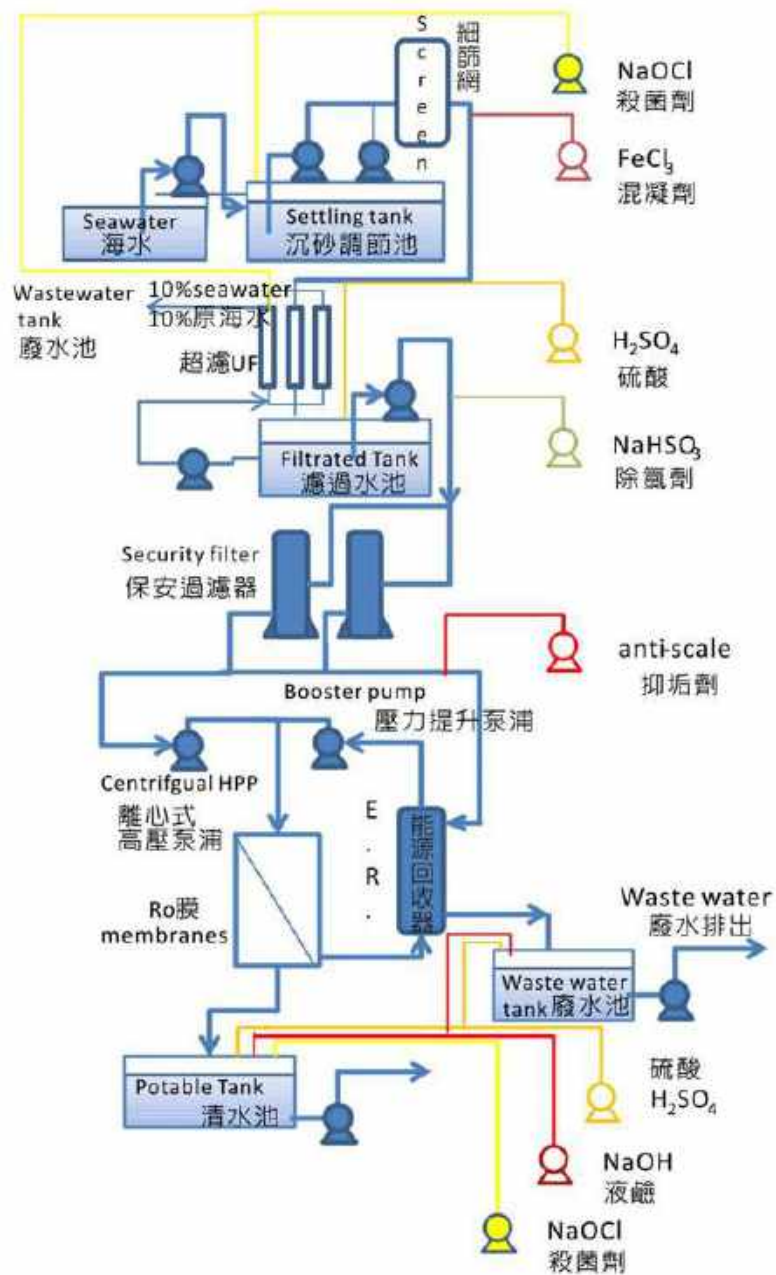


3. Seawater Desalination

Kuo Toong is one of the few domestic manufacturers with actual operation performance in desalination. It has been dedicated to the establishment, operation and management of desalination plants since 2004, and has continued to supply stable local water resources. With the experience in pipe manufacturing and installation in many years, the advantages of short construction time for desalination plants, high efficiency for using energy, successful operation in severe salt damage environment, green production process without using chemicals and extension of reverse osmosis membrane's life, Kuo Toong has the best niche to compete with Taiwan's desalination market, because of its proficient management and capability to design desalination equipment.

As of today, the development of desalination technology can be mainly categorized into two major types: distillation and membrane processes. With the advancement of membrane technology, the cost of desalination has been decreasing. Coupled with the increasing scale of seawater desalination plants, Kuo Toong gains advantages in the following aspects: (A) High Efficiency Energy Recovery: The energy recovery system adopted by the company has no moving parts, eliminating wear issues and achieving energy recovery rates of over 97%. (B) Reduced Energy Consumption: Since 2004, the actual power consumption of the core equipment in the desalination process has been 1.81 kWh per ton of water, significantly lower than the international standard of 3 kWh per ton of water. Kuo Toong Penghu Xiyu Desalination Plant, with a capacity of 750 cubic meters per day (CMD), including the peripheral equipment, consumes 2.88 kWh per ton of water for the entire facility. Excluding the peripheral equipment, the main desalination unit consumes an average of about 2.65 kWh per ton of water. This is significantly more energy-efficient compared to other desalination plants in Penghu, which consume over 4.2 kWh per ton of water on average. Kuo Toong's seawater desalination plant can be regarded as the most energy-efficient desalination plant in the country. (C) Cost-effective operational savings: The equipment utilizes Duplex stainless-steel material with a 15-year lifespan, resulting in no reset costs. The compact equipment design requires less space, leading to construction cost savings. (D) Environmental compliance: Kuo Toong's desalination plant adopts a simple process and physical water treatment methods, avoiding the use of chemicals, preventing pollution, and eliminating the production of chemical sludge. (E) Self-developed pump equipment: The company has developed energy-efficient pumps that improve pump performance, reduce maintenance time, and minimize downtime losses. (F) Self-developed automatic control system: This system enables the automation of desalination equipment and remote control, enhancing system reliability. (G) Independent operation and maintenance: Desalination plants are often located in remote areas where maintenance personnel and tools may be scarce. Thus, after the completion of the desalination plant, operational management became the most significant challenge. To address this, Kuo Toong has developed a self-reliant operation and maintenance management approach. This approach allows for in-house maintenance of water quality instruments, operational machinery, control and electrical equipment, ensuring stable water quality and equipment performance with minimal maintenance costs.





<Seawater Desalination Flow

Product Certification

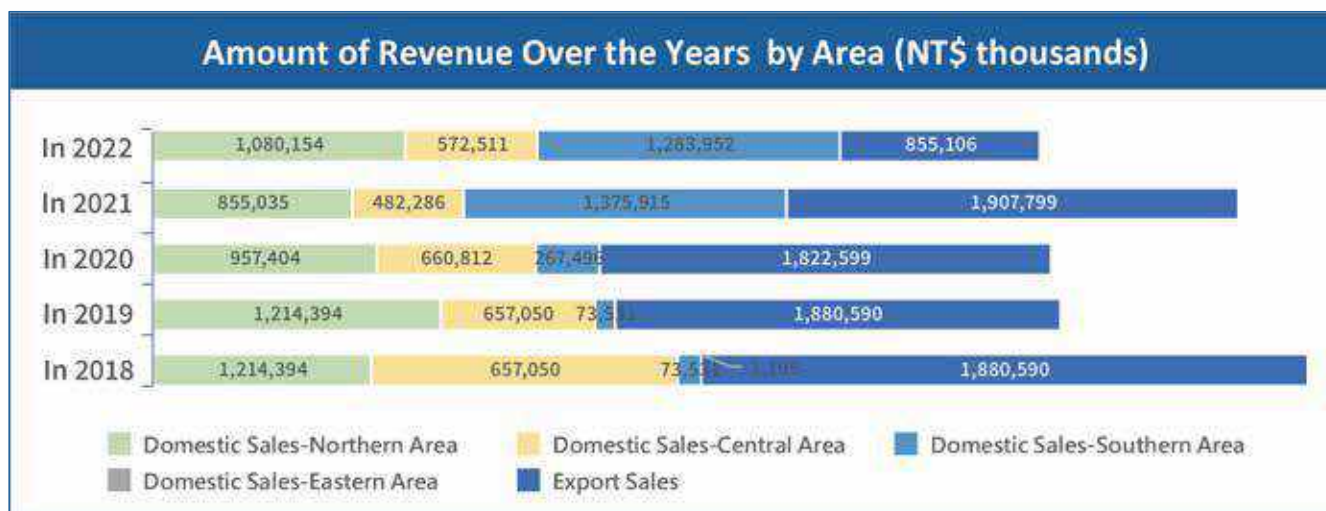
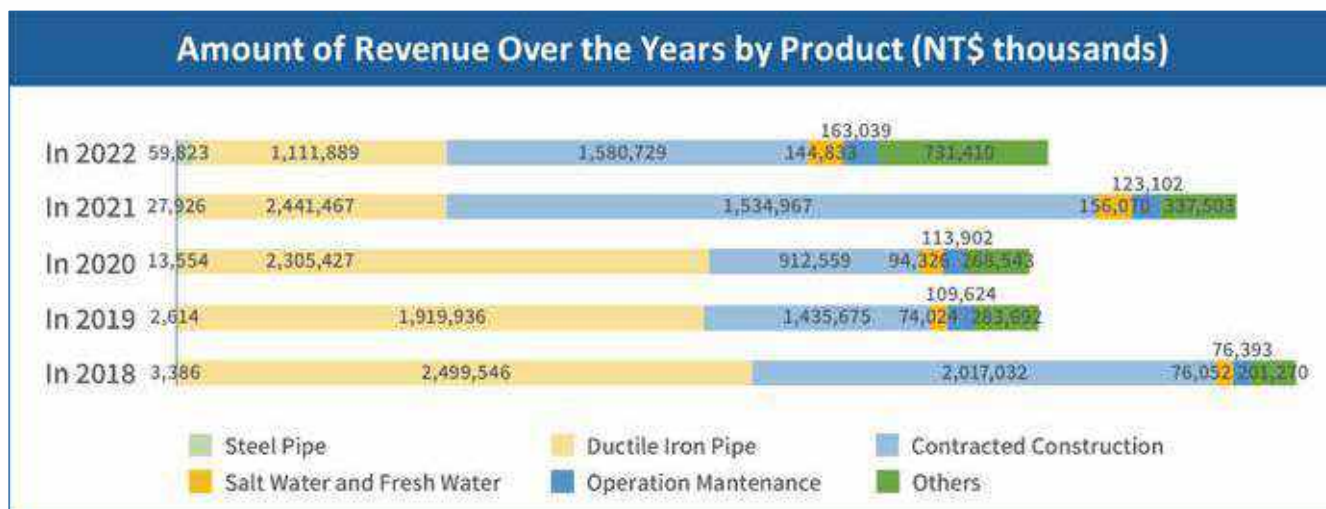
Kuo Toong has introduced the ISO quality management system since 1998, and passed the ISO 9001:2015 verification which is valid until 2025 in 2019, continued to implement ISO 9001 internal and external audits to maintain the effectiveness of the management system, ensure compliance with organizational strategies, and improve relentlessly to achieve goals.

The design and manufacture of pipes in Kuo Toong are 100% complied with each standard of the Republic of China (CNS standards). CNS has a regulation for specific size and materials of pipes due to the consideration for product safety, and only allows 2% difference. In order to reduce the use of materials, the pipe structure cannot be improved on our own or the compositions of production process cannot be adjusted to change its product life. In addition, the discharge from the desalination plant and water purification plant meets the tap water standard, and the sewage treatment plant meets the local effluent standard.

Catagory	CNS Standards
Cast Iron Pipe	CNS 10808
Cast Iron Pipe Fittings	CNS 13272
Steel Pipe	CNS 6568
Steel Pipe Fittings	CNS 6666

Sale District

Kuo Toong's main service are the design, manufacture, sales and installation of large size water supply and division pipes. The major sales targets are the public institutions engaged in water resources projects and constructor, construction company of private projects. The revenues divided by district over the years are as follows, and the export amount includes the sales made locally by the subsidiaries in China.



1-3 Operation Overview

Operational Strategy

Through streamline production control, Kuo Toong has effectively reduced inactive time of semi-finished products in process of the production. It's not only can lower the production time costs and manufacturing costs but also increase daily production. At the same time, continues to strengthen materials, expansion of pipe fittings and water resource solutions to strive for the most favorable tenders on various projects. In order to ensure the quality, we have passed ISO 9000 series quality management system since 1998 and has implemented quality first of the production. Moreover, we are continuously to build core competitiveness in desalination and reclaimed water, actively develops towards international. Huayu Desalination Plant's Containerized Unit has obtained the first container desalination project in February 2018 and Hsinchu Emergency Desalination Project has also fully operated to supply stable water resources of drought-resistant plan in February 2021. The containerized desalination module's convenient and rapid construction nature is advantageous for the international business expansion.

Financial Performance

The consolidated revenue of Kuo Toong in 2022 was NT\$3.792 billion, which has decreased by 17.95% compared to consolidated revenue of NT\$4.621 billion in 2021. This decrease is mainly attributed to the fact that Kuo Toong no longer had control over its subsidiary, Fujian Taiming Cast Pipe Technology Co., Ltd., starting from May 5, 2022. As a result, the subsidiary's revenue was no longer included in the consolidation from that point onwards. The relevant information on the financial performance of Kuo Toong over the years (Unit: NT\$ thousands) is as follows:

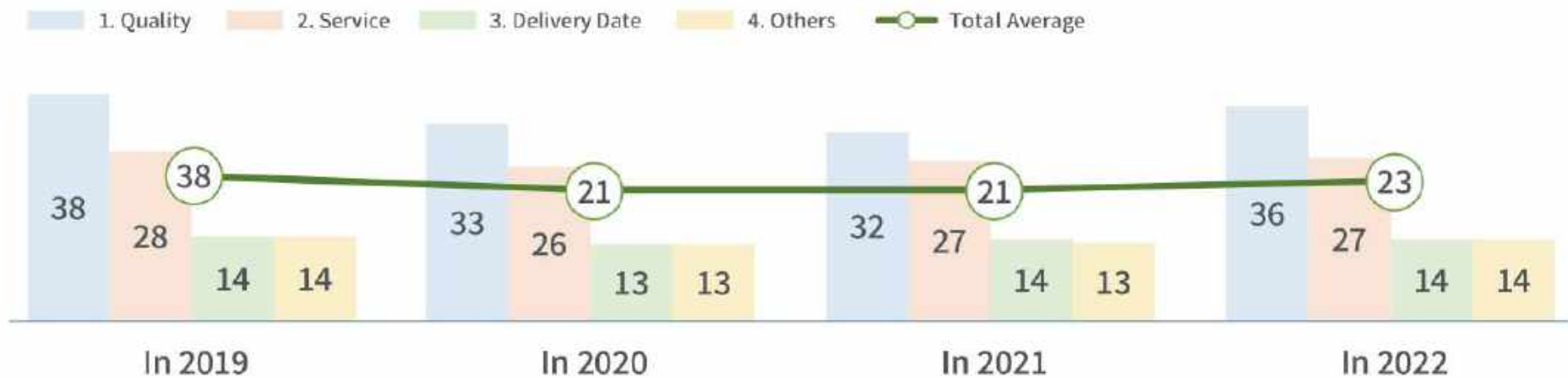
	In 2018	In 2019	In 2020	In 2021	In 2022
Revenue	4,873,679	3,825,565	3,708,311	4,621,035	3,791,723
Cost	4,026,723	3,123,532	2,866,660	3,552,571	2,686,939
Gross Profit	846,956	702,033	841,651	1,068,464	1,104,784
Expense	382,848	333,021	474,835	472,657	304,601
Net Profit	464,108	369,012	366,816	595,807	800,183
Non-operating Income and Expense	(104,373)	(75,962)	(149,553)	(104,644)	30,914
Net Profit Before Tax	359,735	293,050	217,263	491,163	831,097
Tax Expense	108,808	39,010	102,438	164,126	209,095
Net Profit After Tax	250,927	254,040	114,825	327,037	622,002
Other Comprehensive Income	(50,237)	(146,550)	9,661	(12,244)	66,890
Total Comprehensive Income	200,690	107,490	124,486	314,793	688,892
Earnings Per Share (Basic)	1.01	0.81	0.50	1.81	2.52
Employee Wages and Benefits	406,421	435,663	426,255	468,899	366,836
Dividend and Interest Expense	98,426	153,461	143,181	160,208	183,232

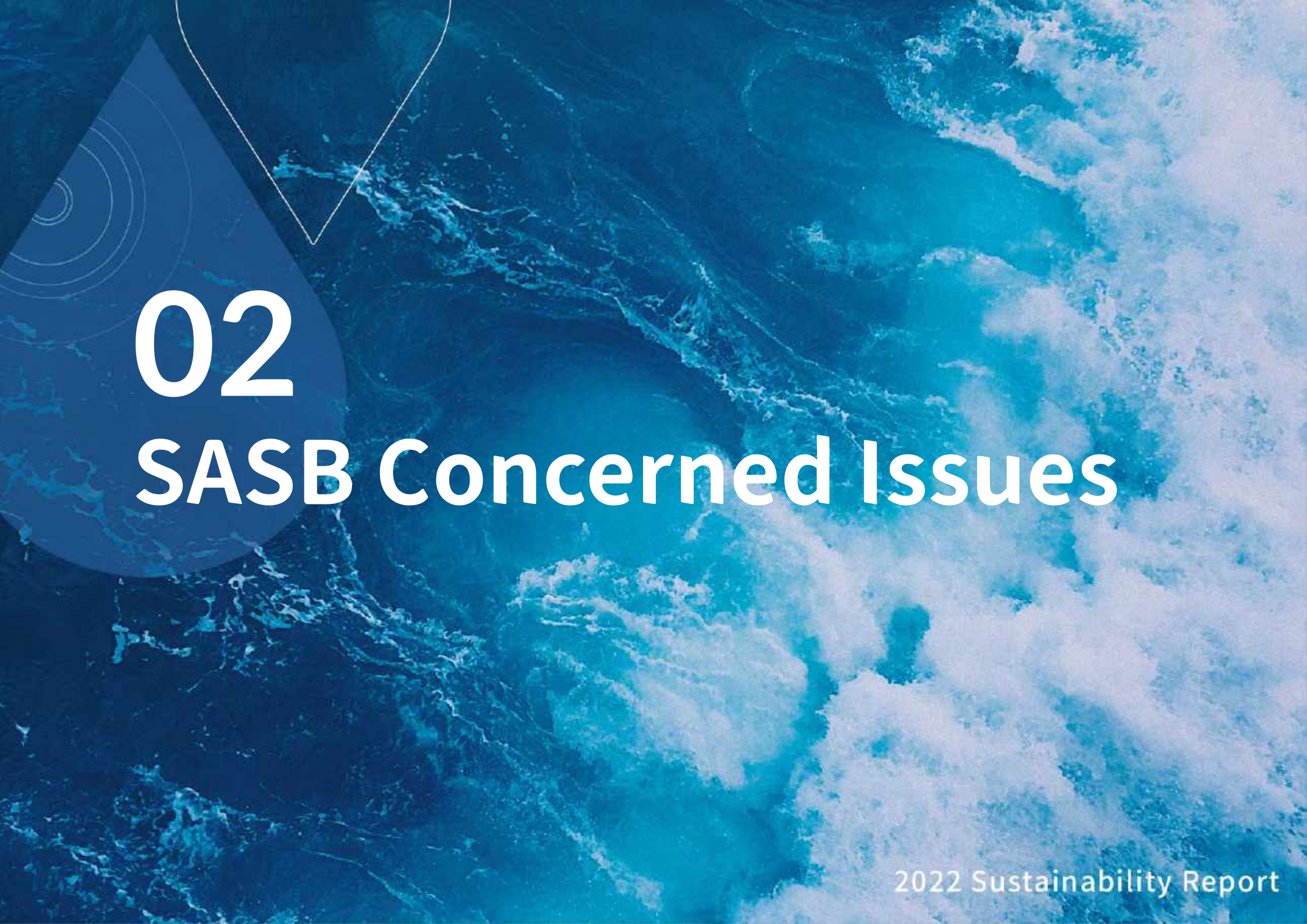
Customer Service

Kuo Toong adheres to the management philosophy of providing products that meet customer requirements, continuous improvement of quality, effective reduction of cost control, and efforts of all employees in environmental safety. All employees aim at "meeting requirements and satisfying customers" to ensure that the diversified needs of customers can be effectively realized, thereby continuously improving customer satisfaction.

Customer relationship management is an important part of the sustainable operation of the enterprise. In order to understand the valuable opinions of customers, Kuo Toong through the "Customer Satisfaction Survey" after the pipe project is ended to facilitate customer's direct feedback, and summarizes customer concerns irregularly to ensure their needs are addressed. The customer satisfaction survey is investigated in 4 items, including quality, service, delivery date and others. In 2022, we got a score of 91 on customer satisfaction survey, the quality items score was higher compare to the previous two years. This improvement can be attributed to Kuo Toong's response to the increased demand in recent years. The company recruited and trained new personnel, enhanced equipment maintenance, increased production capacity, and maintained product quality. Starting from 2022, regular monthly quality meetings have been held at the end of each month to review product yield and address vendor-related issues across different departments, aiming to enhance product quality throughout the factory. Other aspects showed minor differences compared to previous years, all in line with customer requirements and expectations.

Customer Satisfaction Survey Over the Years- Divided by Product (DIP 、 Steel Pipe 、 One Batch of Accessories)





02

SASB Concerned Issues

2-1

Environmental Impacts of Project Development

Financial Indicators

Indicator Code: IF-EN-160a.1

Number of incidents of non-compliance with environmental permits, standards, and regulations

Indicator Code: IF-EN-160a.2

Discussion of processes to assess and manage environmental risks associated with project design, siting, and construction

Exposed Information in 2022

Kuo Toong had no record of being fined for environmental pollution incidents of the project development in 2022.

The tenders undertaken by Kuo Toong are all inviting tenders from the government. The tender party will according to the estimated demands of cases to confirm whether to conduct an environmental assessment or not. The cases need to be assessed will be bidding only after passing the environmental assessment. Therefore, the tenders undertaken by Kuo Toong are all passing the environmental assessment first.

The tenders undertaken by Kuo Toong are all inviting tenders from the government. The tender unit will according to the estimated demands of cases to conduct an environmental assessment in compliance with the regulations first to ensure that whether it will cause a significant impact on the surrounding environment. Normally, issued tender will be conducted only after passing the environmental assessment by the competent authority, then Kuo Toong will write a tender cover letter based on the relevant documents explaining the construction procedures for environmental assessment.

Before submitting tenders, it requires to review the tender documents for understanding its responsibilities and obligations, and then conducts various assessments. The content of the assessment includes whether the characteristics of the tender suitable for the company, the contracting capability, the location of the project, the credit and understanding of the subcontractor, the market conditions and the long or short construction period. For the projects after the internal assessment for tendering, the construction unit will conduct a survey on the site and fill in the "on-site survey report". The head of the business department may apply for dispatching personnel from other departments to participate in the project depending on its scale and characteristics.

After won a tender, there will be an inspection point during the construction period which is submitted by Kuo Toong. The tender unit will also hold regular meetings to inspect the construction quality and various regulations. If there is a discrepancy between assessment of the tender and company's identification, an environmental impact comparative analysis table will be issued to the tender party for confirmation.

In 2022, one of the projects that was awarded to the company is the "Zengwen River Tidal Zone Water Resource Utilization Model Plant Construction Project." Before the tender opening, the development unit shall apply for environmental assessment entrusted by its agency in accordance with the Environmental Impact Assessment Act. The assessment items contain the living environment, natural environment, social environment, economy, culture, ecology, etc. Through professional judgment by the review committee, experts and scholars, various opinions from all parties and development unit, it was determined that there was no risk of the relevant items listed in the Environmental Impact Assessment Act. Then, Kuo Toong would obtain the tender to carry out the construction according to the contents stipulated in environmental impact statement.

The above-mentioned project involves conducting relevant tests and experiments in coordination with the client during the construction and water production process at the model plant. This is done to ensure the quality and quantity of water, as well as to assess the actual production costs and review the results of subsequent utilization planning. The goal is to enhance the safety and quality of water production in the Zengwen River Tidal River Section, improve supply stability, and increase user acceptance. The knowledge gained from this project will serve as a reference for future developments and applications of water resources in various regions of Taiwan.

In the past five years, Kuo Toong has not been fined for environmental pollution incidents except for cases where administrative procedures were inadvertently violated, resulting in violations of the Environmental Impact Assessment Act and the Water Pollution Control Act.

2-2 Structural Integrity & Safety

Financial Indicators

Indicator Code: IF-EN-250a.1

Amount of defect- and safety-related rework costs

Indicator Code: IF-EN-250a.2

Total amount of monetary losses as a result of legal proceedings associated with defect- and safety-related incidents

Exposed Information in 2022

There were no defect- and safety-related rework instances in 2022.

There were no legal proceedings associated with defect- and safety-related incidents in 2022.

Kuo Toong's primary services encompass the manufacturing and installation of pipes, water treatment construction, and seawater desalination. Among these, the manufacturing and installation of pipes includes various large size concrete pipes for water supply and division, pre-stressed concrete cylinder pipes, steel pipes and ductile iron pipes and other water pipeline projects. On the structural integrity and safety issues, only water pipeline projects in the service are applicable to this disclosure indicator.

According to the characteristics of each project contract, the quality management standards of construction works is established as the basis for carrying out the quality control, thereby the project can be implemented in accordance with regulations. The content of the quality management standards of construction works includes construction and management items, management standards and records, inspection timing, method and frequency, unqualified handling. Each content has a detailed definition and description, so that the quality control of each construction stage is clearly complied. The overall quality management can be mainly divided into material inspection and construction inspection:

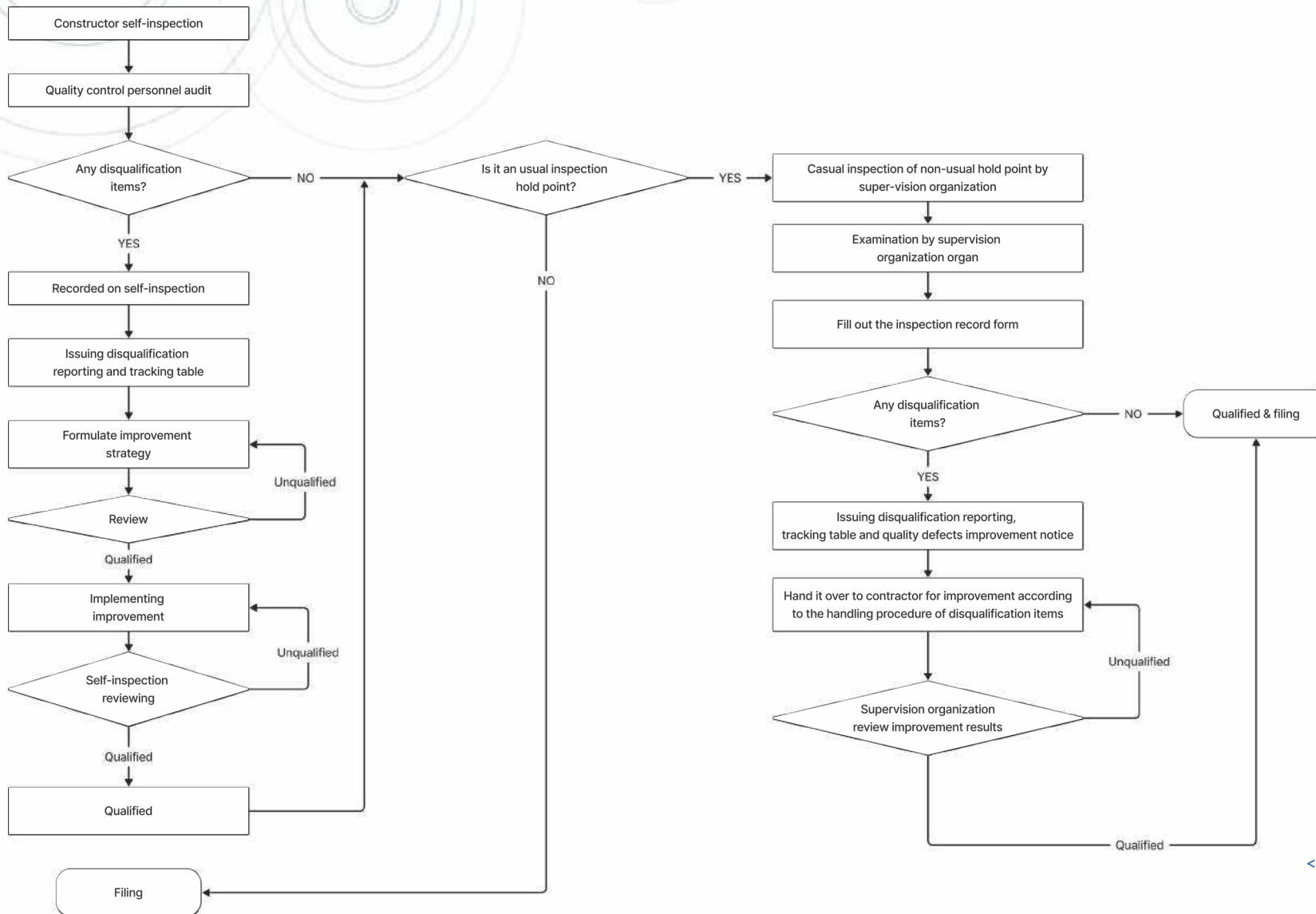
1. Material Inspection

The materials used in the project must pass the inspection (test) before they can be used. The inspection or sampling inspection report issued by the laboratory should be complied with the requirements of CNS 17025 (ISO/IEC 17025). After reviewing and evaluating the test report, the supervisory unit will inform contractors to cooperate with the follow-up works, and notify sponsor institution for future reference as proof of acceptance.

2. Construction Inspection

The key items of construction quality inspection include construction quality control planning, self-inspection procedures and self-inspection operating contents. Construction's quality inspection standards are implemented in accordance with the quality management standards complied in the contract. While the construction plan is approved by the engineering division, the field director will cooperate with the quality control personnel to implement self-inspection under the construction by quality control methods such as checking, measurement, metering and monitoring. It should be filed an application for construction inspection when the partial works of a single project are completed, so that quality control engineer would handle the inspection with the engineering division together on the arranged date. Based on the inspection results, the supervisory unit will determine and report whether there are defects in the ongoing or completed project that need to be improved, then evaluate and review by the sponsor institution again to fixed the defects before the subsequent construction work can be carried out.

Kuo Toong is very strict in terms of construction quality and process. There was no reconstruction related to defects and security happened during the construction stage or warranty period of the project in 2022. Also, there was no associated reconstruction costs incurred and no legal actions arising from reconstruction due to defects or safety issues.



<Construction Inspection Flowchart

2-3 Workers' Health and Safety

Financial Indicators

Indicator Code: IF-EN-320a.1

- (1) (a) Total Recordable Incident Rate (TRIR) for Direct Employees
- (b) Total Recordable Incident Rate (TRIR) for Contract Employees
- (2) Fatality Rate

Exposed Information in 2022

- (1) (a) TRIR for Direct Employees: 0
- (b) TRIR for Contract Employees: 0
- (2) Fatality Rate: 0%

In order to strengthen the improvement of safety awareness and reduce safety risks at the workplace, Kuo Toong formulated the "Safety and Health Work Rules" in accordance with the Occupational Safety and Health Act, which stipulates that all personnel (contractors included) who enter the factory should abide by them. The industrial safety unit regularly conducts daily factory inspections. If any abnormalities are found or do not conform to the established procedures of the operation, it would immediately require the execution to modify. Besides that, there are also irregular inspections, if any defects are found, they will be recorded in the inspection form to confirm the on-site occupational safety risks. The defects will be issued to all supervisors and the industrial safety promotion contact of each department after reviewing, thereby drawn up an improvement plan to be implemented by the competent unit. For the management of emergency response, all departments are required to fill in the record form to report the near-misses that occurred in working environment as a basis for subsequent review and improvement.

Added key points such as maintenance and inspection of machinery, equipment or appliances and safety rules for various operations to prevent occupational accidents, ensure the safety and health of all employees, and carry out automatic inspection effectiveness. The automatic inspection execution unit implements the "occupational safety and health automatic inspection plan", and the inspectors select the appropriate method according to the inspection items to carry out "regular inspection" and "key inspection". If outsourced regular inspection or overall inspection is required, the manufacturer's standard inspection form shall include the essential inspected items according to the regulations, and have a reinspection and signature by the supervisor or agent of the inspection unit to make it an effective automatic inspection record.

For the safety management of suppliers, Kuo Toong arranges contractors to participate safety education and training 1 to 2 days before entering the site, informs them of hazards and

industrial safety risks, and conducts on-site inspections under the construction of contractors entering the factory to check whether they have worn protective gear or not, also require a self-inspection after leaving the site. The construction site requires the on-site workers (including contractors) to follow the sponsor institution's occupational safety and health regulations and requires the supervisory unit to conduct irregular audits as well. In the past two years, Kuo Toong has no industrial safety accident happened of contractors.

Strengthen Industrial Safety Awareness

The noise of the production line of Kuo Toong is a potential hazard affecting employees. In order to prevent major occupational disasters, education and training and health examinations are carried out regularly. Eliminate potential hazards through autonomous management mechanisms, and publicize standard operating procedures for industrial safety accidents to reduce injuries and losses. We have held various safety-related courses every year to promote employees' safety awareness and implementation of work safety behaviors in the factory. In 2022, there were 10 training programs implemented in total, and 34 people have completed the training.

Training Course	Number of Trainees
Quality Management Education and Training for Public Works	4
Supervisory Safety Education and Training	5
The Fire Prevent Manager	1
Quality Management	1
First Aider	6
Forklift	2
Specialized Personnel for Wastewater Treatment	4
General Construction Industry Safety and Health Education Training (Taiwan Occupational Safety and Health Card)	3
Construction Industry Occupational Safety and Health Business Supervisor	4
Occupational Safety Management Personnel	4
Total Number of Trainees	34

Disabling Injury Overview Over the Years

The statistics of disabling injuries of Kuo Toong over the years are as follows: The data is based on the monthly declaration of occupational accident statistics (excluding commuting traffic accidents). There have been no occupational injury and fatality incidents in the past two years. In 2022, there were no disabling injuries and no instances of occupational disease were reported.

	Disabling Injury Related Data	In 2020	In 2021	In 2022
Employees Disabling Injury Related Data	Annual Working Hours	518,218.5	539,915.0	551,935.4
	Number of Deaths	-	-	-
	Number of Severe Disabling Injuries	1	-	-
	Number of Near Miss Injuries	-	-	-
	Number of Lost Workdays	15	-	-
	Number of Recordable Incidents	1	-	-
Employees Disabling Injury Indicators	Fatality Rate of Occupational Injuries	-	-	-
	Disabling Injury Severity Rate	0.39	-	-
	Total Recordable Incident Rate(TRIR)	0.39	-	-
	Near Miss Frequency Rate(NMFR)	-	-	-
	Lost Workday Incidence Rate	5.79	-	-
	Disabling Injury Frequency Rate(FR)	1.92	-	-
	Disabling Injury Severity Rate(SR)	28	-	-

Note 1: The calculation of the indicators does not include traffic injury incidents, which is in accordance of the "Regulations of the Examination of Injuries and Diseases Resulting from the Performance of Duties by the Insured Person of Labor Insurance". The disabling injuries do not include minor injuries that should be notified within 8 hours.

Note 2: Fatality Rate of Occupational Injuries= Number of Deaths Caused by Occupational Injuries × 200,000 ÷ Annual Working Hours

Note 3: "Number of Severe Occupational Injuries" refers to injured workers are not able to be recovered (e.g., amputation) or not able to be recovered within six months to the health status before injured. Disabling Injury Severity= Number of Severe Occupational Injuries × 200,000 ÷ Annual Working Hours

Note 4: Total Recordable Incident Rate (TRIR)= Number of Recordable Occupational Injuries × 200,000 ÷ Annual Working Hours

Note 5: "Number of Lost Workdays" refers to the number of days that injured workers are temporarily (or permanently) unable to return to work, excluding the day of injury and the day of returning to work, but should include the number of days in between (Sundays, holidays or shutdown days of business unit) and the number of days of any inability to work due to the disaster after resumption of work;" Number of Recordable Incidents "refers to the number of people covered by the statistics of the aforementioned injured people (those who lost more than 8 hours of work) ;

Note 6: Near Miss Frequency Rate (NMFR)= Number of Near Miss Injuries × 200,000 ÷ Annual Working Hours

Physical and Mental Health

Kuo Toong is committed to offer employees with safe and comfortable working environment, promoting health information from time to time to deliver the employees with correct health education knowledge. Employing medical personnel in accordance with Occupational Safety and Health Act, regularly provide on-site health services and management, occupational diseases prevention and health promotion for 2 to 4 hours per week to protect labor health. We also conduct high-standard health examinations and cancer screenings on a regular basis, fully subsidizing the health examination for the employees conform to the regulations, and new employees are subsidized for a basic health examination. Additionally, we offer one-on-one health consultations to safeguard the physical and mental well-being of our construction personnel.

After receiving the health examination report, nurses stationed at complexes will carry out classification management according to the health examination results. For employees with abnormalities in Three Hypers (hypertension, hyperglycemia and hyperlipidemia) will have a continuous follow-up, and arrange medical personnel to provide consultation with the employees in the factory, and offer health education from time to time for helping improve their health.

COVID-19 Pandemic Control

In response to the COVID-19 pandemic, Kuo Toong strictly follows government regulations, providing timely updates to all employees and continuously promoting personal health and preventive measures. We have implemented daily temperature checks upon entry, formulated fever reporting procedures, and distributed rubbing alcohol to disinfect across all facilities. While lunch is served, masks must be worn all the way before eating, and the distance between seats is enlarged to avoid possibilities of infection.

Promotion of Labor Health Service Plan

Kuo Toong handles health protection and promotion in accordance with the law, promotes various labor health service guidelines stipulated by the Ministry of Labor. As for the health protection plan for female employees, it has to evaluate the impact of the work on the mother's health if the employee is pregnant, and assist in taking health interviews and related health education information. In addition, Kuo Toong has established breastfeeding rooms at its facilities for female employees who need it.

2-4

Lifecycle Impacts of Buildings & Infrastructure

The projects undertaken by Kuo Toong pay attention to whether there are green building requirements proposed by the tender unit, and would carry out the implementation according to the content of the tenders. The green building assessment system evaluates seven indicators, including "biodiversity," "greenery quantity," "site water retention," "daily energy saving," "carbon dioxide reduction," "waste reduction," "indoor environment," "water resources," and "sewage and waste improvement." Among these, "daily energy saving" and "water resources" are mandatory indicators.

In the projects undertaken by Kuo Toong, there have been two instances in the past three years where the green building certification was obtained. These projects include the "Phase 1 Construction of Houlong Water Resource Recycling Center in Miaoli County (Subsequent Project)" in 2020 and the "Expansion of 4,000-ton Desalination Plant in Magong (Phase 1 of the Magong Second Desalination Plant) and Commissioned Operation and Maintenance" in 2021. There were no green building-related projects in 2022, and the ongoing projects do not have green building procurement requirements. The majority of other projects involve pipeline construction and are not subject to green building construction standards.

Financial Indicators

Indicator Code: IF-EN-410a.1

(1) Number of commissioned projects certified to a third-party multi-attribute sustainability standard

(2) Number of active projects seeking such certification

Indicator Code: IF-EN-410a.2

Discussion of process to incorporate operational-phase energy and water efficiency considerations into project planning and design

Exposed Information in 2022

(1) Number of commissioned projects certified to a third-party multi-attribute sustainability standard: One case

(2) There were no green building contracting requirements for completed or ongoing projects in 2022; therefore, this indicator does not apply.

The winning tenders or ongoing projects in 2022 are all water pipeline constructions, there is no use of electricity or water in the actual operational process. Therefore, the planning and design for energy and water efficiency are not applicable.



2-5 Business Ethics

Financial Indicators

Indicator Code: IF-EN-510a.1

(1) Number of active projects and (2) backlog in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index

Indicator Code: IF-EN-510a.2

Total amount of monetary losses as a result of legal proceedings associated with charges of (1) bribery or corruption and (2) anticompetitive practices

Indicator Code: IF-EN-510a.3

Description of policies and practices for prevention of (1) bribery and corruption, and (2) anti-competitive behavior in the project bidding processes

Exposed Information in 2022

There was no project in countries that have the 20 lowest rankings in the Corruption Perceptions Index of 2022.

There were no relevant legal proceedings associated with charges of (1) bribery or corruption and (2) anticompetitive practices in 2022.

Formulate codes of ethical conduct and employee's grievance policy, assist all personnel implement their duties in accordance with ethics.

Kuo Toong formulated the "Codes of Ethical Conduct" in 2021, which was approved by the Board of Directors to provide the basis for directors, the managerial officers and all employees to follow on business operation and implementation of their duties. In order to maintain fair trade and prevent corruption and bribery, all employees are strictly required not to demand, promise, deliver, or accept the behaviors such as gifts, entertainment, kickbacks, and bribes for the benefit of themselves or others when performing their duties.

Kuo Toong upholds the spirit of compliance with the law to carry out professionalism and ethic. In order to ensure fair trade and prevent unfair competition, monopoly, market distribution and concerted price manipulation, whether it is an external engineering tender or an internal outsourcing procurement, we must abide by the spirit and laws of fair trade. In 2022, there were no relevant legal actions arising from breach of bribery, corruption and anti-competitive practices.

Kuo Toong has adopted the "Code of Ethics for Business Integrity" and "Code of Conduct and Operational Procedures for Business Integrity" on January 17, 2022, through its Board of Directors. These guidelines are applicable to all subsidiary companies as well. All relevant matters are executed in accordance with these guidelines, which serve as a commitment to actively implement the company's operational policies by the Board of Directors and management. In addition to establishing an audit unit under the Board of Directors, the company has designated the management department and legal department to jointly serve as the responsible units for business integrity. In November 2022, an educational campaign on "Corporate Integrity and Insider Trading Regulations and Practices" was conducted for managers and employees through video conferencing. This ensured effective communication of anti-corruption policies and prevention procedures to relevant personnel. Furthermore, an "Employee Complaint Procedure" has been established, allowing all employees to express their concerns or issues through email or suggestion boxes to the Chairman, General Manager, supervisors, and audit personnel. In 2022, there were no complaints received involving violations of the "Code of Ethics" or corruption incidents. Starting in 2022, an anonymous reporting system has also been implemented, ensuring confidentiality in handling reported cases. These cases are independently verified through a separate channel, with utmost effort to safeguard the identities of the reporters, aiming to enhance the effectiveness of the company's integrity management.

In addition, to prevent corruption incidents originating from external sources, starting from 2022, suppliers are required to sign an "Integrity and Cleanliness Commitment Letter." This commitment emphasizes the joint responsibility of suppliers to uphold values of integrity and cleanliness in business. The commitment letter is updated annually. As of 2022, the company's operational bases providing services such as pipeline manufacturing and installation, water treatment, and desalination are located in Taiwan and China. No projects have been undertaken in countries listed within the bottom 20 ranks of the Transparency International's Corruption Perceptions Index.

2-6 Operation Data

The disclosure items for operation data of Kuo Toong and its subsidiary Kuo Chuang in 2022 are as follows. As of December 31, 2022, the total backlog that Kuo Toong and Kuo Chuang have signed but not yet recognized are about NT\$6.518 billion.

	2021		2022	
Company	Number of Ongoing Constructions	Number of Completed Constructions	Number of Ongoing Constructions	Number of Completed Constructions
Kuo Toong	20	1	19	8
Kuo Chuang	3	5	4	2
Jianyi	0	0	3	0
Total	23	6	26	10



03

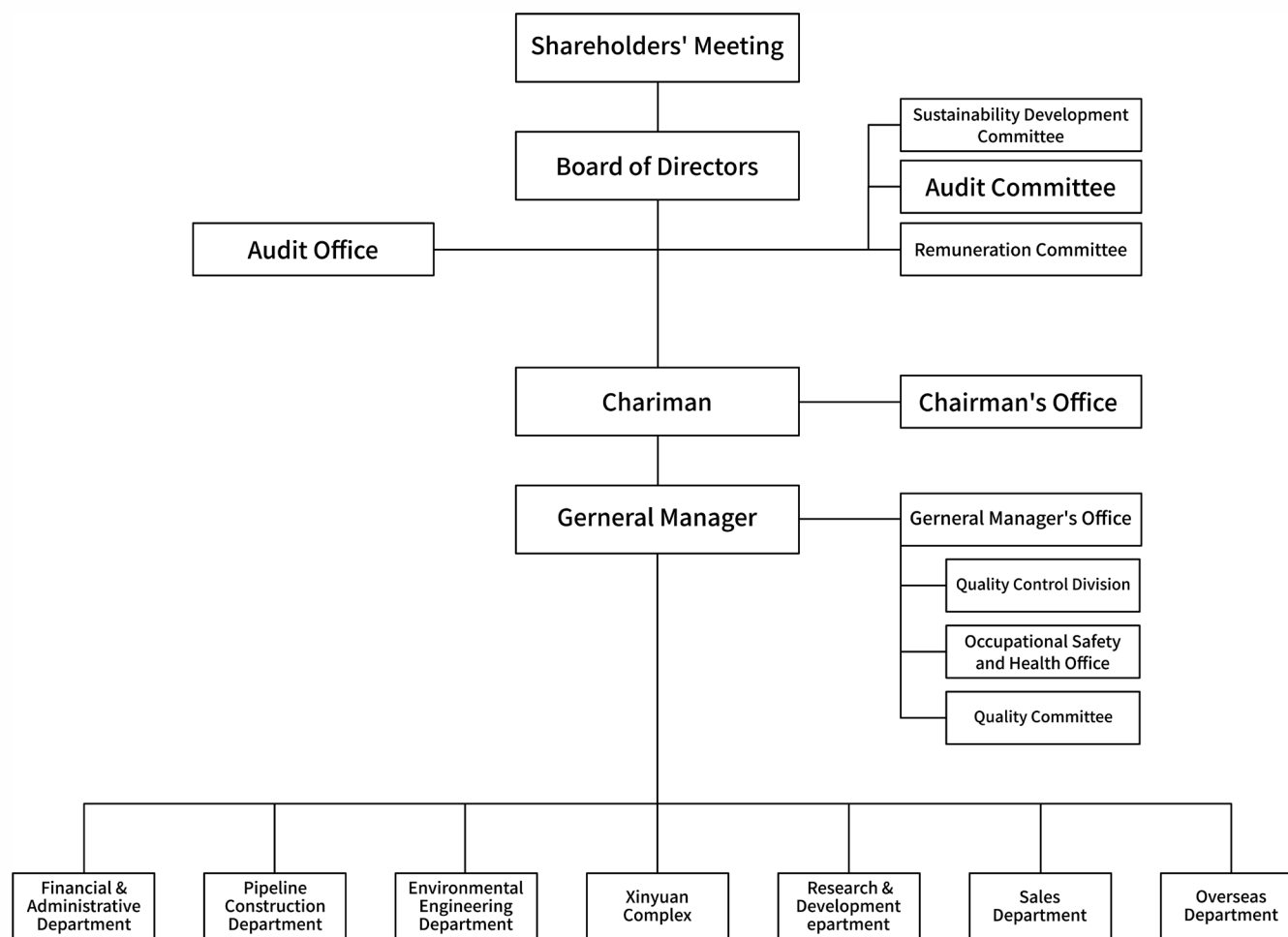
Other Governance Issues

3-1 Corporate Governance

Kuo Toong regards ethical corporate management as the basic spirit of corporate governance, established a good governance system, and ensures a comprehensive development of company's operations. By strengthening the functions of the Board of Directors and exerting supervision of functional committees, it has not only protected the shareholders' rights, but also respect the stakeholder's equity. Also, we are committed to sustainable development and strive to promote a transparent corporate governance. In terms of corporate governance evaluation, Kuo Toong is dedicated to improve information transparency and disclosure timeliness. With the establishment of a corporate governance executive approved by the Board of Directors, the company's corporate governance has greatly boosted the ranking for three consecutive years. Additionally, in 2022, the company formulated the "Corporate Governance Practice Principles" and "Codes of Ethical Corporate Management" to establish a reference framework for good business operations, and will continue to strengthen the structure and operation of the Board of Directors and implement corporate social responsibility to achieve the goal of sustainable co-prosperity.

Governance Structure

The Board of Directors of Kuo Toong is the highest decision-making organization, which is responsible for formulating the company's business policies and important strategies. An Audit Committee and a Remuneration Committee are set up under the Board of Directors to assist them in supervising the company's quality and integrity in the implementation of accounting, auditing, financial reporting procedure and financial control, as well as implementing and evaluating the company's overall remuneration and welfare policies.



Operations of the Board of Directors

The Board of Directors of Kuo Toong adopts a candidate nomination system in accordance with the "Company's Articles of Association" and "Method for Election of Directors". The shareholders' meeting selects people from the list of director candidates, it will be 5 to 9 directors are established with a term of 3 years. They are elected by the shareholders meeting with legal capacity, and can be re-elected. Among the aforementioned number of directors, there shall be no less than 2 independent directors and no less than 1/5 of the number of directors. The "Board Meeting Principles" stipulates the mechanism for avoiding conflicts of interest. If any director or a juristic person represented by a director is an interested party with respect to any 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 interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. On June 9, 2022, a complete board election took place during the shareholders' meeting. The Board of Directors consists of 9 directors, including 3 independent directors. Among the members of the Board of Directors, there are 6 male members and 2 female members (accounting for 22% of female directors); 1 director is between 30 and 50 years old, and 8 directors are over 50 years old. In 2022, a total of 10 board meetings were held, and the average attendance rate of all directors of the board as 100%.

Title	Name	Gender	Main (Educational) Experience	Actual Attendances	Attendances by proxy	Actual Attendance Rate
Chairman	Hong, Ya-Man	Female	- Master of Civil Engineering and Disaster Mitigation Technology, National Kaohsiung University of Science and Technology - Chairman of Kuo Toong Co., Ltd, Kuo Toong Int LLC., Kuo Yang Environment Technology Co., Ltd., Marvel Line Co., Ltd., Ding Teng Co., Ltd., Tong Chuang Industrial Co., Ltd. - Director of Xiyu Seawater Desalination Co., Ltd and Jie Mao International Co., Ltd.	10	0	100%
Director	Luo, Wei-Jhe	Male	- Master of Accountancy, National Taiwan University - Head Accountant of Legendary & Steadfast Accountancy - Independent Director of Hong Ho Precision Textile Co., Ltd.	10	0	100%
Director	Gao, Fong-Ci	Male	- BA of Law, National Taiwan University - Head Attorney of Kao & Associates International Law Firm - Independent Director of Solar Applied Materials Technology Corp.	10	0	100%
Director	Pan, Ren-Zhi	Male	- Department of Finance and Taxation, National Chung Hsing University - Chief of Sanmin Branch, Kaohsiung National Tax Bureau - Chief Secretary of Kaohsiung City National Tax Bureau	5	0	100%
Director	Shih, Qing-Cang	Male	- Department of Soil and Water Conservation, National Chung Hsing University - Professional qualification as a Soil and Water Conservation Technician - Southern Region Water Resources Office, Water Resources Agency, Ministry of Economic Affairs	5	0	100%
Director	Zhou, Huang-Tsan	Male	- PHD of Engineering in Civil Engineering, National Taiwan University of Science and Technology - Professional qualification as a Civil Engineering Technician - Director of the Department of Civil and Engineering Information, Cheng Shiu University of Science and Technology, Director of Construction Technology Center, Director of the Graduate Institute of Construction Engineering - Associate Professor at Kinmen University	5	0	100%
Independent Director	Wang, Sen-Rong	Male	- PHD of International Law, China University of Political Science and Law - Head Attorney of Classic and Superior Attorneys at Law - Director of Biophtik Technology, Inc.	10	0	100%
Independent Director	Jheng, Shun-Ren	Male	- PHD of Business Studies, Manuel L.Q University, PHD Program in Technology Management, Chung Hua University - Vice Principle of Cheng Shiu University - Independent Director of Top High Image Corp. - Independent Director of Nan Ren Lake Leisure Amusement Co., Ltd.	10	0	100%
Independent Director	Wu, Yen-Chiu	Female	- Department of Business Administration, Providence University - Special Assistant to the Chairman, Chant World International Co., Ltd. - Accounting Manager, Twoway Communications, Inc. - Chief Financial Officer, Yunicap Electronics Industry Corp. - Deputy General Manager, Take Well Engineering Inc. - Consultant and Supervisor, Ejia Bio-Tech Co., Ltd. - Independent Director, Axis Corporation.	5	0	100%

he board members cover various professional fields including finance and accounting, law, management, and technology management. They possess the necessary professional knowledge, experience, and qualities to fulfill their duties, capable of adapting to changes in the economic, environmental, and social aspects. In accordance with the "Guidelines for Continuing Education for Directors and Supervisors of Listed and OTC Companies," the board members have undergone relevant training to enhance their understanding of emerging issues and continuously improve the effectiveness of corporate governance. In 2022, all board members completed the required training hours, with each director completing at least 6 hours of training.

In order to continuously strengthen the operational efficiency of the Board of Directors, the "Board of Directors Performance Evaluation Policy" has been formulated, and the evaluated scope includes the performance of the overall Board of Directors, individual director members and functional committees. It shall implement the Board of Directors performance evaluation once a year, and shall be carried out by an external professional independent institution or external team of expert scholars at least once every three years. The Board of Directors performance evaluation of 2022 has been completed in the first quarter of 2023, which is conducted by board members through self-assessment, the results showed it was running well. The report on the evaluation was submitted to the board in March of the same year. For further details on the board's performance evaluation, please refer to the "Corporate Governance" of the Kuo Toong's official website under the "Investor Relations section" category.

Title	Name	Organizer	Name of Courses	Training Hours
Chairman	Hong, Ya-Man	Taiwan Stock Exchange (TWSE)	International Twin Peaks Summit Online Forum	2
		Taiwan Stock Exchange (TWSE)	Industry Theme Advocacy Meeting for Sustainable Development Roadmap	2
		Corporate Operating and Sustainable Development Association	Strategies and Management for Enterprise Upgrading and Transformation	3
		Corporate Operating and Sustainable Development Association	Practical Compliance with Board Regulations and Legal Responsibilities of Directors and Supervisors, and Case Studies	3
		Corporate Operating and Sustainable Development Association	Legal Regulations and Practical Analysis of Shareholders' Meetings	3
Director	Luo, Wei-Jhe	Corporate Operating and Sustainable Development Association	Corporate Governance and Securities Regulations - Legal Norms and Practical Case Studies of Insider Trading	3
		Taiwan Stock Exchange (TWSE)	Guidelines for the Exercise of Duties by Independent Directors and Audit Committees of Over-the-Counter Listed Companies in 2022 and Directors and Supervisors Advocacy Meeting	3
Director	Gao, Fong-Ci	Accounting Research and Development Foundation	Preparation and Disclosure of Sustainability Reports - Key Insights into IFRS ISSB S1 and S2	3
		Taiwan Stock Exchange (TWSE)	International Twin Peaks Summit Online Forum	2
		Taipei Exchange	Promotional Seminar on Insider Stock Ownership for Over-the-Counter and Emerging Stocks	3
Director	Pan, Ren-Zhi	Taiwan Stock Exchange (TWSE)	Guidelines for the Exercise of Duties by Independent Directors and Audit Committees of Over-the-Counter Listed Companies in 2022 and Directors and Supervisors Advocacy Meeting	3
		Corporate Operating and Sustainable Development Association	Strategies and Management for Enterprise Upgrading and Transformation	3
		Corporate Operating and Sustainable Development Association	The Significance of Intellectual Property Management in Corporate Governance	3
		Corporate Operating and Sustainable Development Association	Explanation of Duties and Case Introduction for Directors and Supervisors under Corporate Governance	3
Director	Shih, Qing-Cang	Corporate Operating and Sustainable Development Association	Legal Regulations and Risk Responsibilities Unavoidable for Directors, Supervisors, and Insiders under Corporate Governance	3
		Corporate Operating and Sustainable Development Association	Strategies and Management for Enterprise Upgrading and Transformation	3
		Taipei Exchange	Promotional Seminar on Insider Stock Ownership for Over-the-Counter and Emerging Stocks	3
		Corporate Operating and Sustainable Development Association	Legal Regulations and Practical Analysis of Shareholders' Meetings	3
Director	Zhou, Huang-Tsan	Corporate Operating and Sustainable Development Association	Legal Regulations and Risk Responsibilities Unavoidable for Directors, Supervisors, and Insiders under Corporate Governance	3
		Taiwan Stock Exchange (TWSE)	Industry Theme Advocacy Meeting for Sustainable Development Roadmap	2
		Corporate Operating and Sustainable Development Association	Corporate Governance and Practical Operations of Independent Directors	3
		Corporate Operating and Sustainable Development Association	The Significance of Intellectual Property Management in Corporate Governance	3
		Corporate Operating and Sustainable Development Association	Corporate Governance and Securities Regulations - Legal Norms and Practical Case Studies of Insider Trading	3
Independent Director	Wang, Sen-Rong	Corporate Operating and Sustainable Development Association	Challenges and Dilemmas of the Independent Director System	3
		Securities & Futures Institute	Key Fiscal and Securities Regulatory Issues in the Year 2022	3
Independent Director	Jheng, Shun-Ren	Securities & Futures Institute	Mastering the Precise ESG Sustainability Formula	3
		Taiwan Corporate Governance Association	Intellectual Property Management and Corporate Governance	3
Independent Director	Wu, Yen-Chiu	Taiwan Corporate Governance Association	ESG Legal Issues for the Board of Directors to Consider	3
		Taiwan Stock Exchange (TWSE)	Guidelines for the Exercise of Duties by Independent Directors and Audit Committees of Over-the-Counter Listed Companies in 2022 and Directors and Supervisors Advocacy Meeting	3
Independent Director	Wu, Yen-Chiu	Securities & Futures Institute	Advanced Seminar for Directors, Supervisors (Including Independent) and Corporate Governance Executives - Corporate Financial Crisis Warning and Types Analysis	3

Operations of Audit Committee and Remuneration Committee

Kuo Toong set up an Audit Committee in 2017 to replace the supervisor system to strengthen the function of supervising the operation of the Board of Directors and responsible for the fair expression of the company's financial statements, including the appointment (dismissal) of accountants, independence and performance, and the effective implementation of internal controls, compliance with relevant laws and regulations and control of existing or potential risks. Kuo Toong established the Remuneration Committee in 2011 to evaluate the company's directors and managerial officers' remuneration policies and systems from a professional and objective position, and submit recommendations to the Board of Directors for reference in their decision-making, helping the company's finances more oriented to the overall interests of the organization, which is beneficial to the rigor of corporate governance. The Audit Committee and the Remuneration Committee are composed of three independent directors. By the end of 2022, the members of the functional committee and their attendance at the 2022 annual meeting are as follows:

Audit Committee	Title	Name	Actual Attendance	Actual Attendances	Attendances by Proxy	Actual Attendance Rate	Notes
	Independent Director	Guo Cing-Bao	5	5	0	100%	The term ended in June 2022, and the actual attendance should have been 5 times." °
	Independent Director	Jheng, Shun-Ren	8	8	0	100%	
	Independent Director	Wang, Sen-Rong	8	8	0	100%	
	Independent Director	Wu, Yen-Chiu	3	3	0	100%	The term ended in June 2022, and the actual attendance should have been 3 times." °
Remuneration Committee	Title	Name	Actual Attendance	Actual Attendances	Attendances by Proxy	Actual Attendance Rate	Notes
	Independent Director	Guo Cing-Bao	3	3	0	100%	The term ended in June 2022, and the actual attendance should have been 3 times." °
	Independent Director	Jheng, Shun-Ren	5	5	0	100%	
	Independent Director	Wang, Sen-Rong	5	5	0	100%	
	Independent Director	Wu, Yen-Chiu	2	2	0	100%	The term ended in June 2022, and the actual attendance should have been 2 times." °

Internal Audit

The internal control system of Kuo Toong is based on the "Regulations Governing Establishment of Internal Control Systems by Public Companies" stipulated by the Financial Supervisory Commission. It is a management process approved by the Board of Directors and implemented by the Board of Directors, managerial officers and other employees. Its purpose is to promote the sound operation of the company, so as to reasonably ensure the achievement of operational effectiveness and efficiency, the reliability, timeliness, and transparency of information reporting, and compliance with relevant laws and regulations.

Kuo Toong has established an internal audit unit - Audit Office, which is affiliated to the Board of Directors, and is equipped with full-time audit supervisors and internal auditors. Together with the audit committee, it assists the Board of Directors and managerial officers to inspect and review the deficiency of internal control systems and measure the effectiveness and efficiency of operations, and timely provide improvement suggestions to ensure the continuous and effective implementation and serve as a basis for reviewing and revising the internal control system.

The Audit Office executes various audit operations in accordance with the annual audit plan approved by the Board of Directors, discloses the discovered deficiencies and abnormalities of internal control system in the audit report, and will keep tracking after the report is reviewed. Then, make a follow-up reports at least every quarter to determine that the relevant units have taken appropriate improvement measures in time until it has improved, and the audit supervisor monthly reports the implementation results of audit plan to the independent directors, the Audit Committee and the Board of Directors in attendance to submit audit business reports, and regularly holds meetings with independent directors to report on the company's internal audit implementation and internal control operation, so as to carry out the audit effectiveness.

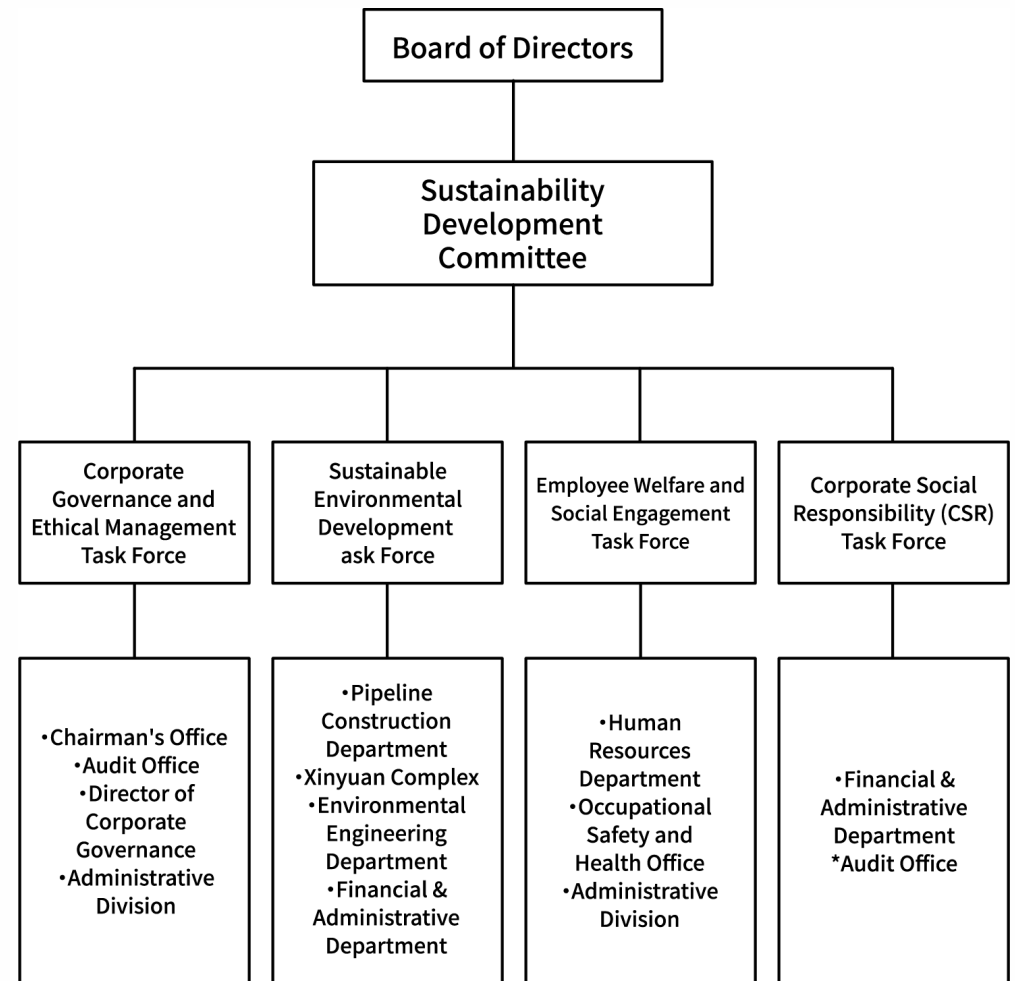
Every year, the audit unit requires each unit to conduct self-assessment on risk, assess and identify the possibility of risk occurrence item by item, to confirm the implementation effect; if deficiencies and abnormalities are founded on the self-assessment, the improvement measures should be proposed, and each unit submits a conclusion report on whether it is effective or not according to the implementation. Next, the audit unit will conduct the review operation based on the self-assessment results of each unit. In addition, the audit unit will implement inspections related to ethical corporate management according to the annual audit plan every year, and summarizes the results quarterly and reports to the ethical dedicated units to carry out the effectiveness of ethic.

Sustainable Governance

Kuo Toong, in pursuit of corporate social responsibility (CSR) and to promote progress in the economic, environmental, and social aspects, established the "Sustainable Development Practice Guidelines" and "Sustainable Development Committee Organizational Regulations" in March 2022 to achieve sustainable development goals. In June 2022, a Sustainable Development Committee was established under the Board of Directors, consisting of the Chairman, Independent Directors, and Vice General Manager, totaling five members. The committee convenes meetings at least twice a year, and its responsibilities encompass: (1) Promoting and strengthening the company's governance structure and systems. (2) Advocating and implementing activities related to ethical business practices. (3) Advancing CSR policies and sustainable operational initiatives (4) Executing other matters in accordance with resolutions of the Board of Directors.

To implement the sustainable business policy, the Sustainable Development Committee has established four task forces: "Corporate Governance and Ethical Business," "Sustainable Environmental Development," "Employee Well-being and Social Engagement," and "Corporate Social Responsibility Information Disclosure." These task forces are responsible for the operation, promotion, and execution of related matters as per the decisions made by the Sustainable Development Committee. They regularly report their execution plans and results to the Sustainable Development Committee. After presenting the annual execution plans and results to the Sustainable Development Committee, the committee then submits them to the Board of Directors. The heads of each task force are held by relevant department managers who oversee several working groups within their purview. These working groups are responsible for executing related tasks and activities at the departmental level. Each task force is required to hold meetings at least twice a year. The responsibility of convening these meetings rotates among the heads of the task forces. During these meetings, the execution status of tasks related to the committee's responsibilities is discussed. Furthermore, meetings can be convened as needed. Semi-annual reports on execution results are submitted, and annual execution plans for the following year are presented at the end of each year.

The Sustainability Development Committee of Kuo Toong held one meeting in 2022 and reported its execution status to the Board of Directors on November 11, 2022. This report encompassed various aspects, including the preparation of the sustainability report, social care initiatives, and greenhouse gas inventory and external verification. The Board of Directors reviewed the execution effectiveness and provided necessary guidance and adjustments to ensure the implementation of sustainable business directions and strategies.



Respect for human rights

To uphold and protect the fundamental human rights of its employees, Kuo Toong has established sustainable development guidelines, supports and adheres to international human rights conventions, such as gender equality, labor rights, and non-discrimination. To fulfill its responsibility to safeguard human rights, the company shall establish relevant management policies and procedures, including:

1. Formulating the company's human rights policy or statement.
2. Assessing the impact of the company's operational activities and internal management on human rights and establishing corresponding procedures.
3. Periodically reviewing the effectiveness of the corporate human rights policy or statement.
4. When human rights violations are involved, disclosing the procedures for addressing the interests of relevant stakeholders.

Kuo Toong also adheres to internationally recognized labor rights, such as freedom of association, collective bargaining rights, care for vulnerable groups, prohibition of child labor, elimination of all forms of forced labor, and the elimination of discrimination in employment and occupation. The company confirms that its human resources utilization policy provides equal and fair treatment without discrimination based on gender, race, socioeconomic class, age, marital and family status, etc., to implement equality and fairness in employment, employment conditions, compensation, benefits, training, evaluation, and promotion opportunities. In cases that may harm the rights and interests of workers, Kuo Toong provides an effective and appropriate complaint mechanism to ensure equality and transparency in the complaint process, and it responds appropriately to employees' complaints.

3-2 Innovative Management

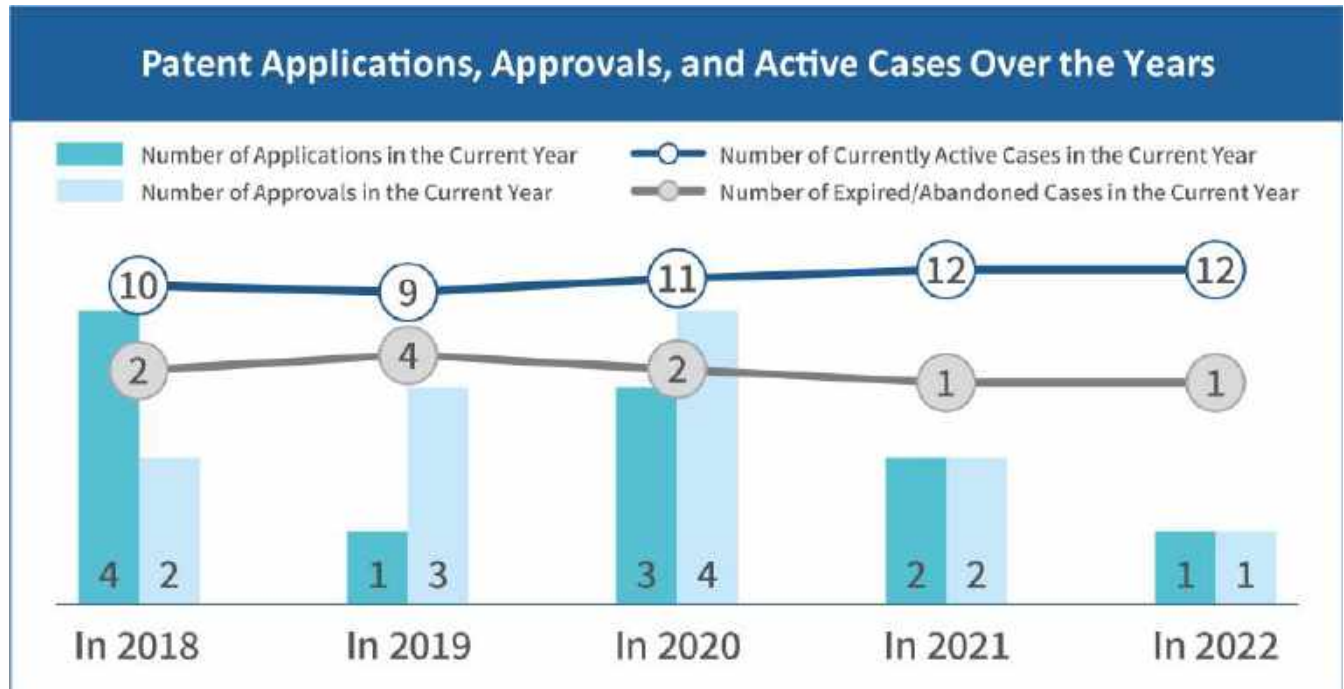
Innovative Method

Kuo Toong's pre-treatment filter bag equipment of desalination plants operates with non-chemical production process of the company. The filter bag can be reused 4~5 times which help to reduce the usage of filter bags by 75~80% compared with ordinary filter consumables, also reduce the energy consumption of filter material production and achieve material recycling and reuse. In addition, desalination adopts physical methods for reverse osmosis without adding any chemicals, which reduces the impact on marine ecology. The RO membrane in the reverse osmosis machine can prolong its service life from 5~6 years to 8~9 years under proper operation. It has also achieved the effect of waste reduction. Kuo Toong has high efficiency on water treatment, the energy consumption is better than other manufacturers, and will continue to optimize in the future.

Kuo Toong has been continuously improving the processes of its desalination plant to enhance its reliability. The lowest energy consumption mode of the desalination plant involves the continuous operation of the units for 24 hours without interruption. Prior to the improvement in the brine pipeline process, energy recovery equipment suffered from water leakage due to pipeline damage, resulting in production line downtime for repairs. Each instance of unit downtime reduces the effective operating hours of the units, leading to the loss of both wasted electrical power during startup and shutdown as well as wasted water. Before the improvement in the brine pipeline process, the average interval for temporary maintenance of the energy recovery equipment was 48 hours (2 days) with a reliability rate of 6%. After improvement, it extended to 168 hours (7 days) with a reliability rate of 23%, and further enhancements brought it to 240 hours (10 days) with a reliability rate of 33%. These improvements significantly increased the reliability rate without affecting the overall water production and maintenance activities. Kuo Toong will continue to enhance the processes to maintain equipment reliability after all maintenance on energy recovery equipment is completed.

Product Patent

Kuo Toong encourages innovation. Through the application of new technologies, not only can effectively improve operational efficiency, but also possibly bring the new business opportunities. Regarding the acquisition of patented technologies, 12 domestic patents have been obtained by the end of 2022. In 2022, Kuo Toong obtained a domestic patent for the "non-assembled bolted flexible pipe," which is applied in steel pipes used in pipeline construction. This innovation is particularly valuable in scenarios where pipelines may be susceptible to damage or leakage due to factors like earthquakes or ground movements. The flexible pipe is designed to absorb vibrations and accommodate pipeline displacement caused by such factors. In the future, Kuo Toong will continue to invest in research and development of patented technologies, not only in pipe-related design and manufacturing but also in enhancing water treatment and seawater desalination technology capabilities.



3-3 Supply Chain Management

New Supplier Management

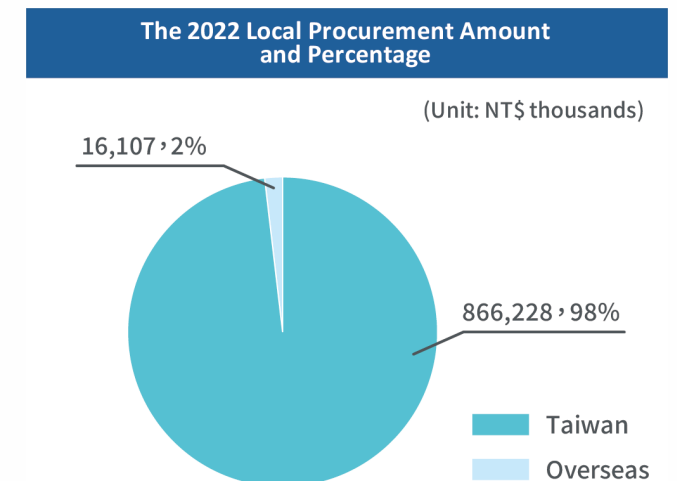
Kuo Toong conducts new supplier evaluation according to the Supplier Management Operating Procedures to meet the standards of the ISO 9001 quality management system. An evaluation team composed of the Quality Control Section and the Procurement Section implements factory inspections on the supplier's site. Each aspect is assessed individually based on the quality system, product quality, delivery schedule, after-sales service, shipping price, and cooperation level, among other factors. After a supplier passes the evaluation and receives approval from the General Manager, they will be added to the list of qualified suppliers. At present, the supplier evaluation item mainly focuses on product quality and safety. In order to further implement the corporate social responsibility of the supply chain, starting in 2022, all new suppliers are required to sign an "Supplier Integrity Pledge" for jointly fulfill their corporate citizenship responsibilities. In 2022, a total of 25 new suppliers signed this commitment.

Supplier Audit / Counselling

Kuo Toong also implements the management of existing suppliers according to the Supplier Management Operating Procedures, and evaluates the supplier's delivery accuracy, quality defect rate and compatibility once a year. The management standards are divided into four grades: A, B, C, D. The suppliers listed as A, B, C, are evaluated as continuous procurement suppliers. If they are listed as D, they will be eliminated. For suppliers whose evaluation results need to be strengthened, they will also be required to plan and implement improvement. At present, supplier evaluation has not been carried out in terms of environment, society, governance, etc. However, Kuo Toong requires upstream suppliers to attach non-radioactive pollution certificates with the goods when purchasing steel plates, and is committed to requiring suppliers to comply with relevant laws and regulations such as environmental protection and industrial safety. In order to deepen and implement the sustainable management of suppliers, and grow stronger together with partners, Kuo Toong is expected to start planning the supplier management mechanism, and gradually require suppliers to sign the Supplier Integrity Pledge to enhance suppliers' cognition, consider the supplier risk to formulate supplier classification standards, and incorporate environmental, social, and governance aspects into the scope of supplier audits. It is expected that through this way, Kuo Toong and its supply chain partners can exert their corporate social influence and promote sustainable economic, social and environmental development.

Local Procurement

Kuo Toong actively cooperates with suppliers to jointly pursue the sustainable operation and growth of the enterprise, continue to implement local procurement, promote the local economy and reduce transportation energy consumption. Only product additives such as nodularizer and inoculants are purchased abroad for the manufacture of pipes, and other major raw materials are purchased from domestic suppliers. Local procurement accounted for 98% of the total. In the future, we will continue to strengthen the relationship with the local supply chain and grow together with local manufacturers.





04

Other Environmental Issues

4-1 Recycling and Reuse Material

Raw Material

The main production processes at Kuo Toong's Xinyuan Complex are ductile iron pipes and steel pipes. The primary raw materials for ductile iron pipes include black iron, sand, gravel, and others (cement, additives, etc.). Steel pipes primarily use steel plates as raw materials. Black iron is sourced from recycled raw materials, with an average composition of approximately 60.59% over the past three years. The table below shows the main raw materials used over the last three years. In 2022, there was an increase in the use of other categories of raw materials, mainly due to the high production of 2600mm and 2200mm steel pipes for the "Zengwen Nanhua A1 Standard" and "Zengwen Nanhua A2 Standard" construction sites, leading to increased steel plate usage.

Scrap Iron

The black iron used by Kuo Toong is 100% recycled raw materials which are cutting steel scraps and recycled steel purchased from steel mills and scrap iron factories. After obtaining recycled raw materials, add additives and other raw materials through smelting, and then pass nodularizing treatment of graphite to make the required pipe fittings. Scrap iron accounts for about 92% of the finished pipe fittings.

Waste Casting Sand

Kuo Toong uses 100% recycled casting sand for the sand molds in pipe and fitting production. After the casting process is complete, the broken sand mold pieces are transported to a sand recovery machine for crushing and sieving, and then they are reused.

Silica San

Desalination plants need to go through a pre-treatment before performing seawater desalination. The pre-treatment is to implement through sand filtration, bag filtration first, and finally through security filters. The silica sand used in the sand filter is 100% recycled and reused. We purchased crushed silica sand made from recycled glass bottles cleaned by the waste treatment plant and use it as a filter material for desalination.

The Use of Main Raw Materials in the Past Three Years

Unit: Kilograms

Raw Material	In 2020	In 2021	In 2022
Black Iron	16,053,904.80	12,555,105.00	15,263,529.20
Sand	3,290,274.00	2,409,952.00	3,724,839.00
Gravel	1,436,571.00	775,392.00	1,961,952.00
Others	4,133,687.60	3,887,370.60	7,646,158.10
Total	24,914,437.40	19,627,819.60	28,596,478.30

4-2 Greenhouse Gas Inventory

Management Measures

As the adverse impacts of climate change continue to intensify, carbon emission management has become an important issue for corporate management. Therefore, Kuo Toong starts the greenhouse gas inventory project in 2021, establish a comprehensive inventory of greenhouse gas emissions in accordance with the ISO 14064-1:2018 organization level of greenhouse gas inventory standard, and implement greenhouse gas Scope 1 and Scope 2 inventory operations. In 2022, the organizational boundary for the greenhouse gas inventory was expanded compared to 2021, with the inclusion of "Kuo Yang Environment Technology Co., Ltd. - Zhunan Toufen Water Resource Recycling Center." Third-party certification was obtained for this expansion. Therefore, the year 2022 was reset as the baseline year for greenhouse gas inventory, and the verified results were established as the baseline values to ensure the accuracy and reliability of greenhouse gas emission inventory. This information will be used to assess reduction progress and make policy adjustments as needed.

To understand the risks and opportunities that climate change presents to the company, Kuo Toong plans to gradually adopt the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) published by the Financial Stability Board (FSB). Through this framework, we aim to assess how climate change affects the company, including the impact of climate risks and opportunities on our business, strategy, and finances, as well as the financial implications of extreme weather events and transition actions. By doing so, we intend to manage and mitigate the impact of environmental changes on the company and fulfill our responsibilities to the environment and the planet.

Inventory Results

Kuo Toong International Co., Ltd. falls under the category of companies with a capital of less than 5 billion NT dollars. According to the sustainability development roadmap for listed and OTC companies, it has not reached the mandatory audit schedule. The greenhouse gas emission information in this report is voluntarily disclosed. In 2022, the total greenhouse gas emissions amounted to 18,221.0211 tonnes-CO₂e. This includes direct greenhouse gas emissions (Category 1) of 5,697.4101 tonnes-CO₂e (without the use of biofuels) and indirect greenhouse gas emissions (Categories 2-6) of 12,523.6110 tonnes-CO₂e. Among these, Category 1 emissions do not include gases such as PFCs, SF₆, NF₃, etc.

Greenhouse Gas Emissions (Scope 1 and Scope 2)

Scope 1				
Emission Scope	Total Emissions (Metric tons CO2e)	Emission Intensity (Metric tons CO2e per thousand NTD of revenue)	Assurance Institution	Assurance Situation Explanation
Parent Company: Kuo Toong Corporation	2,653.1371	0.00111	Legendary & Steadfast Accountancy (LSA)	Completed third-party verification on August 31, 2023.
Subsidiary: Kuo Yang Corporation	3,044.2730	0.00445		
Scope 2				
Emission Scope	Total Emissions (Metric tons CO2e)	Emission Intensity (Metric tons CO2e per thousand NTD of revenue)	Assurance Institution	Assurance Situation Explanation
Parent Company: Kuo Toong Corporation	9,146.6192	0.00381	Legendary & Steadfast Accountancy (LSA)	Completed third-party verification on August 31, 2023.
Subsidiary: Kuo Yang Corporation	1,190.4948	0.00174		

Organizational Boundaries Explanation:

Operating Locations	Description of Operating Locations	Review	Verify	Exclude
Parent Company: Kuo Toong Corporation	Individual units of Kuo Toong International Co., Ltd. including the Kaohsiung headquarters, Xinyuan Complex, and Magong 3000 CMD Desalination Plant.	●	●	
Subsidiary: Kuo Yang Corporation	Kuo Yang Environment Technology Co., Ltd.	●	●	

Each Category of Greenhouse Emissions	Emissions (Tons CO2e)
Category 1: Direct GHG Emissions and Removals	5,697.4101
Category 2: Indirect GHG Emissions from Imported Energy	10,337.1140
Category 3: Indirect GHG Emissions from Transportation	0.0000
Category 4: Indirect GHG Emissions from Products Used by Organization	2,186.4970
Category 5: Indirect GHG Emissions Associated with the Use of Products from the Organization	0.0000
Category 6: Indirect GHG Emissions from Other Sources	0.0000
Total Carbon Emissions	18,221.0211

The Emissions of Various Gas Types Information for Category 1					
Gas Type	CO ₂	CH ₄	N ₂ O	HFCs	合計
Emissions (tonnes-CO ₂ e)	2,638.5402	3,032.7788	3.3901	22.7010	5,697.4101

Note 1: The scope of the inventory adopts the Operation Control Method, and the inventory boundary is limited to the Kaohsiung Headquarter, Xinyuan Complex and Magong 3000 CMD Desalination Plant of Kuo Toong.

Note 2: The GHG inventory adopts the ISO 14064-1:2018 version.

Note 3: The electricity emission factor is based on the electricity emission factor announced by the Bureau of Energy, and the electricity emission factor in 2022 was 0.495 tonnes-CO₂e/thousand kWh.

Note 4: Fuel and refrigerant emission factor refer to the summary research of the Environmental Protection Administration's GHG emissions - ver. 6.0.4 of the GHG Emissions Factor Management Chart or Material Balance.

Note 5: The Global Warming Potential (GWP) factor is based on the data from the IPCC Sixth Assessment Report (2021).

4-3 Energy Management

Kuo Toong attaches great importance to energy usage, so that energy saving is not just a slogan, but a practical action. We regularly educate our employees on environmental awareness, promoting initiatives such as turning off lights when not in use, conserving water and electricity, and recycling waste paper. Over the years, we have implemented various optimization measures:

Kaohsiung Headquarters of Kuo Toong:

1. Replace water chillers of AC.
2. Replace traditional fluorescent lamps with LED flat panel luminaires or other energy-saving fixtures to reduce the electricity consumption.
3. Water dispensers were replaced with energy-saving water dispensers
4. Choose eco-certified vehicle models when replacing government cars.
5. Replace photocopiers with energy-saving models bearing eco-certifications.

Xinyuan Complex of Kuo Toong:

1. Replace electric furnace's external circulation motor with a new one, and worn bearings and damaged components were repaired or replaced. Additionally, the insulating oil was changed to improve heat dissipation efficiency, resulting in a reduction of electricity consumption by 2,393.5 kWh after the replacement.
2. Build solar power plants and resell Taipower after electricity generation. In 2022, 25.91 GJ of electricity were sold.

Desalination Plants of Kuo Toong:

1. KATHER energy-saving production process can save 0.93 kWh/m³ per ton of water. A total of 1,035,385 kWh was saved in 2022.

Kuo Yang (Sewage Treatment Plants):

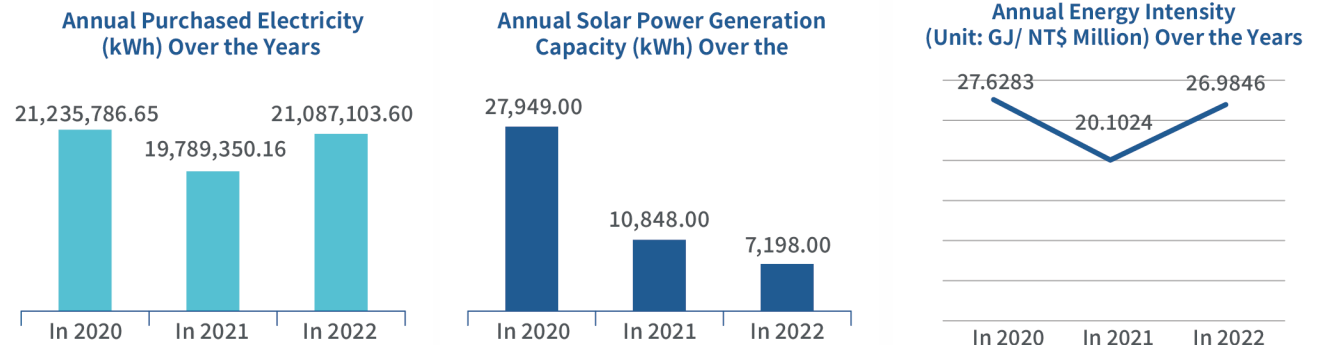
1. The production process using gravity flow saves more power than other machines.
2. Replace with inverter duty motors in the complexes.
3. The lamps in the complexes were all replaced with LED lights.

Energy Consumption

The main types of energy used by Kuo Toong include purchased electricity, liquefied natural gas, motor gasoline and diesel, etc. After the energy consumption unit converted into thermal unit in 2022, the total consumption is 102,344.10 Gigajoule (GJ). The largest consumption is purchased electricity (accounting for 74.17%), followed by liquefied natural gas (accounting for 22.24%).

In 2022, the solar power generation capacity decreased by 3,650 kWh compared to 2021. This was due to the aging of some solar equipment, resulting in decreased energy storage efficiency and normal equipment wear and tear.

Unit: Gigajoule (GJ)			
Energy	In 2020	In 2021	In 2022
Liquefied Natural Gas (LNG)	23,306.16	17,995.83	22,761.05
Liquefied Petroleum Gas (LPG)	28.00	0.00	3.78
Motor Gasoline	2,204.80	2,582.25	2,930.91
Diesel	568.04	1,114.14	735.63
Non-renewable Electricity	76,447.98	71,240.87	75,912.73
Total	102,554.98	92,933.09	102,344.10



Note 1: The electricity conversion factor: 1 kWh of purchased electricity = 0.0036 GJ

Note 2: Each energy heating value conversion factor: The source is Heat Content of Energy Products from Energy Statistical Annual Report of the Bureau of Energy, MOEA

1 liter of motor gasoline = 7,800 kcal, 1 liter of fuel oil (heavy oil) = 9,600 kcal, 1 liter of diesel oil = 8,400 kcal, 1 kWh of natural gas = 9,000 kcal

Note 3: 1 kcal = 4,186 joule

Note 4: The source of energy statistics is the annual consumption of each operating locations of Kuo Toong in Taiwan

Note 5: Energy intensity is calculated as "consumption of each operating location in Taiwan ÷ consolidated revenue"

4-4 Water Resources Management

Kaohsiung Headquarters of Kuo Toong is located in a commercial building. It only uses domestic water (all from Taiwan Water Corporation), and the wastewater is discharged to sanitary sewers.

The consumption of water for the production process of Xinyuan Complex is fresh water, which is used for cement lining. Its produced wastewater flows to the grit chamber after recycling, and recycled water is 100% used for cleaning equipment and surrounding roads. Except for the decrease caused by evaporation, it will be 100% recycled to achieve the goal of zero emissions.

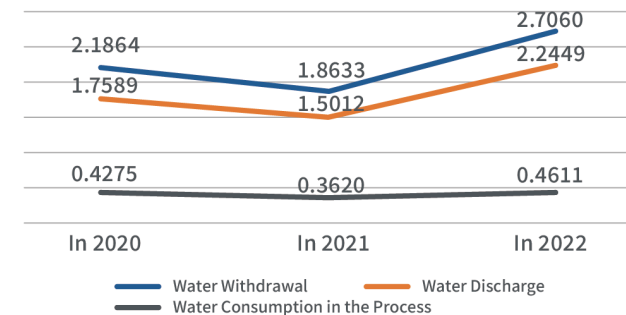
There is a domestic wastewater treatment plant for processing domestic sewage in the area of Zhunan and Toufen. The standard of effluent discharge is based on "The Water Quality Items and Limits for the Effluent of the Public Sewage Systems" stipulated by the Environmental Protection Administration of the Executive Yuan. There were no violations in 2022. Except for the tap water used for the sinks, the water used in the wastewater treatment plant is recycled water, which is provided to the general public for road washing and irrigation.

The seawater used by the desalination plants through the wastewater treatment system for sand filtration and sedimentation, and then is filtered by the reverse osmosis system. Its RO membrane can be used for 3 years without cleaning (In general standard practice, it needs to be washed once every 3 months). The main reason is that through the patented technology of Kuo Toong, the RO membrane clogging is decreased by 7 to 10 times through the energy recovery device, so as to reduce the number of cleanings. By adopting the method of not adding chemicals, Kuo Toong has reduced the impact of marine pollution and surrounding ecology due to the addition of chemicals discharged in to the ocean. The standard of effluent discharge is based on "The Water Quality Items and Limits for the Effluent of the Public Sewage Systems" stipulated by the Environmental Protection Administration of the Executive Yuan.

Unit: Million Liters (ML)

Water Withdrawal	In 2020	In 2021	In 2022
Salt Water (Others)	3,339.55	3,497.93	3,130.89
Third Party (Fresh Water)	7.89	15.07	13.90
Third Party (Others)	4,760.48	5,097.32	7,115.64
Water Discharge (Divided by Destination)	In 2020	In 2021	In 2022
Surface Water	4,439.86	4,636.01	6,492.36
Salt Water	2,078.15	2,215.55	2,017.57
Third Party Water (In Total)	4.5	85.76	2.19
Water Discharge (Divided by Quality)	In 2020	In 2021	In 2022
Fresh Water	4,444.36	4,721.77	6,494.55
Others (Non-fresh Water)	2,078.15	2,215.55	2,017.57
Water Discharge (Divided by Processed Quality)	In 2020	In 2021	In 2022
Primary Treatment	2,078.15	2,215.55	2,017.57
Secondary Treatment	4,444.36	4,721.77	6,494.55
Water Consumption	In 2020	In 2021	In 2022
Products (Supplied Water for Taiwan Water Corporation)	1,261.40	1,282.38	1,113.32
Damage (Water Withdrawal, Water Discharge, used product, Mixed Waste)	324.01	390.61	634.99

Water Consumption Intensity
(Unit: ML/ NT\$ Million) Over the Years





05

Other Social Issues

5-1 Talent Development

Education and Training Management

Before 2021 in Kuo Toong, the training unit would remind all departments to carry out the required professional competency training. Starting from 2022, the heads of each department will submit applications based on needs or after receiving information of external courses in order to establish effective professional training plans for employees to strengthen their career development capabilities. While the new employee orientation, it will be arranged courses such as company management system, working environment introduction, occupational safety and health education and training, also new employees will be led by senior employees. In 2022, we introduced the mentor system, applied for the Corporate Human Resource Improvement Plan of Ministry of Economic Affairs, and arranged education and training courses of corporate social responsibility, time management skills and corporate process improvement. On November 21, 2022, Kuo Toong conducted an online training session on ethical business practices and relevant legal regulations, focusing on corporate integrity and insider trading. The training lasted for 120 minutes and was attended by 117 managers and employees.

In 2022, approximately 374,000 NTD was allocated for education and training expenses, with a total participation of 166 individuals and a combined training duration of 1,844.5 hours. Divided by gender, the training hours for male were 4.51 hours, and for female were 9.65 hours; divided by position, the training hours for middle and executives were 7.88 hours, for supervisors were 6.25 hours, for Engineering personnel were 5.93 hours, and for administration personnel were 9.26 hours. The decrease in education and training expenses and hours in 2022 compared to 2021 can be attributed to the fact that many employees in the company, particularly engineering personnel, have certifications with training cycles of 2 to 3 years. In 2022, the proportion of employees requiring recertification was reduced compared to 2021, resulting in lower training costs.

Furthermore, in addition to internal talent development, Kuo Toong actively supports industry-academia collaboration. In 2022, to enhance the company's internal talent management capabilities, Kuo Toong collaborated with National Kaohsiung University of Science and Technology on the "Kuo Toong International Co., Ltd. Management Talent Development Program." The program ran from August 1, 2022, to July 31, 2023, with a planned duration of 60 hours. The program covered topics such as corporate management systems, environmental analysis and strategic tools, risk/crisis management, and energy-saving and carbon reduction technologies and opportunities. Through this industry-academia collaboration, the program aimed to align corporate needs with academic expertise, nurturing talent within the company and improving management service performance.

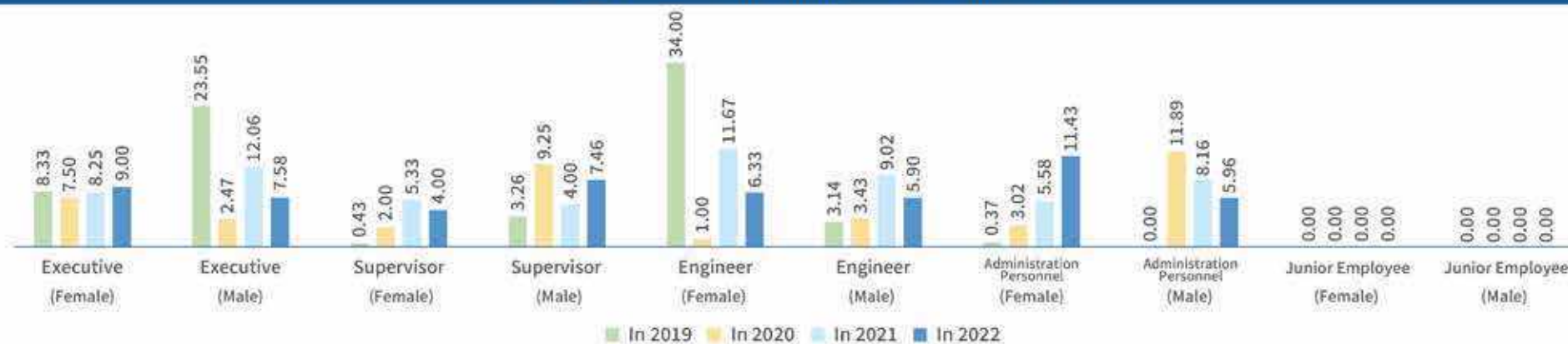
Overview of Allocations Invest in Iducation and Tranning Over the Years



Total Hours for Offering Education and Training Over the Years



Total Training Hour (Hours) / Average Training Hour (Hours)



Performance Appraisal

All employees, except for those on unpaid leave and those who have been with the company less than 3 months, are required to undergo performance appraisal. (Currently, the General Manager position is held by the Chairman and, therefore, is not subject to appraisal). The appraisal are divided into two types: "Mid-year Review" and "Annual Review". The heads of each department conduct performance interviews with their employees, and submit the Mid-year Review to the HR unit at the end of May every year, implement the Annual Review before the end of the year. Meanwhile, employees will receive the Self-assessment Form and Annual Assessment Form from Financial & Administrative Department to fill out, and return it within a week. Thus, the Financial & Administrative Department will transfer those forms with Mid-year Assessment Form to the heads of each department for reviewing. The review shall be conducted by the direct supervisor or the person designated by the superior of the employee (who is under the review) for initial review and second review.

For employees whose performance appraisal's score is lower than 60, the Human Resource Evaluation Committee will notify the improvement verbally first. If it is not improved within a month, the Human Resource Evaluation Committee will issue a performance improvement notice within a deadline of three months to improve. In case of the improvement still cannot be seen, the Financial & Administrative Department will hold an appraisal meeting that the employees shall be attended, and ruled by Human Resource Evaluation Committee for assigning an appropriate position.

The employees who should be taken the performance appraisal in 2022 were 100% carried out according to the annual performance appraisal operation. The appraisal results are used as the basis for calculating year-end bonuses, education and training, job transfers and promotions, etc. In addition, Xinyuan Complex would evaluate work performance every month as the basis for issuing production bonuses.

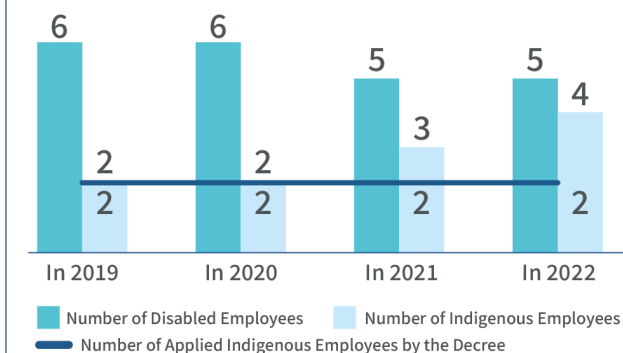
5-2 Diversity and Inclusivity

Recruitment policy

Kuo Toong recruits new personnel through an open recruitment, and the supervisor selects the person who are suitable for the company based on their knowledge, experience, characteristic and work experience. In addition, we do not hire employees under 16 years old and have forced or compulsory labor existed abide by relevant labor laws and regulations. If there is a major impact on manpower demand caused by operational changes, we will strictly follow relevant laws to arrange the employees, and properly communicate with them before the legal advance notice period.

In order to promote relevant affirmative action, through education and training to publicize concepts such as equality, prevention of sexual harassment, prevention of employment discrimination, respect and understanding of cultural differences, etc.; Implement and extend relevant affirmative action measures, for examples, providing working hours for breastfeeding, paternity leave, family care leave, etc., to strengthen employees' understanding and respect for equality in the workplace. Let all employees understand the company's determination to implement human rights protection. In terms of talent recruitment, we promote equal employment opportunities through actions, and strenuously take care of underprivileged groups. As of the end of 2022, there were 5 individuals with disabilities and 4 individuals of indigenous descent who had been promoted. These numbers exceeded the legal requirement by 2 individuals.

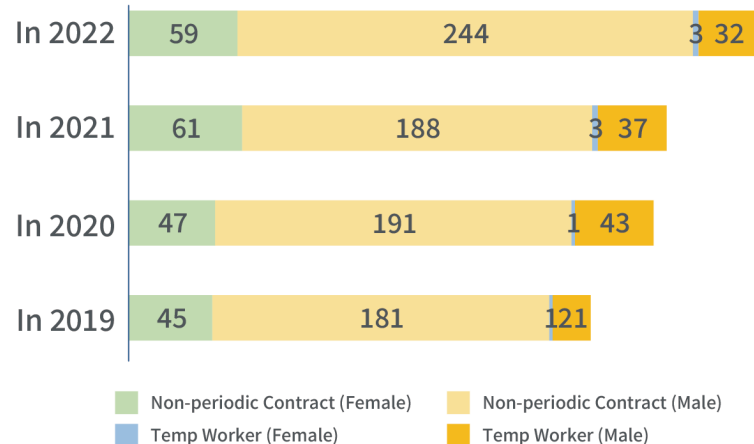
Employment Situation of Vulnerable Groups



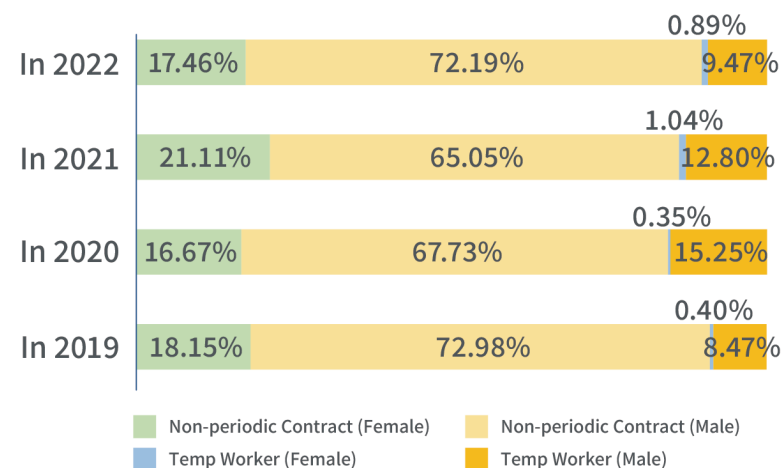
Manpower Overview

Both Kuo Toong and Kuo Yang companies have a predominantly male workforce due to the nature of the industry. As of the end of 2022, the total number of employees was 338, which represents an increase of 49 people (increased by 16.96%) compared with 2021, and all employees were full-time employees, there were no part-time employees (hourly workers) or non-employee workers.

Number of Hired Employees Over the Years (by Employment Contract)

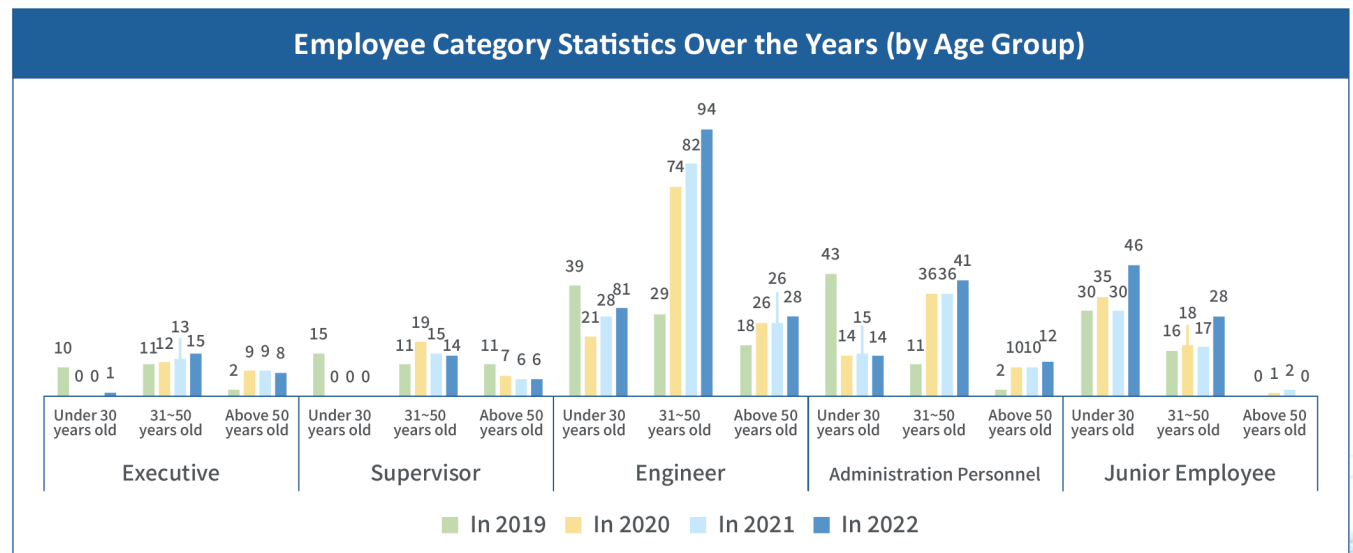
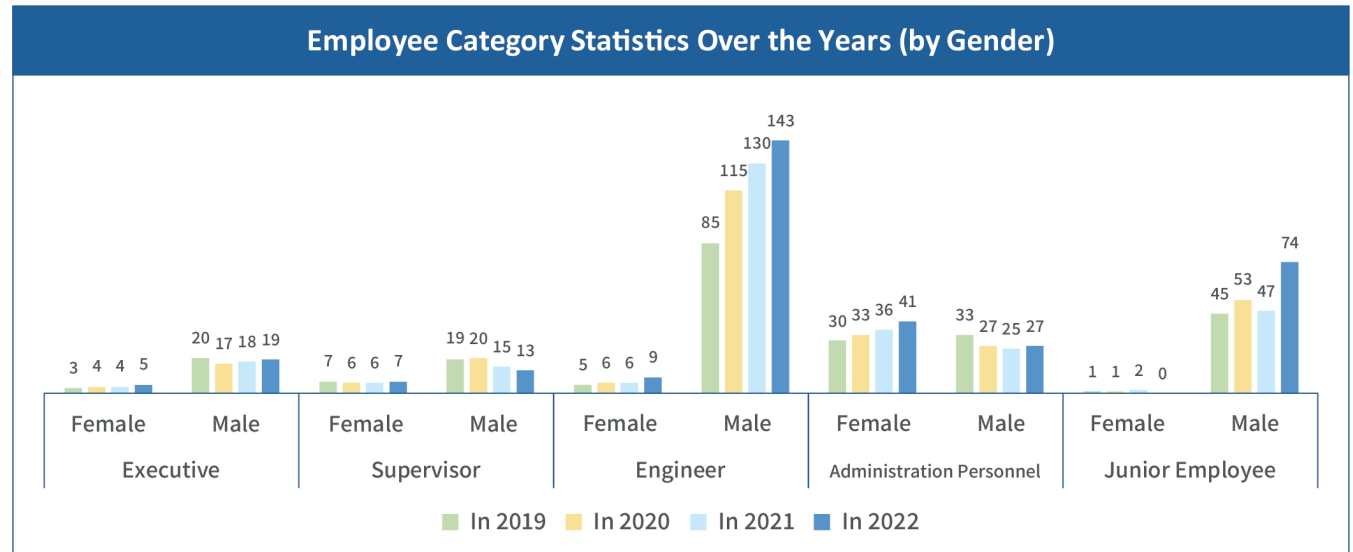
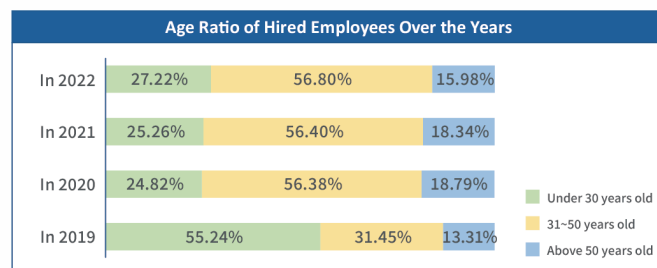
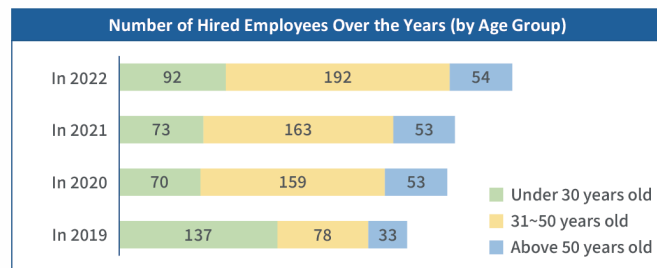
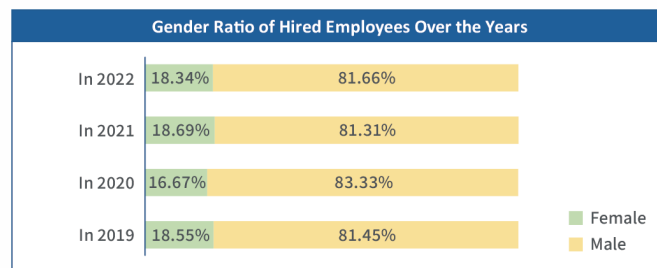
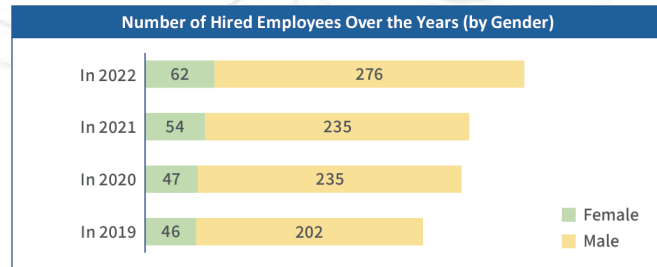


Gender Ratio of Hired Employees Over the Years (by Employment Contract)



As of the end of 2022, there were 62 females (accounting for 18.34%) among the total number of employees, with little difference in gender ratio in the past three years; there were 92 employees under 30 years old, which represents an increase of 19 people (increased by 26.03%) compared with 2021. The in-service employees had the highest proportion of 31-50 years old, of which were 192 people (accounting for 56.80%).

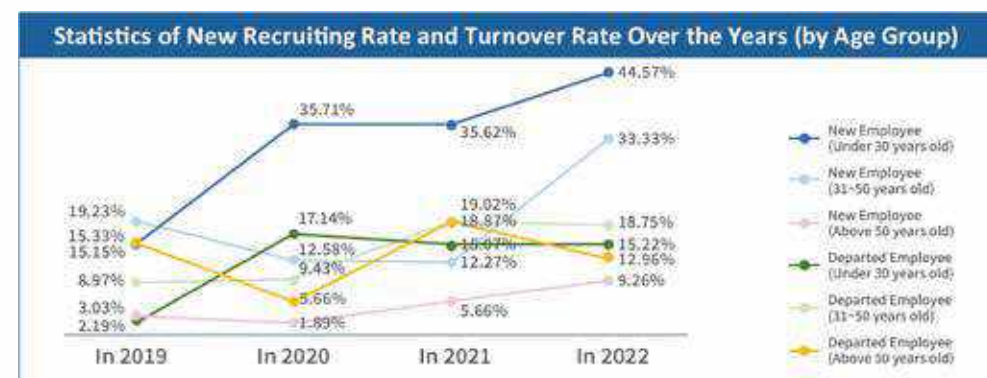
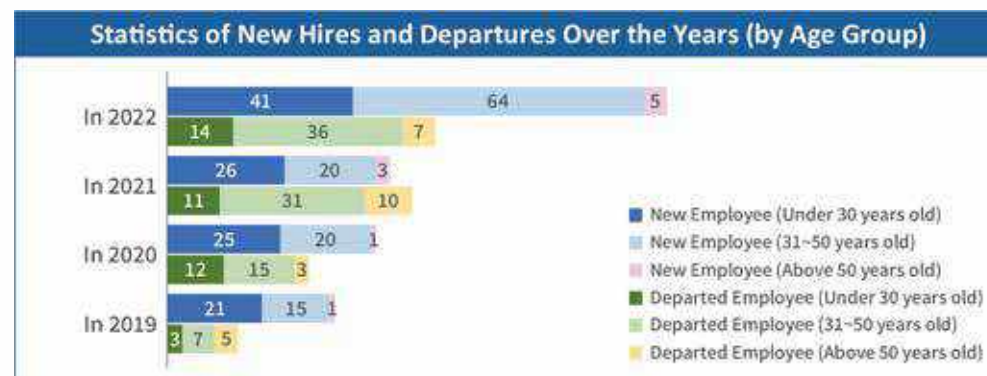
In 2022, there were 44 employees in supervisory positions. Among all supervisors, females accounted for 27.27% of the total. In the category of executives, females made up 20.83% of the total, which is higher than the overall female representation of 18.34% among all employees. Furthermore, based on the location of the operating units (counties or cities), 50% of executives in both Kuo Toong and Kuo Yang companies were local residents of the respective areas.



Employee Turnover

In 2022, a total of 110 new employees were recruited, of which were 16 females (a new recruiting rate of 25.81%) and 94 males (a new recruiting rate 34.06%). Divided by the age, there were 41 new employees (with a new recruiting rate of 44.57%) under 30 years old and below, and 64 new employees (with a new recruiting rate of 33.33%) between 31-50 years old. The higher average age of new employees in 2022 can be attributed to the company's job openings being predominantly for experienced candidates during that year.

In 2022, a total of 57 employees were resigned, of which were 8 females (a turnover rate of 12.90%) and 49 males (a turnover rate of 17.75%). Both the turnover rates for females and males decreased compared to 2021. Divided by the age, in 2022, the age group of 31-50 had a higher turnover rate with 36 departures (a turnover rate of 18.75%), while the age group of 30 and below had 14 departures (a turnover rate of 15.22%), and the age group of 50 and above had 7 departures (a turnover rate of 12.96%). These rates were lower compared to 2021.



Note: New Recruiting (Turnover) Rate= Number of new hires (departures) in the category during the year ÷ Total number of employees in the category at the end of the year.

Communication and Grievance

Kuo Toong has formulated the "Employees Grievance Policy", the employees can submit complaints anonymously to the E-mail dedicated to grievances by senior executives, or put the written complaints into the suggestion box. The Audit Office will submit the complaints depending on the situation to the general manager for instructions, or directly inform the supervisor of the relevant units after receives them, and regularly reports the progress of the grievances to the general manager every month, so as to provide a smooth communication channel for all employees to lodge and thus to improve the blind spots of the corporate management. For the past three years, the Audit Office has not received any grievances.

We have held labor-management meetings every quarter, its topics include strengthening the response to the COVID-19 pandemic, adjusting extended working hours, and managing dormitories for migrant workers. In terms of communication with migrant workers, it is conducted through personnel from human resources agency who serve as translators during gathering and briefings. In the future, we will continue to improve employee benefits and maintain harmonious labor relations to avoid labor disputes.

5-3 Remuneration and Benefits

Salary of Non-supervisory Full-time Employees

The remuneration policy is based on personal capability, performance, contribution to the company, and has a positive correlation with operating performance. The planning of salary adjustment is linked with the results of performance appraisal, it shall be submitted an application for the employee by the head of each department according to the actual situation. Kuo Toong implemented a company-wide salary increase of 5% in October 2022."

According to the regulations outlined in the Taiwan Stock Exchange's "Instructions for Reporting Salary Information of Full-Time Employees in Non-Supervisory Positions," the salary information for full-time employees in non-supervisory positions at Kuo Toong is disclosed. The total salary was NT\$162,948 thousand in 2022, the average and median salary are NT\$685 thousand and NT\$566 thousand separately. The year-on-year growth rates for the average and median salaries were 37.27% and 27.19%, respectively. According to this calculation method, new employees or resigned employees with less than 6 months in the whole year are excluded. In 2021, several employees with higher salaries resigned before June, and their tenure for less than 6 months was not included in the calculation, resulting in a significant reduction in the average salary in 2021. When comparing to the reference year of 2020, the year-on-year growth rates for the average and median salaries of full-time employees in 2022 were 11.38% and 4.43%, respectively, which is considered a normal annual salary adjustment.

Analyzing average wages by job level, the average minimum wage for female full-time employees in both Kuo Toong and Kuo Yang companies is now higher than that of males (with a ratio of 1.21). Additionally, when considering all employees, the average minimum wage and remuneration of female employees is also higher than that of males (with a ratio of 1.42). Further segmenting the analysis into executives, supervisors, and non-managerial staff, female executives, as well as non-managerial staff, all have slightly higher average wages than their male counterparts. However, the wages of supervisors, on the other hand, continue to be slightly higher for males.

Unit: NT\$ thousands			
Year	In 2020	In 2021	In 2022
Number of Full-time Employees	198 people	208 people	238 people
Total Salary of Full-time Employees	121,830	103,895	162,948
Average Salary of Full-time Employees	615	499	685
Median Salary of Full-time Employees	542	445	566
Average Salary of Employees in the Same Industry	645	709	687

Remuneration Category	Minimum Wage		Minimum Wage and Remuneration	
	Female	Male	Female	Male
Executive	1.94	1	2.43	1
Supervisor	0.68	1	0.95	1
Non-supervisory Employee	1.06	1	1.12	1
Full-time Employee	1.21	1	1.42	1

The annual total remuneration ratio of Kuo Toong and Kuo Yang companies is as follows:

Item	Ratio
The ratio of the annual total remuneration of the highest-paid individual in 2022 to the median annual total remuneration of other employees (excluding the highest-paid individual)	16.57 times
The ratio of the percentage increase in the annual total remuneration of the highest-paid individual in 2022 to the median percentage increase in the annual total remuneration of other employees (excluding the highest-paid individual)	35.63 times

The mentioned remuneration includes minimum wage and variable bonuses. To avoid issues such as negative salary growth for employees who did not receive a full-year salary (e.g., those who joined in the middle of 2021 or left in the middle of 2022) and to calculate the salary growth rate for new employees in 2022, employees who were not employed for the entire duration of both 2021 and 2022 were excluded. This was done to ensure that the statistical results for the median were consistent with the actual situation.

Employee Benefits

Kuo Toong strictly abides by relevant labor laws and regulations, and has established work rules and related human resource management regulations, covering minimum wages, working hours, vacations, pensions, labor and health insurance, occupational accident compensation, etc., to protect the basic rights of employees, and arrange reasonable family planning policy to make the working hours and the rest days of the laborers are balanced. The child education subsidies are also be provided. In addition, we have well-prepared dormitories for migrant workers to stay and use with peace of mind.

Set up an Employee's Welfare Committee through employee elections in accordance with the law to coordinate the implementation of various welfare matters. Moreover, we have formulated the Workplace Health and Safety Rules, and regularly held health examinations, labor safety publicity, fire prevention lectures and drills for employees to maintain the safety and health of them. Providing employer's liability insurance coverage for all employees, including temp workers, and in 2022, enhancing group insurance to improve employee protection.

Type	Item
Fixed Subsidy	birthday cash gift/marriage subsidy/childbirth subsidy/ funeral subsidy/child education subsidy/relocation assistance/ retirement souvenir
Flexible Subsidy	company trip/ bonus or gift of Labor Day, Spring Festival, Dragon Boat Festival, Moon Festival

Pension Appropriation

The employees in Taiwan who choose to apply the "Labor Pension Act" will be provided with 6% of their monthly salary to the individual labor pension accounts of the Bureau of Labor Insurance to protect their rights and interests. Those who choose to continue to apply the "Retirement Mechanism Prescribed in the Labor Standards Act" or choose to apply the pension system of the Act while retaining their seniority under the old labor retirement system will be provided pension funds and deposited in an account at the Bank of Taiwan in the name of the Labor Pension Reserve Supervision Committee. At the end of each year, according to the insufficient balance of the actuarial report of the pension, the difference will be allocated before the end of March of the following year. As of December 31, 2022, the amount of defined benefit plan is a net defined benefit liability of NT\$7.78 million.

Unpaid Parental Leave

In 2022, one person applied for parental leave, and there were no employees returning to work during the previous year. Therefore, there were no returning employees in 2021. All employees who returned to work in 2021 remained employed for the entire 12 months, resulting in a retention rate of 100%.

Year	In 2019		In 2020		In 2021		In 2022	
Gender	Female	Male	Female	Male	Female	Male	Female	Male
Number of eligible employees for unpaid parental leave (A)	2	3	-	3	-	1	4	1
Number of applications for unpaid parental leave (B)	2	-	-	-	-	-	1	-
Number of employees who are estimated to reinstate in the year (C)	-	-	2	-	-	-	-	-
Actual number of reinstated employees (D)	-	-	2	-	-	-	-	-
Number of employees who are still employed 12 months after returning to work (E)	-	-	-	-	2	-	-	-
Reinstatement rate for expiry of unpaid leave (D)/(C)	-	-	100%	-	-	-	-	-
Retention rate for 12 months after reinstatement (E)/ (D of the previous year)	-	-	-	-	100%	-	-	-

Note: The calculation basis of the number of eligible people for unpaid parental leave is the number of people who have worked for more than 6 months and whose children have not reached the age of 3 in the year.

Unit: NT\$ thousands

Present Value of a Defined Benefit Obligation	47,661
Fair Value of Plan Assets	(39,879)
Net Defined Benefit Asset	0
Net Defined Benefit Liability	7,782

Employee Care and Activities

During the pandemic in recent years, in order to avoid the increased risk of infection caused by crowds, company trip and related group activities were suspended. Then, change into the video tabletop games were used instead to enhance interaction among employees.

Due to the impact of the pandemic, the employee travel plans for 2022 were canceled and replaced with travel subsidies as a way to show appreciation for the hard work of our colleagues. In the latter part of 2022, as the pandemic situation improved, the company organized a Family Day event in November. Employees and their families gathered at the Jing Yuan Farm for a day of barbecuing, singing, and games. This event aimed to foster interaction among colleagues, while allowing family members to participate and better connect with the company. It served to strengthen the cohesion and morale of our employees while also demonstrating our care for their work-life balance.





06

Sustainability Issues Management

Summary of Sustainability Issues Management Achievements in 2022

Kuo Toong follows the four reporting principles of GRI Standards, which are stakeholder inclusiveness, sustainability context, materiality and completeness, and conducts sustainability issues management to assess the major impact of each sustainability issue on our company. We continuously review and discuss these issues by considering the context of our operations and product backgrounds, and takes the degree of concern to important stakeholders as reference to regularly confirm the existing impact analysis of sustainability. Based on the analysis results, various policies, management guidelines and goals are formulated, and the promotion of our sustainable development is initiated to meet the expectations of stakeholders.

Kuo Toong reviews the scope of impact caused by each issue, confirms the target boundary of management. In the future, management strategies for various issues will be formulated successively, and will serve as the basis for subsequent promotions.

Step 1 | Identification of Important Stakeholders

Utilizing the AA1000 SES standard and its five dimensions, the assessment of stakeholders was carried out by 9 supervisors involved in the ESG project at Kuo Toong. Following discussions among senior executives, six important stakeholder categories were identified and confirmed.

Step 2 | Identification and Collection of Sustainability Issues

In 2022, the competent department sent questionnaires to important stakeholders, and 91 questionnaires were actually retrieved to understand their degree of concern for various sustainability issues.

Step 3 | Survey on Degree of Concern

In order to understand the concerns and expectations of important stakeholders on Kuo Toong's promotion of various sustainability issues, we refer to the global sustainability disclosure regulations, industrial benchmark enterprises, and domestic and foreign sustainability trend reports. Then, a questionnaire was compiled consisting of 17 sustainability topics.

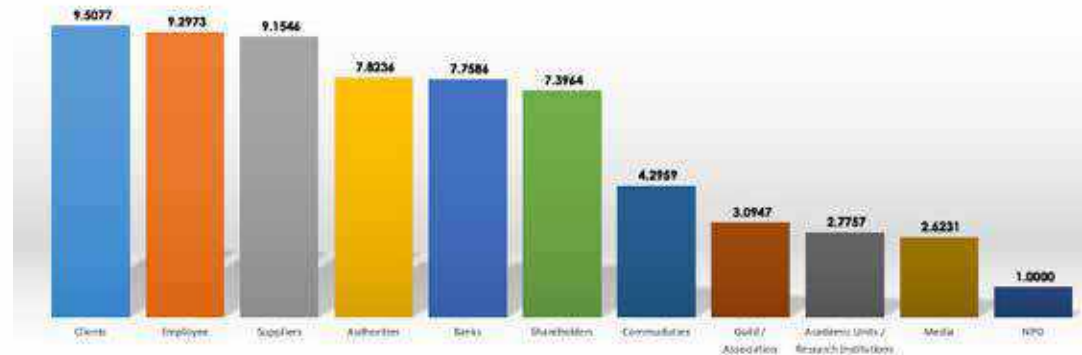
Step 4 | Degree of Impact Analysis, Decision of Material Sustainability Issues

According to the results of the survey on degree of concern to important stakeholders, the senior executives would consider the actual and potential impacts on the aspects of environment, society and governance of various issues during Kuo Toong's operation, and conduct degree of impact analysis with severity and probability as assessment dimensions. Through discussions and communications based on the results of the analysis, 10 material sustainability issues were finally identified.

6-1 Stakeholders Engagement

The AA1000 Stakeholder Engagement Standard (SES) is the standard that followed by Kuo Toong to identify stakeholders. It is conducted by the supervisors and related employees who participated in the ESG project. Based on 5 assessment items including dependency, responsibility, tension, influence, and diverse perspectives to rate various stakeholders. After discussions among the 9 supervisors participating in the ESG project and relevant employees, an internal assessment was conducted. It was determined that the operational environment in 2022 did not change significantly compared to 2021. Therefore, the identification of important stakeholders remains consistent with the results from 2021, confirming 6 important stakeholders are customers, competent authorities, employees, suppliers, banks, and shareholders, and it is shown as below.

Comprehensive Identification Results of Stakeholders



Note: The value on the vertical axis is based on the results of the assessment of each supervisor to summarize the analysis results of the five aspects, and to distinguish their relative importance in statistical terms.

Assessment Results from Five Aspects of Important Stakeholders



Summary on the Significance of Each Important Stakeholder to Kuo Toong

Important Stakeholders	Significance to Kuo Toong
Customers	The main customers of the services provided by Kuo Toong are Taiwan Water Corporation, water work institutions and Environmental Protection Bureau of various cities, which provided relevant services of water resources. The policies and needs of the target customer are the important measurement aspects of Kuo Toong in promoting its business strategy. Therefore, continuing to obtain two-way communication and cooperation through various engagement channels is an important factor in satisfying customer service and creating operational value.
Competent Authorities	Under the climate change circumstances, water resources management is an extremely important environmental issue and a key project of government governance. Therefore, fully communicating with the competent authorities, cooperating with national policy promotion, and undertaking government public constructions are also the achievements of Kuo Toong to demonstrate the value of sustainable development.
Employees	Comprehensive manpower recruitment, talent retention and cultivation are the key for Kuo Toong to provide stable service quality. It is the direction of our continuous efforts to provide employees with remuneration and benefits that meet the quality of life in the place of operating locations.
Suppliers	The promotion of sustainable development of supply chain management has become the current trend. Kuo Toong used to focus on quality management in the supply chain management. However, it will gradually implement the supplier's code of conduct and sustainable promotion from the process of upstream and downstream coordination to reduce the risks faced by sustainable development in the future.
Banks	International ESG evaluations and initiatives emphasize that the financial industry must incorporate ESG into its operation decisions of investment and lending. Therefore, banks have begun to require enterprises to perform in sustainable development, and continuously communication with financial institutions to understand their sustainable finance policies. This will be a crucial consideration in the future when seeking funding.
Shareholders	Responsible investment is gradually being valued. Sustainable management and information transparency are also the focus of Kuo Toong's development at this stage. We continue to communicate with investors about Kuo Toong's actions in the process of promoting corporate governance and operating strategies, so as to meet investors' expectations for incorporating ESG into investment decisions.

Important Stakeholders Engagement

The questionnaire survey on sustainable issues is not the only channel for Kuo Toong to understand stakeholder's issues of concern. We use multiple communication channels and an open and transparent way to continuously communicate and negotiate important issues with various stakeholders to ensure that their concerns and expectations can be incorporated into Kuo Toong's consideration of operating strategies and goals, and respond to the stakeholders with actual operating results. The following table summarizes the communication channels with various important stakeholders in 2022.

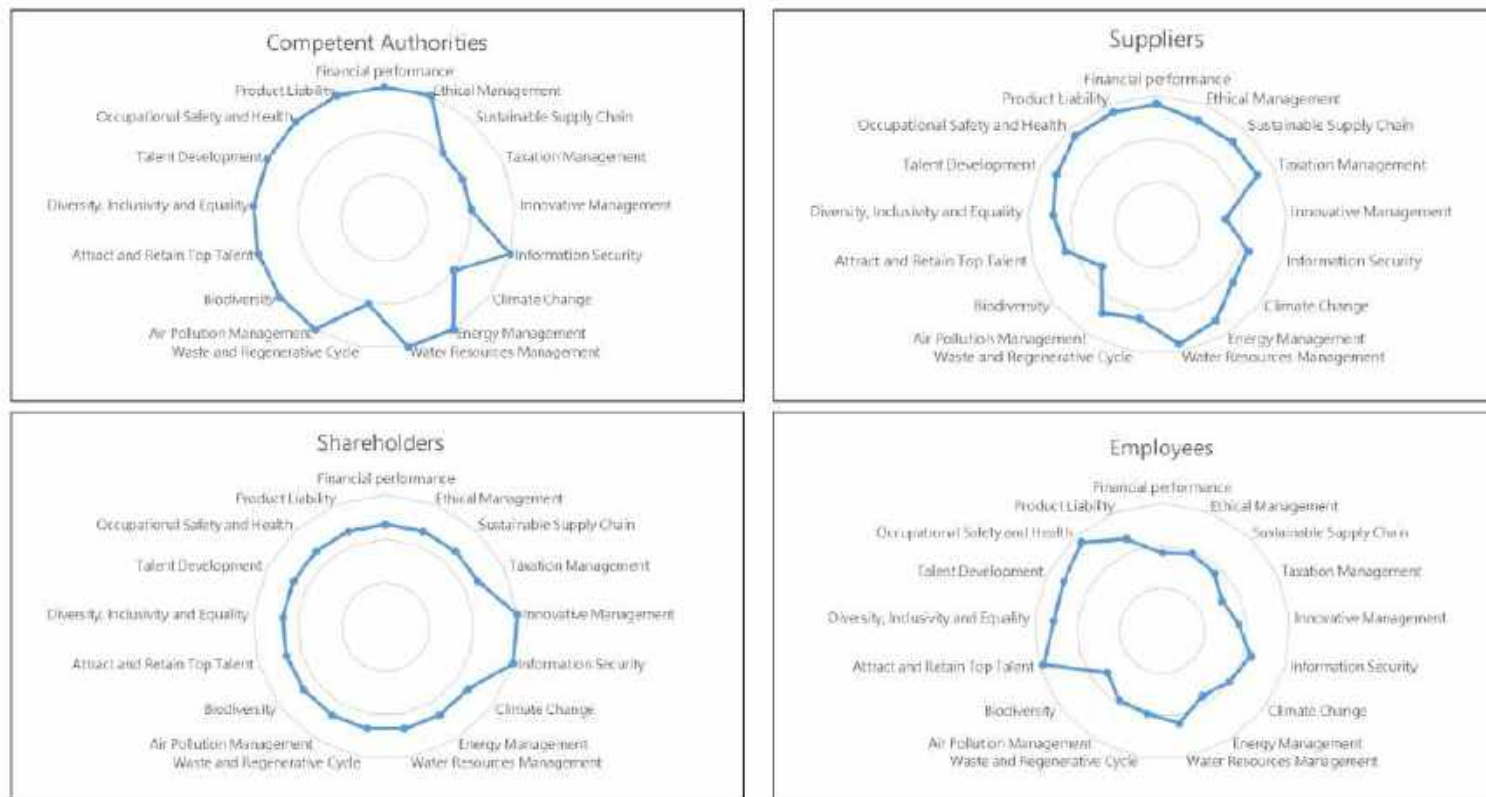
The Channels and Frequency of Communication with Important Stakeholders

Stakeholders	Channels	Frequency	Description
Customers	• Visiting, Con-call • Email • Project Meeting • Customer Satisfaction Survey	• Irregularly • Anytime • Irregularly • Every Year	• Achieved at least one new customer per quarter in 2022. • The customer satisfaction survey had reached a score of 91.1 in 2022. • Hold a project meeting in response to the needs of new projects, and handle its affairs. • Conduct annual surveys to understand the status of customers, as a reference for next year's business.
Competent Authorities	• Coordination Organization Meeting • Construction Meeting • Competent Authorities Inspection • Construction Inspection	• Before Start Construction • Irregularly • Irregularly • Irregularly	• Discussion on occupational safety and project overview. • Coordination of construction operations based on project progress. • Inspection of project execution status and project quality. • Evaluation of project execution performance.
Employees	• Occupational Health and Safety Committee • Labor-Management Meeting • Employee's Welfare Committee • Suggestion Box, Sexual Harassment/Workplace Bullying Grievance Mailbox	• Every Quarter • Every Quarter • Every Quarter • Anytime	• Held 4 meetings in 2022. • Held 4 meetings in 2022. • Held 4 meetings in 2022.
Suppliers	• New Supplier Evaluation • Supplier Audit • Environmental Safety Risk Assessment	• Irregularly • Every Year • Irregularly	• The verification and audit of new materials and alternative materials are required to attach hazardous substance reports. • Conduct key audits on primary raw material suppliers. • Conduct safety and health and environmental protection matters assessment for suppliers involved in on-site construction or services.
Banks	• Phone Call/Email • Visiting by Bank Executives	• Irregularly • Irregularly	• Promote "Sustainability-linked Loan", linking credit conditions and indicators related to sustainable development. If the inspection indicators are met, the interest rate will be reduced. • Recommend to reduce greenhouse gases, and Kuo Toong have already completed the inventory and plan to carry out the certification process of third-party professional institutions.
Shareholders	• Hold Annual General Meeting • Hold the Board Meeting • Earnings Call • Annual Report	• Every Year • Every Quarter • Irregularly • Every Year	• Regularly hold shareholders' meetings every year according to the Company Act and the Articles of Association • Regularly hold the board meetings every quarter, and hold additional board meetings according to the actual needs. In 2022, a total of 10 board meetings were held. • Report the business performance and future development strategies to investors in accordance with the regulations of Taipei Exchange • Disclose the information of financial, business and corporate governance • In 2022, conducted 10 earnings calls to provide updates on the company's operational status to investors.

6-2 Sustainability Issues Impact Assessment

Important Stakeholder's Issues of Concern

Kuo Toong refers to the global sustainability disclosure regulations, industrial benchmark enterprises, and domestic and foreign sustainability trend reports to list corporate governance and human rights management as two necessary sustainability issues for management, and summarize a questionnaire on 17 sustainability issues of other relevant issues. Then, conduct an important stakeholder concerns survey to understand their degree of concern for various sustainability issues, and 91 questionnaires were actually retrieved. A summary of concerned issues to various important stakeholders is shown in the figure below.



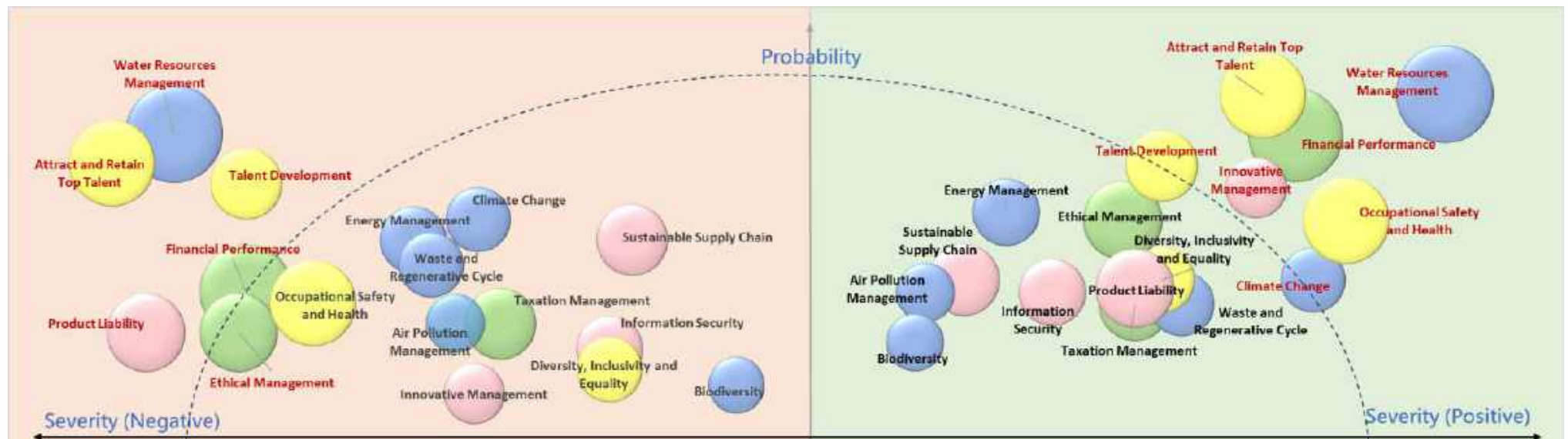
Identification of Material Sustainability Issues

There are 9 supervisors will evaluate the impact of each sustainability issue and divide the impact into "severity" and "Probability" after completing the survey on the degree of concern to important stakeholders on sustainability issues. Then, divide the impact into direct impact (opportunities and benefits) and indirect impact (risk and loss) to evaluate whether Kuo Toong has impacts on stakeholders, environment, and society due to related sustainability issues. After the evaluation results are statistically analyzed and summarized, they are drawn into an analysis chart of the impact of sustainability issues (as shown in the figure below).

Considering the concerns and requirements of government departments, shareholders, external sustainability evaluations and customers to conduct comprehensive discussions and assessments on various sustainability issues. After discussing according to the two selected aspects of high severity/high probability of direct impact and high severity/high probability of indirect impact, the 9 core sustainability issues include water resources management, talent attraction and retention, innovative management, financial performance, talent development, climate change adaptation, product responsibility, ethical corporate management, and occupational health and safety were listed as the 9 core sustainability issues. In addition, three essential management issues such as corporate governance, customer service, and supplier management, have been added. A total of 12 material issues for Kuo Toong to promote sustainable management.

Kuo Toong will plan to formulate promotional strategies and goals in the future through identification of material sustainability issues, and submit a report to the Board of Directors after being approved by the Sustainable Development Committee. Then, promote the strategies and goals accordingly, and formulate management plans to manage the impact of various issues which will be the basis for sustainable information disclosure in the future.

The Identification Results of Impact on Sustainability Issues



Note: Circle size means the degree of concern to stakeholders

6-3 Corresponding Disclosure Standards of Material Sustainability Issues and Information

Correspondence between Material Sustainability Issues and GRI Standards & SASB Standards

In the process of compiling this report, Kuo Toong not only adopted the GRI Standards, but also followed the Engineering & Construction Services industry in the field of infrastructure according to the Sustainability Accounting Standards Board (SASB) as the final compliance item of information disclosure.

Therefore, the identification of material sustainability issues corresponds with GRI Standards and SASB as a basis indicator for information disclosure. The corresponding results of each material sustainability issues are shown in the following table.

Issue Category	Corresponding GRI Standards Subject or SASB Indicator
Financial Performance	GRI 201 Economic Performance 2016
Ethical Corporate Management	GRI 205 Anti-corruption 2016 GRI 307 Environmental Compliance 2016 GRI 419 Socioeconomic Compliance 2016 IF-EN-160a.1,2 Environmental Impacts of Project Development IF-EN-51. a1,2,3 Business Ethics
Climate Change Adaptation	GRI 305 Emissions 2016 IF-EN-410b.3 Climate Impact of Business Portfolio
Talent Attraction and Retention	GRI 401 Employment 2016 GRI 402 Labor/Management Relations 2016 GRI 405 Diversity and Equal Opportunity 2016
Occupational Health and Safety	GRI 403 Occupational Health and Safety 2018
Talent Development	GRI 404 Training and Education 2016
Water Resources Management	GRI 303 Water 2018
Waste and Recycling	GRI 301 Materials 2016 GRI 306 Effluents and Waste 2020
Product Responsibility	IF-EN-250a.1,2 Structural Integrity and Safety of Buildings
Innovative Management	IF-EN-410a.1,2 Lifecycle Assessment of Buildings and Infrastructure



07

Appendix

7-1

Supplementary Disclosure of Performance for Governance Issues -Regulation Compliance

Kuo Toong attaches great importance to comply with laws and regulations. In addition to conducting internal training to strengthen employees' awareness of compliance, it also implements internal audits to ensure that all operations comply with laws and company's internal regulations, and prevent operating risks. The violations of Kuo Toong in 2022 are as follows, which were mainly penalties due to the violations of the Environmental Impact Assessment Act, the Occupational Safety and Health Act, and the Water Pollution Control Act. However, Kuo Toong has actively reviewed and planned improvement for each deficiency. The violation of the Environmental Impact Assessment Act was due to not conducting environmental monitoring according to the schedule. To address this, the company will pay closer attention to the deadlines for environmental monitoring in the future. Regarding violations of the Water Pollution Control Act, the company will be more mindful of construction deadlines to avoid failing to report runoff wastewater pollution reduction measures before construction begins. To address violations of the Occupational Safety and Health Act, Kuo Toong has enhanced worker safety education and training, safety awareness, and safety audits to reduce future legal violations.

Category	Number of Penalties	Amount (NTD)
Violation of the Environmental Impact Assessment Act	1	340,000
Violation of Occupational Safety and Health Act	3	310,000
Violation of the Water Pollution Control Act	1	30,250
Total	5	680,250

7-2

Supplementary Disclosure of Performance for Environmental Issues - Waste

In 2022, Kuo Toong generated a total of 3,329.90 tons of waste, with a recycling and reuse rate of 97.66%. The most significant waste category was organic sludge, amounting to 1,670.77 tons, primarily recycled through thermal treatment. Following that, waste foundry sand (R-1201) accounted for 860.76 tons, and induction furnace slag (R-1204) amounted to 801.28 tons.

The Weight of Waste Generation (Unit: Tons)						
Transfer/Direct Disposal	Recycling and Reuse		Direct Disposal			Total
The Ways of Disposal	Recycling and Reuse	Other Recycling Operations	Landfill	Landfill	Other Disposals	
	Non-hazardous	Non-hazardous	Hazardous	Non-hazardous	Non-hazardous	
In 2022	1,662.04	1,589.95	0.09	0	77.82	3,329.90
In 2021	2,850.86	2,144.65	0.10	17.94	110.59	5,124.14
In 2020	1,194.70	1,074.19	0	0	64.82	2,333.71
In 2019	262.86	141.89	0	0	83.83	488.58

7-3 Supplementary Disclosure of Performance for Social Issues- Charity Investment

For the projects that under construction, Kuo Toong not only maintains good relationships with the people in the neighborhood of the projects, but also promotes community development and caring for vulnerable groups. In 2022, the amount of donation reached NT\$178,000. In addition, we participated in influential water refill activity in Dajia, Taichung to claimed water dispensers to provide clean drinking water for local residents and children. So far, we have reduced the use of PET bottles by 2,720, resulting in a total carbon reduction of 252.92 kilograms, equivalent to the carbon absorption of 21.08 trees in a year. This demonstrates our commitment to environmental conservation and the value we place on preserving water resources.

Adoption of Yong'an Elementary School Ecological Park by Kuo Toong

Kuo Toong partners with Green Hope Springs Social Enterprise to adopt Yong'an Elementary School Soil and Water Conservation Ecological Park in Luye Township, Taitung County. Combining tree education, a signing ceremony was held on October 24, 2022, at our Kaohsiung Headquarters. The event was witnessed by Chairman Hong, Ya-man and attended by our top executives. Principal Lin, Yi-mao of Yong'an Elementary School in Luye Township, Taitung County, who came from afar, expressed gratitude in his speech for Chairman Hong's thoughtful support. Kuo Toong has helped with the maintenance expenses of the school's ecological park. Water resources are a crucial strategic asset for the future. Through cooperation with Kuo Toong International, students have the opportunity to learn more about precious water resources, desalination processes, and more. This partnership provides invaluable learning opportunities and educational significance for the students. The company has a long-standing commitment to public welfare activities, supporting sustainable environmental initiatives, and continuously providing social assistance and contributions. In collaboration with Green Hope Springs Social Enterprise, the company has undertaken the adoption of the small yet beautiful ecological park of Yong'an Elementary School in Taitung. The team is delighted to offer necessary support to Yong'an Elementary School. In alignment with the COP26 resolutions, as global citizens, it is our responsibility to contribute to the betterment of the Earth's environment. Only by achieving the United Nations' SDGs goals can we leave a brighter future for the generations to come.



Planting National Treasure Trees on Campus - First Stop: Nanzi Junior High School in Kaohsiung

On October 24, 2022, Kuo Toong, in collaboration with Green Hope Springs Social Enterprise, arranged by Nanho International Travel Agency, led by Chairman Hong, Ya-man, together with the company's top executives, visited Nanzi Junior High School in Kaohsiung. They planted 18 Camphor trees in front of the school gate alongside Principal Gao, Hong-shang, five school directors, and the Parent-Teacher Association Chairman. This initiative not only supports sustainability on campus but also embodies the company's ESG philosophy, leaving a better environment for the future. Making the environment more beautiful and sustainable is meaningful and valuable for the students. The double rows of coconut palm trees at the entrance of Nanzi Junior High School were facing aging issues, and the school planned to replace the tree physiognomy. On that day, during the students' break time, the tree planting event was held at Nanzi Junior High School. It allowed the students to witness the actual action of "A tree takes ten years to grow, but a hundred years to cultivate a person," leaving a beautiful campus for the future.



7-4 GRI Index

GRI Usage Statement

Usage Statement	Kuo Toong International Co., Ltd. has reported in accordance with the GRI Standards, referencing the information cited in the GRI Content Index for the period from January 1, 2022, to December 31, 2022.
GRI Standard Used	GRI 1: Foundation 2021

GRI 2: General Disclosures 2021

Indicator	Disclosure Item	Reference Chapter/Description/Ellipsis	Page
The Organization and its Reproting Practices			
2-1	Organizational details	1-1 Corporate Overview	7
2-2	Entities included in the organization' s sustainability reporting	About this Report	4
2-3	Reporting period, frequency and contact point	About this Report	4
2-4	Restatements of information	There is no such occurrence in the 2022 report.	
2-5	External assurance	7-6 Auditor Assurance Report	66
Activities and workers			
2-6	Activities, value chain and other business relationships	1-2 Introduction of Products	10
		3-3 Supply Chain Management	35
2-7	Employees	5-2 Diversity and Inclusivity	45
2-8	Workers who are not employees	5-2 Diversity and Inclusivity	45
Governance			
2-9	Governance structure and composition	3-1 Corporate Governance	28
2-10	Nomination and selection of the highest governance body	3-1 Corporate Governance	28
2-11	Role of the highest governance body in overseeing the management of impacts	3-1 Corporate Governance	28
2-12	Delegation of responsibility for managing impacts	3-1 Corporate Governance	28
2-13	Role of the highest governance body in sustainability reporting	3-1 Corporate Governance	28

Indicator	Disclosure Item	Reference Chapter/Description/Ellipsis	Page
2-14	Role of the highest governance body in sustainability reporting	About this Report	4
		3-1 Corporate Governance	28
2-15	Conflicts of interest	3-1 Corporate Governance	28
2-16	Communication of critical concerns	6-2 Sustainability Issues Impact Assessment	56
2-17	Collective knowledge of the highest governance body	3-1 Corporate Governance	28
2-18	Evaluation of the performance of the highest governance body	3-1 Corporate Governance	28
2-19	Remuneration policies	3-1 Corporate Governance	28
		5-3 Remuneration and Benefits	48
2-20	Process to determine remuneration	3-1 Corporate Governance	28
		5-3 Remuneration and Benefits	48
2-21	Annual total compensation ratio	3-1 Corporate Governance	48
Strategy, Policies and Practices			
2-22	Statement on sustainable development strategy	Words From Leaders	3
2-23	Policy commitments (Responsible Business Practices, Respect for Human Rights)	2-5 Business Ethics	25
		3-1 Corporate Governance	28
2-24	Embedding policy commitments	2-5 Business Ethics	25
2-25	Processes to remediate negative impacts	6-1 Stakeholders Engagement	53
		6-2 Sustainability Issues Impact Assessment	56
2-26	Mechanisms for seeking advice and raising concerns	6-1 Stakeholders Engagement	53
		6-2 Sustainability Issues Impact Assessment	56
2-27	Compliance with laws and regulations	7-1 Supplementary Disclosure of Performance for Governance Issues -Regulation Compliance	60
2-28	Membership associations	1-1 Corporate Overview	7
Stakeholder Engagement			
2-29	Approach to stakeholder engagement	6-1 Stakeholders Engagement	53
2-30	Collective bargaining agreements	No collective agreement signed with the labor union.	

GRI 3: Material Topics 2021

Indicator	Disclosure Item	Reference Chapter/Description/Ellipsis	Page
3-1	Process to determine material topics	6-2 Sustainability Issues Impact Assessment	56
3-2	List of material topics	6-3 Corresponding Disclosure Standards of Material Sustainability Issues and Information	58
Material Topics			
GRI 200: Economic Topics			
GRI 201: Economic Performance 2016			
3-3	Management approach	1-3 Operation Overview	16
201-1	Direct economic value generated and distributed	1-3 Operation Overview	16
201-3	Defined benefit plan obligations and other retirement plans	5-3 Remuneration and Benefits	48
GRI 205: Anti-Corruption 2016			
3-3	Management approach	2-5 Business Ethics	25
205-3	Confirmed incidents of corruption and actions taken	2-5 Business Ethics	25
GRI 300: Environmental Topics			
GRI 301: Materials 2016			
3-3	Management approach	4-1 Recycling and Reuse Material	37
301-1	Materials used by weight or volume	4-1 Recycling and Reuse Material	37
301-2	Recycled input materials used	4-1 Recycling and Reuse Material	37
GRI 303: Water and Effluents 2018			
3-3	Management approach	4-4 Water Resources Management	41
303-1	Interactions with water as a shared resource	4-4 Water Resources Management	41
303-2	Management of water discharge-related impacts	4-4 Water Resources Management	41
303-3	Water withdrawal	4-4 Water Resources Management	41
303-4	Water discharge	4-4 Water Resources Management	41
303-5	Water consumption	4-4 Water Resources Management	41

Indicator	Disclosure Item	Reference Chapter/Description/Ellipsis	Page
GRI 305: Emissions 2016			
3-3	Management approach	4-2 Greenhouse Gas Inventory	38
305-1	Direct (Scope 1) GHG emissions	4-2 Greenhouse Gas Inventory	38
305-2	Energy indirect (Scope 2) GHG emissions	4-2 Greenhouse Gas Inventory	38
305-3	Other indirect (Scope 3) GHG emissions	4-2 Greenhouse Gas Inventory	38
GRI 306: Waste 2020			
3-3	Management approach	7-2 Supplementary Disclosure of Performance for Environmental Issues - Waste	60
306-1	Waste generation and significant waste-related impacts	7-2 Supplementary Disclosure of Performance for Environmental Issues - Waste	60
306-2	Management of significant waste-related impacts	7-2 Supplementary Disclosure of Performance for Environmental Issues - Waste	60
306-3	Waste generated	7-2 Supplementary Disclosure of Performance for Environmental Issues - Waste	60
306-4	Waste diverted from disposal	7-2 Supplementary Disclosure of Performance for Environmental Issues - Waste	60
306-5	Waste directed to disposal	7-2 Supplementary Disclosure of Performance for Environmental Issues - Waste	60
GRI 307: Environmental Compliance 2016			
3-3	Management approach	7-1 Supplementary Disclosure of Performance for Governance Issues -Regulation Compliance	60
307-1	Non-compliance with environmental laws and regulations	7-1 Supplementary Disclosure of Performance for Governance Issues -Regulation Compliance	60
GRI 400: Social Topics			
GRI 401: Employment 2016			
3-3	Management approach	5-2 Diversity and Inclusivity	45
		5-3 Remuneration and Benefits	48
401-1	New employee hires and employee turnover	5-2 Diversity and Inclusivity	45
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5-3 Remuneration and Benefits	48
401-3	Parental leave	5-3 Remuneration and Benefits	48
GRI 402: Labor/Management Relations 2016			
3-3	Management approach	5-2 Diversity and Inclusivity	45
402-1	Minimum notice periods regarding operational changes	Kuo Toong adheres to the provisions of Article 16 of the Labor Standards Act and explicitly stipulates the notice period in the company's work rules when significant changes in company operations may affect labor rights, in order to safeguard the rights of employees.	

GRI 3: Material Topics 2021

Indicator	Disclosure Item	Reference Chapter/Description/Ellipsis	Page
GRI 403: Occupational Health and Safety 2018			
3-3	Management approach	2-3 Workers' Health and Safety	22
403-1	Occupational health and safety management system	2-3 Workers' Health and Safety	22
403-2	Hazard identification, risk assessment, and incident investigation	2-3 Workers' Health and Safety	22
403-3	Occupational health services	2-3 Workers' Health and Safety	22
403-4	Worker participation, consultation, and communication on occupational health and safety	2-3 Workers' Health and Safety	22
403-5	Worker training on occupational health and safety	2-3 Workers' Health and Safety	22
403-6	Promotion of worker health	2-3 Workers' Health and Safety	22
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	2-3 Workers' Health and Safety	22
403-8	Workers covered by an occupational health and safety management system	2-3 Workers' Health and Safety	22
403-9	Work-related injuries	2-3 Workers' Health and Safety	22
403-10	Work-related ill health	2-3 Workers' Health and Safety	22
GRI 404: Training and Education 2016			
3-3	Management approach	5-1 Talent Development	43
404-1	Average hours of training per year per employee	5-1 Talent Development	43
404-3	Percentage of employees receiving regular performance and career development reviews	5-1 Talent Development	43
GRI 405: Diversity and Equal Opportunity 2016			
3-3	Management approach	3-1 Corporate Governance	28
		5-2 Diversity and Inclusivity	45
405-1	Diversity of governance bodies and employees	3-1 Corporate Governance	28
		5-2 Diversity and Inclusivity	45
405-2	Ratio of basic salary and remuneration of women to men	5-3 Remuneration and Benefits	48
GRI 419: Socioeconomic Compliance 2016			
3-3	Management approach	7-2 Supplementary Disclosure of Performance for Environmental Issues - Waste	60
419-1	Non-compliance with laws and regulations in the social and economic area	7-2 Supplementary Disclosure of Performance for Environmental Issues - Waste	60

7-5 Sustainability Accounting Standards Index (SASB)

Type of Industry: Infrastructure

Title: Engineering and Construction Services

Topic	Content of Indicator	Indicator Code	Reference Chapter/Description	Page
Environmental Impacts of Project Development	Number of incidents of non-compliance with environmental permits, standards, and regulations	IF-EN-160a.1	2-1 Environmental Impacts of Project Development	19
	Discussion of processes to assess and manage environmental risks associated with project design, siting, and construction	IF-EN-160a.2	2-1 Environmental Impacts of Project Development	19
Structural Integrity & Safety	Amount of defect- and safety-related rework costs	IF-EN-250a.1	2-2 Structural Integrity & Safety	20
	Total amount of monetary losses as a result of legal proceedings associated with defect- and safety-related incidents	IF-EN-250a.2	2-2 Structural Integrity & Safety	20
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	IF-EN-320a.1	2-3 Workers' Health and Safety	22
Lifecycle Impacts of Buildings & Infrastructure	(1) Number of commissioned projects certified to a third-party multi-attribute sustainability standard (2) Number of active projects seeking such certification	IF-EN-410a.1	2-4 Lifecycle Impacts of Buildings & Infrastructure	24
	Discussion of process to incorporate operational-phase energy and water efficiency considerations into project planning and design	IF-EN-410a.2	Kuo Toong's tender are all pipeline construction, not related to interior quality. Therefore, it's not applicable for this topic.	
Climate Impacts of Business Mix	Amount of backlog for (1) hydrocarbon related projects and (2) renewable energy projects	IF-EN-410b.1	Kuo Toong neither manufactures hydrocarbon nor uses renewable energy. Therefore, it's not applicable for this topic.	
	Amount of backlog cancellations associated with hydrocarbon-related projects	IF-EN-410b.2		
	Amount of backlog for non-energy projects associated with climate change mitigation	F-EN-410b.3		
Business Ethics	(1) Number of active projects and (2) backlog in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	IF-EN-510a.1	2-5 Business Ethics	25
	Total amount of monetary losses as a result of legal proceedings associated with charges of (1) bribery or corruption and (2) anticompetitive practices	IF-EN-510a.2	2-5 Business Ethics	25
	Description of policies and practices for prevention of (1) bribery and corruption, and (2) anti-competitive behavior in the project bidding processes	IF-EN-510a.3	2-5 Business Ethics	25
Activity Metrics	Number of active projects	IF-EN-000.A	2-6 Operation Data	26
Number of Commissioned Projects	Number of commissioned projects	IF-EN-000.B	2-6 Operation Data	26
Backlog	Total backlog	IF-EN-000.C	2-6 Operation Data	26

7-6 Auditor Assurance Report



INDEPENDENT AUDITORS' LIMITED ASSURANCE REPORT

The Board of Directors and Stockholders
Kuo Toong International Co., Ltd.

We have performed a limited assurance engagement on the selected subject matter information (see Appendix) in the Sustainability Report (the "Report") of Kuo Toong International Co., Ltd. (the "Company") for the year ended December 31, 2022.

Responsibilities of Management for the Report

Management is responsible for the preparation of the Report in accordance with Taipei Exchange Rules Governing the Preparation and Filing of Sustainability Reports by TPEX Listed Companies and Universal Standards, Sector Standards and Topic Standards published by the Global Reporting Initiative (GRI), and for such internal control as management determines is necessary to enable the preparation of the Report that are free from material misstatement.

Auditors' Responsibilities for the Limited Assurance Engagement Performed on the Report

We planned and conducted our work on the selected subject matter information (see Appendix) in the Report in accordance with the Statements of Assurance Engagements Standards No. 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the Accounting Research and Development Foundation of the Republic of China to issue a limited assurance report on the preparation, with no material misstatement in all material respects, of the Report. The nature, timing and extent of procedures performed in a limited assurance engagement are different from and more limited than a reasonable assurance engagement and, therefore, a lower assurance level is obtained than a reasonable assurance.

We applied professional judgment in the planning and conduct of our work to obtain evidence supporting the limited assurance. Because of the inherent limitations of any internal control, there is an unavoidable risk that even some material misstatements may remain undetected. The procedures we performed include, but not limited to:

1. Obtaining and reading the Report.
2. Inquiring management and personnel involved in the preparation of the Report to understand the policies and procedures for the preparation of the Report.
3. Inquiring the personnel responsible for the preparation of the Report to understand the process, controls, and information systems in the preparation of the selected subject matter information.
4. Analyzing and examining, on a test basis, the documents and records supporting the selected subject matter information.

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傳承 / 堅定 / 當責

Legendary & Steadfast Accountancy

Inherent Limitations

The subject information included non-financial information, which was under more inherent limitations than financial information. The information may involve significant judgment, assumptions and interpretations by the management, and the different stakeholders may have different interpretations of such information.

Independence and Quality Controls

We have complied with the independence and other ethical requirements of the Norm of Professional Ethics for Certified Public Accountant in the Republic of China, which contains integrity, objectivity, professional competence and due care, confidentiality and professional behavior as the fundamental principles. In addition, the firm applies Statement of Quality Management Standard No. 1 "Quality Management for Public Accounting Firms" issued by the Accounting Research and Development Foundation of the Republic of China and, accordingly, requires to design and implement quality management system, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the selected subject matter information in the Report is, in all material respects, not prepared in accordance with Taipei Exchange Rules Governing the Preparation and Filing of Sustainability Reports by TPEX Listed Companies and Universal Standards, Sector Standards and Topic Standards published by the Global Reporting Initiative (GRI).

Other Matters

We shall not be responsible for conducting any further assurance work for any change of the subject matter information or the criteria applied after the issuance date of this report.

The engagement partner on the limited assurance report is Chiu-Ling Wu.

Chiu Ling Wu

Legendary & Steadfast Accountancy
Tainan, Taiwan
Republic of China
August 31, 2023

Notice to Readers

For the convenience of readers, the independent auditors' limited assurance report and the accompanying summary of selected subject matter information have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' limited assurance report and summary of selected subject matter information shall prevail.

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7-6 Auditor Assurance Report

APPENDIX

SUMMARY OF SELECTED SUBJECT MATTER INFORMATION

#	Assurance Subject Matter (GRI Standards/SASB Standards)	Descriptions of Indicators	Corresponding Section	Applicable Criteria
1.	GRI 303-3 : 2018	Water withdrawal	4-4 Water Resources Management	A breakdown of total water withdrawal from seawater and third-party water.
2.	GRI 303-4 : 2018	Water discharge	4-4 Water Resources Management	A breakdown of total water discharge by destination, quality, and level of treatment.
3.	GRI 303-5 : 2018	Water consumption	4-4 Water Resources Management	A breakdown of total water consumption by products and other consumption.
4.	GRI 306-3 : 2020	Waste generated	7-2 Supplementary Disclosure of Performance for Environmental Issues-Waste	Total weight of waste generated, and a breakdown of this total by composition of the waste.
5.	GRI 403-3 : 2018	Occupational health services	2-3 Workers' Health and Safety	Occupational health services' functions that contribute to the identification and elimination of hazards and minimization of risks.
6.	GRI 403-5 : 2018	Worker training on occupational health and safety	2-3 Workers' Health and Safety	Occupational health and safety training provided to workers.

(Continued)

#	Assurance Subject Matter (GRI Standards/SASB Standards)	Descriptions of Indicators	Corresponding Section	Applicable Criteria
7.	GRI 403-6 : 2018	Promotion of worker health	2-3 Workers' Health and Safety	Promoting ways for workers' access to non-occupational medical and healthcare services.
8.	GRI 403-7 : 2018	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	2-3 Workers' Health and Safety	The approach to preventing or mitigating significant negative occupational health and safety impacts that are directly linked to its operations, products, or services by its business relationships, and the related hazards and risks.
9.	GRI 403-9 : 2018	Work-related injuries	2-3 Workers' Health and Safety	The number and rate of fatalities as a result of work-related injury, high-consequence work-related injuries and recordable work-related injuries for all employees and workers.
10.	GRI 403-10 : 2018	Work-related ill health	2-3 Workers' Health and Safety	The number and rate of fatalities as a result of work-related ill health and the number of recordable work-related ill health cases for all employees and workers.

(Continued)

7-6 Auditor Assurance Report

#	Assurance Subject Matter (GRI Standards/SASB Standards)	Descriptions of Indicators	Corresponding Section	Applicable Criteria
11.	GRI 404-1 : 2016	Average hours of training per year per employee	5-1 Talent Development	Average hours of training that the organization's employees have undertaken during the reporting period, by gender and employee category.
12.	SASB IF-EN-320a.1	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	2-3 Workers' Health and Safety	Total recordable incident rate and fatality rate for direct employees and contract employees.
13.	Designated indicator 1	Energy consumption within the organization	4-3 Energy Management	Amount of energy consumed from electricity purchased, liquified natural gas, liquified petroleum gas, gasoline, and diesel fuel.

(Concluded)



國統國際股份有限公司
KUO TOONG INTERNATIONAL CO., LTD.