



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

2021

國統國際永續報告書

ESG Report of KUO TOONG



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# Words from the Leaders

## **Under the global climate change circumstances, it should be attach importance to the sustainable operation strategies**

Nowadays, as the whole world has faced climate change, the number of extreme climatic events has increased, resulting in more frequent floods and droughts, and more unstable global water resources. The greatest drought over the past ten decades just one of test. Taiwan is bound to figure a solution against the water shortage in advance in the future.

At present, Taiwan is deeply aware that facing the climate change should be proactively implement energy conservation, carbon reduction and adjustment. Climate change and Net Zero Emissions have become a focus of global attention. Water resources will be the first target to bear the brunt in the situation of global warming. Kuo-Toong Co., Ltd follows Taiwan's Pathway to Net-Zero Emissions in 2050 and related strategies. Hoping to be geared towards the trends of international Net Zero Emissions.

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 consistently strengthen innovation in water supply and division pipes, desalination, water purification, sewage. 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.

## **To Introduce ESG Index Concept from Public Construction Lifecycle**

ESG is literally a hot topic of capital market in recent years, it separately represents environmental protection (E,environment) , social responsibility (S,social) and corporate governance (G,governance) , which are regarded as indicators for assessing the operation of an enterprise.

However, the steady operation, perseverance and innovative spirit are the basic beliefs of prosperity and sustainable operation for Kuo Toong. With an effort of all the employees, formulate a carbon reduction strategies at each stage of public construction lifecycle (planning, design, construction and operation) through relentlessly review and improve the product quality and construction technology, including reducing addition of chemicals and energy consumption, low carbon green building designs, standardizing construction procedure and environmental carbon fixation. To fulfill corporate social responsibility and contribute to the future of the earth.

Kuo Toong knows that environmental protection, social responsibility and corporate governance are inseparable to enterprise development. While pursuing steady improvement in operations we will insist the belief of sustainable operation and move toward ESG goals with employees, suppliers, partners and stakeholders etc., in the future.

Hung, Ya-Man  
Chairman

A handwritten signature in black ink, appearing to read "Hung, Ya-Man".

# 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 2021 sustainability report (hereinafter referred to as "the report") is the first issued sustainability disclosure report. The report relevant information as shown below:

## Disclosure Scope

The report's issuance based on the "Taipei Exchange Rules Governing the Preparation and Filing of Sustainability Reports released by Financial Supervisory Commission". It is issued voluntarily on 2020 for the first time before reaching the mandatory disclosure standard. Corporations with a capital of more than 2 billion dollars are required to issue a sustainability report, therefore it will continue to be issued once a year. The information scope is from January 1, 2021 to December 31, 2021. To make an overall disclosure in performance including economy, society and environment etc., of all the operations of Kuo Toong's each operating location and subsidiaries in Taiwan. The main operating location includes Kaohsiung Headquarters, Xinyuan Complex, Penghu Desalina-

tion Plant and Kuo Yang Co., Ltd., which will not be otherwise specified in the follow-up report. Partial information is only based on the disclosure of data in 2021 due to the consideration in difficulty and integrity for gathering information.

## 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 this report, also the engineering and construction service industry standards in the infrastructure field of SASB are used as the basis for the preparation of this 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-com-

piling 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 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 on the page 66 in the report and posted 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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## Feature Story Drought-resistant National Team

To meet the water shortage in Taiwan, Kuo Toong joined Drought-resistant National Team and its outstanding performance was deeply recognized.

In 2020, the low rainfall occurred in each area of Taiwan and there are no typhoons have landed this year. The reservoirs had faced the pressure of water supply and Taiwan was confronted the greatest crisis of drought over the half century in the first half of 2021. In order to solve the water shortage problem, the Water Resources Agency invited an emergency tender to set up a containerized desalination plant at Water Innovation Technology Hub and Displaying Base next to Nanliao Fishing Port in Hsinchu which had supplied 13,000 tons of water for people's livelihood in Hsinchu per day. Eventually, Kuo Toong cooperated with two other companies had won the tender and responsible for producing the freshwater.

Taiwan's water resource issues and natural disasters cannot be underestimated because influence of climate change. Kuo Toong will continue to optimize desalination technology and water treatment constructions to cope with the impact of climate change.

With an effort of all the employees in Kuo Toong, the first domestic large-scale desalination plant was completed within 66 days. It had supplied 3,000 CMD desalinated water per day to ease the demand of water in Hsinchu since February 2021 and 3,500 CMD desalinated water per day from May 2021. Kuo Toong fully cooperated with the government to produce the water and help the people overcome the water shortage crisis, also received a special thanks for fight the drought by Water Resources Agency, MOEA.

To meet the greatest drought over the past ten decades, Taiwan Water Corporation urgently handled the ground-water well treatment project at the Taichung construction site. Kuo Toong obtained projects for 3 constructions, including CMP Midtown, JUT Karl Lagerfeld Mansion and Shang Shu Fang. They were completed within the deadline and successfully yielded the water to solve the demand of water in Taichung. Currently, the total water output per day is about 32,500 tons.



# Sustainability Performance in 2021



## Environment

1. Average percentage of recycled raw material is about 64% in the past three years.
2. To Implement GHG Inventory (ISO 14064-1:2018) for the first time.
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. Remuneration ratio of male to female employees is 0.98, raised remuneration ratio of male to female employees is 0.96.
3. An excess of employed 5 people with disabilities and 3 indigenous people (Number of People should be employed are 2 by the law).
4. Zero disabling Injury incidents



## Governance

1. Proportion of female directors on the Board of Directors is 25%.
2. Proportion of domestic purchase amount is about 97%.



# 1 2021 Sustainability Report

# 1 About Kuo Toong

# Corporate Overview

Name	Kuo Toong International Co., Ltd
Establishment Date	1978/7/15
Stock No.	8936
Type	Construction and pipeline Industry
Address	No. 400, Matzu Rd., Shinyuan Shian, Pingtung County, Taiwan
Location	Taiwan and China
Chairman	Hung, Ya-Man
General Manager	Hung, Ya-Man
Capital	NT\$2.481 billion (as of December 31, 2021)
Revenue	NT\$4.621 billion (In 2021)
Number of Employees	289 people (as of December 31, 2021)
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 work institutions. In the future, Kuo Toong will continue to improve professional technology, improve product research and development and manufacture. Expanding business territory and diversify operations to enter towards internationalization.

## Milestones

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.
1979	Build a factory by purchase land in Shinyuan and officially produced prestressed concrete non-cylinder pipes and fittings of coated steel pipes for water service (SP accessory).
1981	Obtained the qualification of water pipe contractor and officially produced concrete pipes (RCP), concrete pipes and JCP fittings for sewerage (use for jacking method).
1998	Passed ISO 9002 International Quality Assurance by Bureau of Standards, Metrology and Inspection, MOEA
1999	Changed the company's name into “Kuo Toong International Co., Ltd.”
2002	The stock was officially listed on the Taipei Exchange.
2004	Set up the first private desalination plant in Penghu.
2005	Invested in Xiyu Desalination Co., Ltd., whose main business are water operator and piping engineering etc.
2008	The joint venture Xinjiang Kuo Toong Pipeline Co., Ltd., was officially listed on the A-share market (code: 002205) in Shenzhen in December.
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).
2014	Prepared subsidiary's establishment of Fujian Taiming Cast Pipe Technology Co., Ltd. which specialize in ductile iron pipes development in China.
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.
2018	“Dashu Section Second Pipeline Project of Nanhua Gaoping Leveling Pipeline” was received the Excellent Construction Award by Water Resources Agency.
2019	“Kinmen Desalination Plant Improvement and Expansion Project” was received the Excellent Construction Award by Water Resources Agency.
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” .

## 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	<ul style="list-style-type: none"> <li>• Formulate the company's operating philosophy, strategy, and goal</li> <li>• Approval and supervision of investment business</li> <li>• Planning and supervising various operations of corporate governance</li> <li>• Maintain public relations and corporate image</li> </ul>
General Manager's Office	<ul style="list-style-type: none"> <li>• Implement the operating goal</li> <li>• Assessment and execution of investment business</li> <li>• Assessment, analysis and improvement of company's operating performance</li> <li>• Implement, commend and penalize the management by objectives and individual operation</li> <li>• Supervise the execution of company's quality, environmental safety and health plans</li> </ul>
Audit Office	<ul style="list-style-type: none"> <li>• Planning, execution and improvement of auditing internal control system</li> <li>• Ensure all operations comply with the laws and company's interior regulations</li> <li>• Assistance of improving operating performance</li> </ul>
Financial & Administrative Department	<ul style="list-style-type: none"> <li>• Deal with general affairs and company-related stock affairs</li> <li>• Operation and discussion of the Audit Committee and the Board of Directors</li> <li>• Comprehensive management of HR regulations, recruitment, compensation, labor and health insurance, organizational development, education and training and labor relations and other related affairs</li> <li>• Procurement of bulk raw materials and fixed assets and setting contracts to control</li> <li>• Analyze the accounting affairs and manage abnormal operations</li> <li>• Financial funds division and management</li> <li>• Integrate Information system, information security training and maintenance, management and maintenance for machines</li> </ul>
Pipeline Construction Department	<ul style="list-style-type: none"> <li>• Construction assessment and supervision of undertaking relevant project</li> <li>• Relevant affairs of construction business development, expansion, planning and construction drawing manual</li> <li>• Comprehensive management of construction quotation, contract, quality, progress, cost, contract out and tender</li> <li>• Cost control and construction quality audit, assessment of various construction methods and account management results</li> <li>• Annual budget assessment and immediate revision</li> <li>• Manage and assign on-site personnel</li> </ul>

Department	Responsibilities
Sales Department	<ul style="list-style-type: none"> <li>• Collect and analyze the market information, sales development, expansion and planning</li> <li>• Manage quotation, signing, sale contracts, tracking raw materials and finished product delivery, controlling customer payment methods and accounts receivable.</li> <li>• Analysis of market cost, competitiveness and cost of sales.</li> <li>• Annual budget assessment and immediate revision.</li> </ul>
Research & Development Department	<ul style="list-style-type: none"> <li>• Research and development of materials, products, production process, methods, production equipments and mechanical equipments</li> <li>• Assist each department to implement research results, training company's interior personnel</li> </ul>
Shinyuan Complex	<ul style="list-style-type: none"> <li>• Product manufacturing control, quality control, production management, raw material purchase control, factory affairs management, access control</li> <li>• Purchase, management, and maintenance of the factory, office and production equipments</li> <li>• Control the labor cost and material cost, formulate and analyze the cost structure</li> <li>• Safety and sanitary protection, ISO system maintenance and improvement, production line planning improvement</li> </ul>
Overseas Department	<ul style="list-style-type: none"> <li>• Overseas business development, expansion and planning</li> <li>• International trade business</li> <li>• Control overseas investment business and subsidiaries</li> </ul>
Environmental Engineering Department	<ul style="list-style-type: none"> <li>• Relevant affairs of environmental engineering business development, expansion and planning</li> <li>• Comprehensive management of environmental engineering quotation, contract, purchase, quality, progress, cost, construction, contract out and tender</li> <li>• In charge of water plant's construction maintenance, supervision and monitoring related business</li> <li>• Operate and supervise the desalination plants and sewage treatment plants</li> <li>• 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.</li> <li>• Cost control and construction quality audit, assessment of various account management results</li> <li>• Manage and assign on-site personnel</li> </ul>

## 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 2021 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	✓	
Kuo Chuang	Pintung Chamber of Commerce	✓	
	Taiwan Underground Pipeline Engineering Association	✓	
	Taiwan Water Pipe Engineering Industries Association	✓	
	Taiwan Electrical Contractors Association	✓	
	Taiwan Environmental Engineering Association	✓	
Jianyi	Taiwan Casting Industry Association	✓	
	Taiwan Regional Engineering Contractors Association (A Class)	✓	

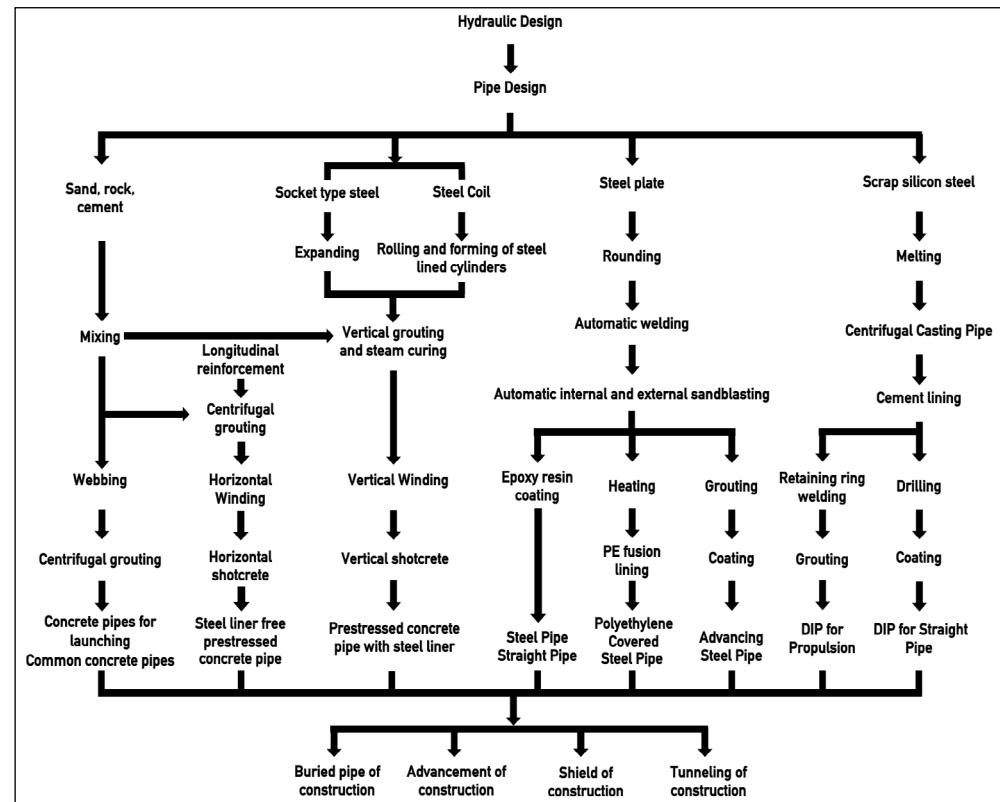
## Introduction of Products

## Type of product and service

The main service of Kuo Toong are manufacture and installation of pipe items, water treatment construction and desalination.

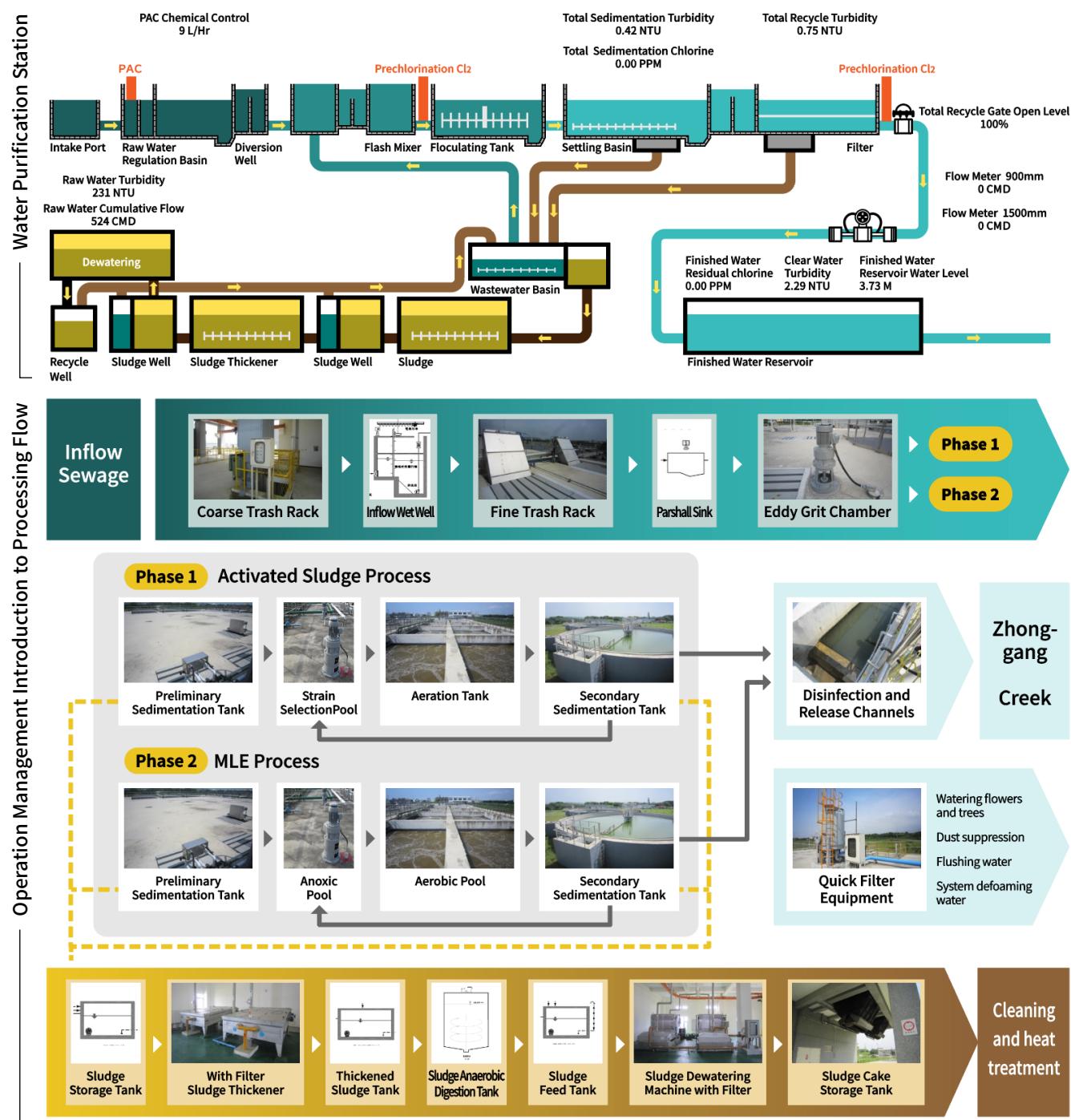
## 1. Manufacture and installation of pipes

Pipe manufacturing refers to the design, manufacture and sales of concrete pipes, ductile cast iron pipes, steel pipes, sewage discharge pipes, and rainwater 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

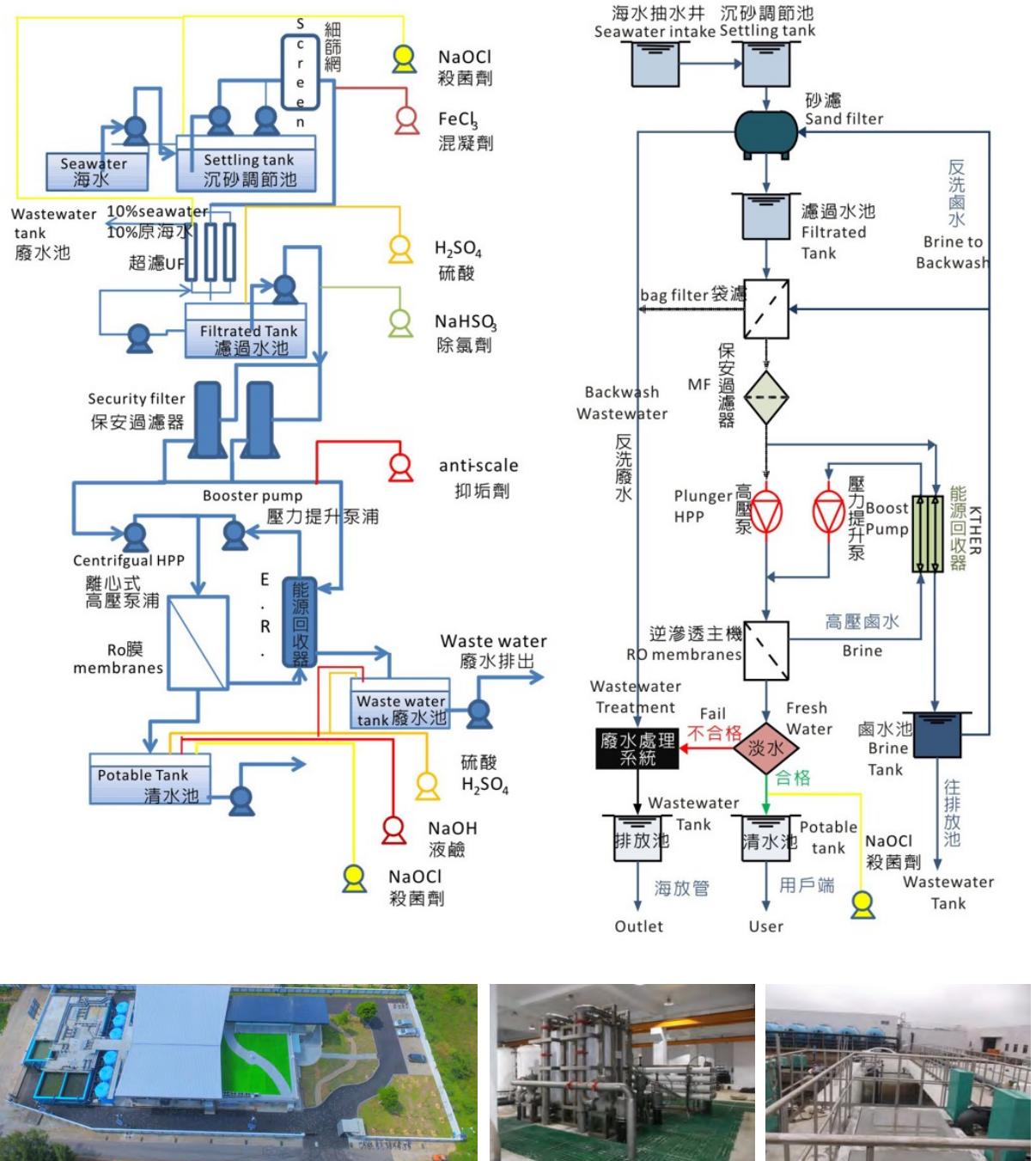
Water treatment construction mainly includes three parts: water purification, sewage, reclaimed water. In addition to the management of treatment plant, it also includes relevant connecting pipeline constructions and subsequent operation works. Due to the global warming caused by greenhouse effect and the exacerbation of floods and droughts caused by extreme weather, it must to cope with carbon reduction and water shortage issues urgently. The public sewage treatment plant's discharged water has the characteristics of stable water yield, relatively pure water quality and higher potential to utilize which is an economical scale of reclaimed water. In accordance with "Discharged Water Recycling and Reuse Demonstration Promotion Plan of the public sewage treatment plant" approved by the Executive Yuan, Kou Toong gradually promotes the production of reclaimed water in public sewage treatment plants and plans to supply it to nearby industries with higher water consumption.



### 3. 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, KuoToong has the best niche to compete with Taiwan's desalination market, because of its proficient management and capability to design desalination equipments.

In order to reduce surrounding environmental impact of the construction project, Kuo Toong adopts KTHE reverse osmosis production process to achieve the lowest cost, the most stable and streamlined process. It does not contain chemicals, reused brine and waste water reduction. The materials used in the process are also possibly recycled products. 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. Moreover, the brine produced by desalination is further reused for pre-treatment backwashing water, which can save the pumping of filtered salt water, power consumption and reduce the production of waste water. For the current desalination pre-treatment, it is the most energy-saving and carbon-reducing procedure. The processed brine of Kuo Toong does not contain chemicals, so taking the design of Xiyu desalination plant as an example, the change in salinity dilution 10 meters away from the outfall is less than 1%, it has substantially reduced marine environment impact because of low salinity and chemical-free.



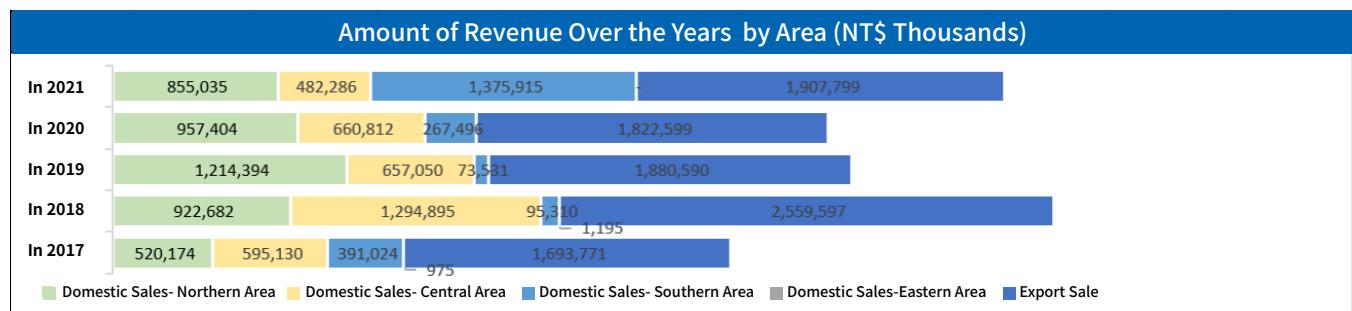
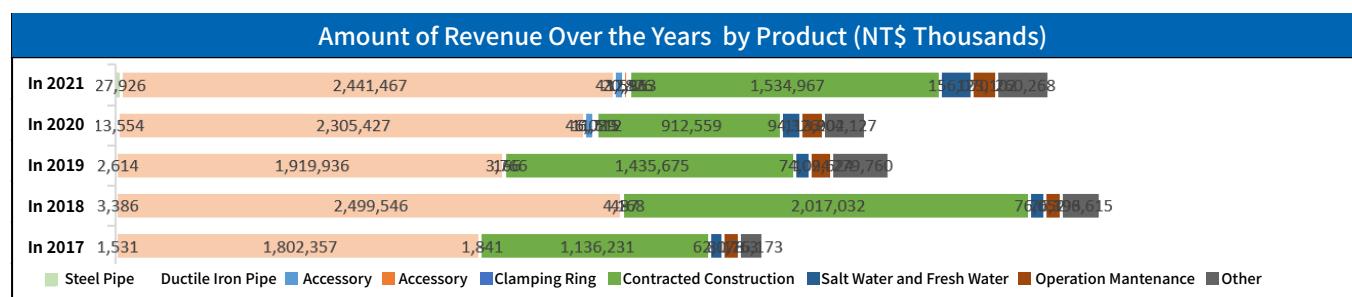
## Product Certification

Kuo Toong has introduced the ISO quality management system since 1998, and passed the ISO 9001:2015 verification which is valid until 2022 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.

## 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 contractor, construction company of private projects. The revenues divided by district over the years are as follows, and the export amount includes the sales of China subsidiaries in China.



Category	CNS Standards
Cast Iron Pipe	CNS 10808
Cast Iron Pipe Items	CNS 13272
Steel Pipe	CNS 6568
Steel Pipe Accessory	CNS 6666

## Operation Overview

### Strategy

Through streamline production control, Kuo Toong has effectively reduces inactive time of semi-finished products in process of the production. It's not only can lower the production time cost and manufacturing costs but also increase daily production. At the same time, continues to strengthen materials, expansion of pipe items and water resource solutions to strive for the most favorable tenders on various projects. In order to ensure the quality, Kuo Toong has passed ISO 9000 series quality management system since 1998 and has implemented quality first of the production. Moreover, it continues 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 Hsinchu Emergency Desalination Project is the second containerized unit. It is a containerized unit planned by Saudi Arabia which is also conducive to the promotion of business in there.

### Financial Performance

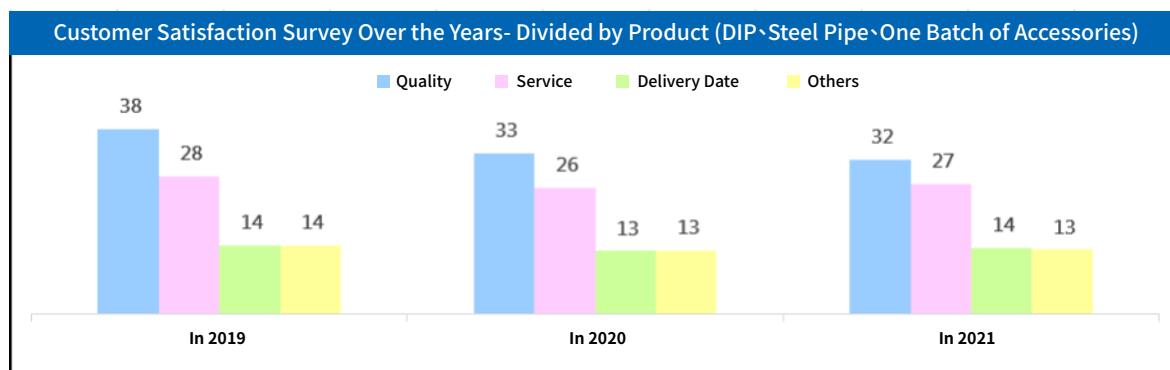
The consolidated revenue of Kuo Toong in 2021 were NT\$4.621 billion, which has increased by 24.61% compared to consolidated revenue of NT\$3.708 billion in 2020. Kuo Toong's construction and engineering income is recognized according to the completion ratio. In the second quarter of 2020, the implementation of "Southern Region Water Resources Office, WRA, MOEA-A2 Section of Zengwen-Nanhua Interconnecting Pipeline Turnkey Project" was carried out, and the progress of related excavations was slow due to terrain and other factors. In 2021, due to the previous projects have been overcome difficulties one after another, the progress of the project has been accelerated in order to match the progress schedule. Therefore, the proportion of completion has increased significantly. In addition, the water condition were tight in the first half of 2021. In order to cooperate with the government's emergency water supply policy, we undertook the three projects in Taichung. The relevant information on the financial performance of Kuo Toong over the years (unit: NT\$ thousand) is as follows:

	In 2017	In 2018	In 2019	In 2020	In 2021
<b>Revenue</b>	3,201,074	4,873,679	3,825,565	3,708,311	4,621,035
<b>Cost</b>	3,149,689	4,026,723	3,123,532	2,866,660	3,552,571
<b>Gross Profit</b>	51,385	846,956	702,033	841,651	1,068,464
<b>Expense</b>	335,123	382,848	333,021	474,835	472,657
<b>Net Profit</b>	(283,738)	464,108	369,012	366,816	595,807
<b>Non-operating Income and Expense</b>	(61,878)	(104,373)	(75,962)	(149,553)	(104,644)
<b>Net Profit Before Tax</b>	(345,616)	359,735	293,050	217,263	491,163
<b>Tax Expense</b>	(8,311)	108,808	39,010	102,438	164,126
<b>Net Profit After Tax</b>	(337,305)	250,927	254,040	114,825	327,037
<b>Other Comprehensive Income</b>	(9,055)	(50,237)	(146,550)	9,661	(12,244)
<b>Total Comprehensive Income</b>	(346,360)	200,690	107,490	124,486	314,793
<b>Earnings Per Share (Basic)</b>	(1.52)	1.01	0.81	0.50	1.81
<b>Employee Wages and Benefits</b>	389,695	406,421	435,663	426,255	468,899
<b>Dividend and Interest Expense</b>	104,300	98,426	153,461	143,181	160,208

## Customer Service

Kuo Toong adheres to the management philosophy of meet customer needs, 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 are investigated in 4 items, including quality, service, delivery date and others. In 2021, we got a score of 86 on customer satisfaction survey, the quality items score is lower compare to the previous two years, that is due to the substantial increase in orders, production and delivery in these two years, and the need to meet the delivery date on time for sites. Even though the quality has declined, we still comply with the demands of national standards. In response to increasing order requests in these years, Kuo Toong recruits and trains new employee, strengthens the reliability of equipment, increases production and maintains quality. For declined quality, Kuo Toong plans to hold regular meetings at the end of each month from 2022 to review production yield and feedback from manufacturers with each unit in order to improve the quality of products. As for other items, there are not many differences compares to the previous years which are all meet the requirements and expectations of customers.





# 2021 Sustainability Report

# 2 SASB Concerned Issues

## Environmental Impacts of Project Development

Indicator Code: IF-EN-160a.1

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

Kuo Toong has no record of being fined for environmental pollution incidents of the project development in 2021.

Indicator Code: IF-EN-160a.2

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

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 that are approved 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 2021, there is a project for winning tender, which is "Taichung City Futian Water Recycling Center's Effluent Reclamation Turnkey 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 is determined that there is 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 project is an extension tender of the Taichung City Futian Water Recycling Center, which mainly utilizes the margin of the sludge drying equipment in the center to receive sludge from the Water Recycling Center under the jurisdiction of Taichung City for processing. This tender must submit an environmental impact comparative analysis table to illustrate further discrepancy and essential extra treatments in accordance with estimated surrounding environmental impact and original environmental impact assessment, and it has already passed the review of environmental impact comparative assessment through the application by the contracting unit.

Kuo Toong has no record of being fined for environmental pollution incidents in project development of the past five years.

## Structural Integrity & Safety

Indicator Code: IF-EN-250a.1

### Amount of defect- and safety-related rework costs

There is no defect- and safety-related rework in 2021.

Indicator Code: IF-EN-250a.2

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

There is no legal proceedings associated with defect- and safety-related incidents in 2021.

The main service of Kuo Toong are manufacture and installation of pipe items, water treatment construction and desalination. Among them, the manufacture and installation of pipe items 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:

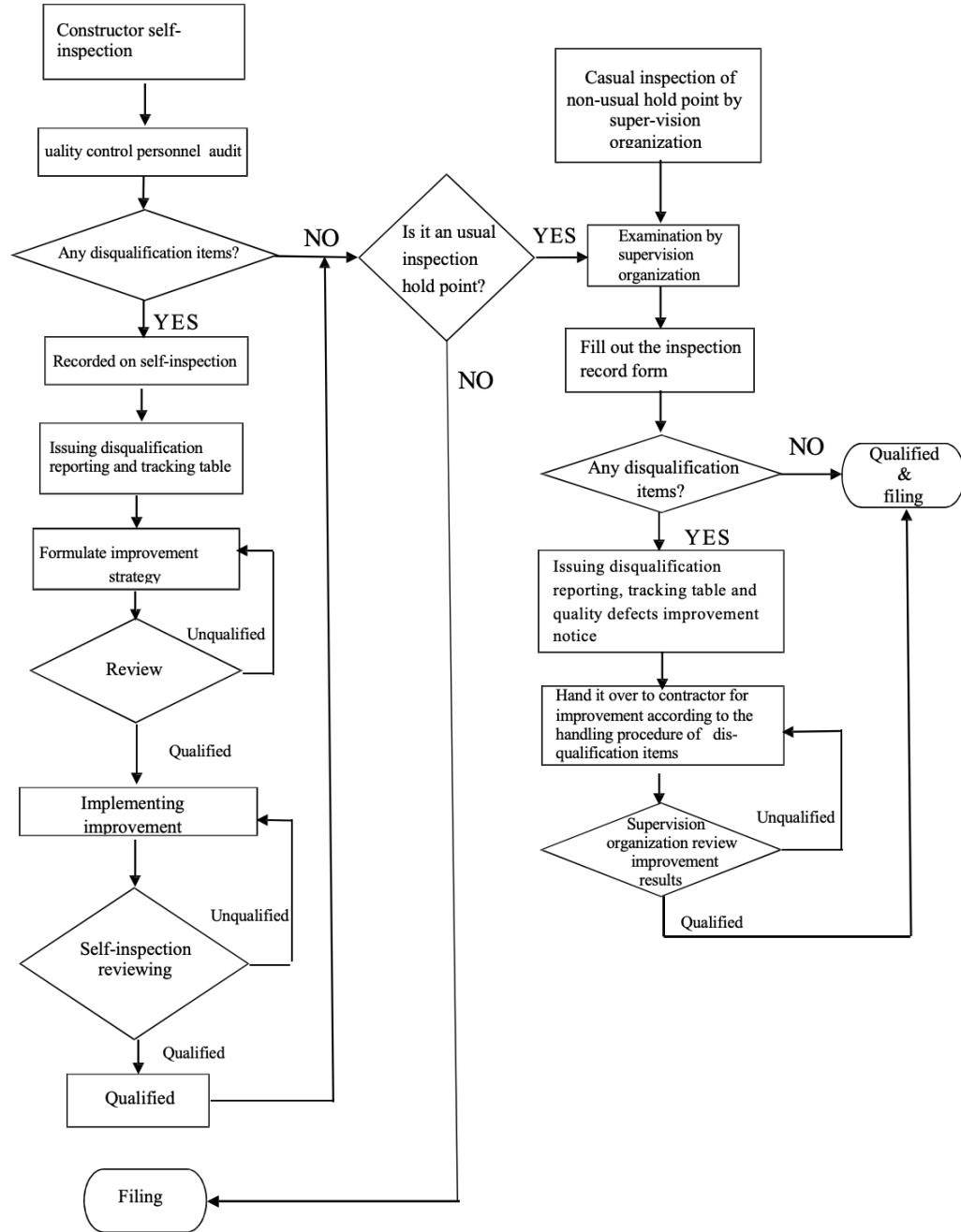
### 1. Material Inspection

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 includes 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 of the project in 2021 including the reconstruction costs and legal actions arising from it.



< Construction Inspection Flowchart

## Worker's Health and Safety

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

In order to strengthen the improvement of safety awareness and 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. The direct labors of Shinyuan Complex take section as a unit, if there is no industrial safety accident occurred in the year, each person will be

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

given a bonus of NT\$1,000 (NT\$2,000 for there is no accident for 2 consecutive years, and so on). If there is no industrial safety accident occurred in the whole factory, indirect labors can receive the bonus as well to maintain zero accidents at work by rewards.

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 wear 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 2021, there were 13 courses implemented in total, and 42 people have completed the training.

Training Course	Number of Trainees
The Training of Dedicated Wastewater and Sewage Treatment Specialists(Class A)	1
The Training of Dedicated Wastewater and Sewage Treatment Specialist(Class B)	1
Safety and Health Education and Training for Operator of small boilers	1
Four-year Retraining Course for Field Directors	5
The Training of Public Works Quality Management	1
General Safety and Health Education and Training for Construction Workers (Taiwan Occupational Safety and Health Card)	9
Educational Training for Fixed Crane	15
The Fire Prevent Manager	1
On-the-Job Training for Fixed Bridge Crane	2
The Training of Dedicated Air Pollution Control Specialist	1
First Aider	2
Occupational Safety Management Specialist	1
Occupational Safety and Health Management Personnel	2
<b>Total Number of Trainees</b>	<b>42</b>

## 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 2021, there were no disabling injuries.

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 occupationa injuries  $\times$  200,000  $\div$  Annual working hours

Note 3: "Number of severe occupational injuries" refers to injured workers are not able to be recovered(eg., amputation) or not able to be recovered within six months to the health status before injured. Disabling injury severity= Number of severe occupational injuries  $\times$  200,000  $\div$  Annual working hours

Note 4: Total recordable incident rate (TRIR)= Number of recordable occupational injuries  $\times$  200,000  $\div$  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  $\times$  200,000  $\div$  Annual working hours

		In 2019	In 2020	In 2021
<b>Employees</b> <b>Disabling Injury</b> <b>Related Data</b>	Annual Working Hours	450,000.0	518,218.5	539,915.0
	Number of Deaths	-	-	-
	Number of Severe Disabling Injuries	-	1	-
	Number of Near Miss Injuries	-	-	-
	Number of Lost Workdays	-	15.0	-
	Number of Recordable Incidents	-	1	-
<b>Employees</b> <b>Disabling</b> <b>Injury Indicators</b>	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	-

## **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 regular health examination for the employees and arrange them to have statutory inspection conform to the regulations, and new employees are subsidized for a basic health examination. However, due to the impact of the COVID-19 pandemic, employee health examination in 2021 is postponed until 2022.

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**

Since the beginning of 2020, the COVID-19 pandemic has spread significantly. In addition to the continuous publicity of personal health prevention and control, Kuo Toong also has a daily temperature check at the factory, and has formulated a fever notification procedure. Moreover, each factory distributes rubbing alcohol to disinfect. While lunch are 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 complex for female employees who need it.

## 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. Taking the Makung 4000 CMD Desalination Plant as an example, green building requirements include greenery indicator, soil water retention indicator, daily energy saving indicator, CO2 reduction indicator, construction waste reduction indicator, water resource indicator & sewage and garbage improvement indicator etc.

There is one case should comply with the green building regulation of contracting requirement among the completed tenders in 2021, and there is no contracting requirement of green building for ongoing construction. Other tenders are all pipeline constructions, which are not applicable to the building codes of green buildings.

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
  - (1) Number of commissioned projects certified to a third-party multi-attribute sustainability standard: one case
  - (2) There is no applied sustainability standard certification project in 2021

Indicator Code: IF-EN-410a.2

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

The winning tenders or ongoing projects in 2021 are all water pipeline constructions, which do not apply to the planning and design of energy and water use efficiency

[Certificate for the Use of the Green Building Label >](#)



## Business Ethics

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**

There is no project in countries that have the 20 lowest rankings in the Corruption Perceptions Index of 2021.

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.

Upholding the spirit of compliance 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 2021, there is no relevant legal action arising from breach of bribery, corruption and anti-competitive practices.

In response to the promotion of ethical management and anti-corruption, Kuo Toong has promoted the practical analysis of insider trading to the managerial officers and employees through meetings in 2021, and plans to start regular education and training in the third quarter of 2022, ensures to effectively convey anti-corruption policies and malpractice prevention procedures to relevant personnel. In addition, there is an “Employees Grievance Policy” that all employees can lodge a grievance and communication with the chairmans,

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**

There is no relevant legal proceedings associated with charges of (1) bribery or corruption and (2) anticompetitive practices in 2021.

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**

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

general managers, supervisors and auditors through emails or suggestion boxes, and no breaches of the “Codes of Ethical Conduct” and corruption have been received. In 2022, an anonymous whistleblower system will also be put in place, the reported cases will be handled in a confidential way and verified by independent channels. The whistleblower will be fully protected to enhance the effectiveness of the company's ethical corporate management.

Kuo Toong expects to formulate the “Codes of Ethical Corporate Management” in 2022. The scope of application will be extended to all subsidiaries, so as to further implement ethical corporate management. Furthermore, in order to avoid corruption from external organizations, it is expected that suppliers will be required to sign the “Supplier Integrity Pledge” from 2022 to jointly maintain the commercial value of integrity.

In 2021, the locations for providing engineering services such as manufacture and installation of pipe items, water treatment construction and desalination are all located in Taiwan and China. We have not obtained the projects located in the 20 countries with the lowest rankings in the Corruption Perceptions Index.

\*Transparency International's Corruption Perception Index.  
<https://www.transparency.org/en/cpi/2021>

## Operation Data

The disclosure items for operation data of Kuo Toong and its subsidiary Kuo Chuang in 2021 are as follows. As of December 31, 2021, the total backlog that Kuo Toong and Kuo Chuang have signed but not yet recognized are about NT\$3.829 billion.

Company	Number of Ongoing Constructions	Number of Completed Constructions
Kuo Toong	20	1
Kuo Chuang	3	5
Total	23	6



# 3 2021 Sustainability Report

# 3 Other Governance Issues

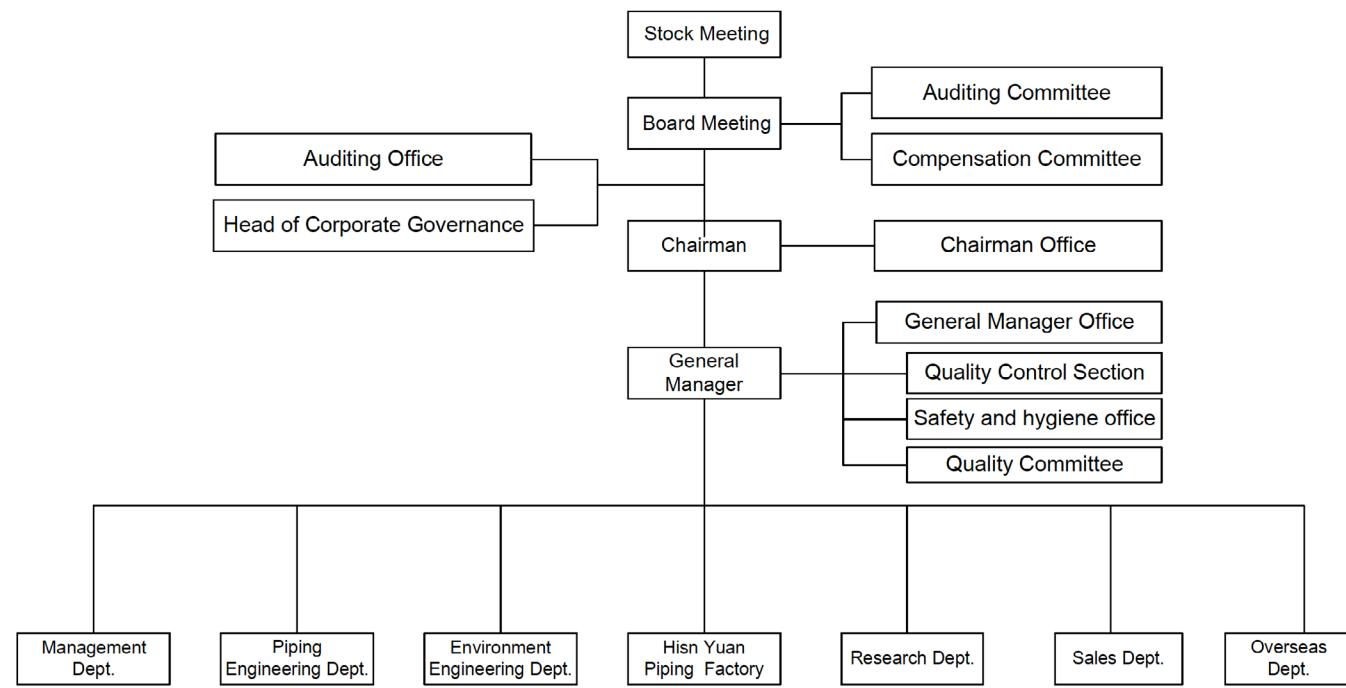
## Corporate Governance

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 protect the shareholders' rights, but also respect the stakeholders' 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 in 2021, which has greatly boosted the ranking. The Board of Directors approved the appointment of a corporate governance supervisor, and it is also scheduled to formulate a "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.

In order to carry out corporate social responsibility and promote economic, environmental and social progress to achieve the goal of sustainable development, Kuo Toong expects to formulate the "Sustainability Practice Principles" and the "Organizational Regulations for the Sustainability Committee" in 2022, and establish a Sustainability Committee to continuously strengthen the energy of sustainable development.



## 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. After the by-election of 2 directors and 1 independent director in 2021, the Board of Directors consists of 8 directors, including 3 independent directors (with a term of under 3 years). Among the members of the Board of Directors, there are 6 men and 2 women (accounting for 25% of female directors); 3 directors are between 30 and 50 years old, and 5 directors are over 50 years old. In 2021, a total of 13 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	Hung, Ya-Man	Female	<ul style="list-style-type: none"> <li>■ Master of Engineering Program in Civil Engineering and Disaster Mitigation, National Kaohsiung University of Science and Technology (Passed oral exam)</li> <li>■ Chairman of Kuo Toong Co., Ltd, Kuo Toong Int'l Co., Kuo Yang Environment Technology Co., Ltd, Marvel Line Co., Ltd, Ding Teng Co., Ltd, Tongchuang Industrial Co., Ltd.</li> <li>■ Director of Hsiyu Seawater Desalination Co., Ltd and Jie Mao International Co., Ltd</li> </ul>	13	0	100%
Director	Lo, Wei-Jer	Male	<ul style="list-style-type: none"> <li>■ Master of Accountancy, <i>National Taiwan University</i></li> <li>■ Head Accountant of Legendary &amp; Steadfast Accountancy</li> <li>■ Independent Director of Hong Ho Precision Textile Co., Ltd.</li> </ul>	13	0	100%
Director	Kao, Feng-Chi	Male	<ul style="list-style-type: none"> <li>■ BA of Law, National Taiwan University</li> <li>■ Head Attorney of Kao &amp; Associates International Law Firm</li> </ul>	7	0	100%
Director	Tsai, Tson-Lun	Male	<ul style="list-style-type: none"> <li>■ Master of Southeast Asian Area Studies, Tamkang University</li> <li>■ CEO of Kaohsiung Tounanfeng Educational Foundation</li> <li>■ Independent Director of Koryo Electronics Co., Ltd</li> </ul>	5	0	100%
Director	Wang, Shu-Huan	Female	<ul style="list-style-type: none"> <li>■ BA of Financial Management, Cheng Shiu University</li> <li>■ Financial Manager of Lian Ting Construction Co., Ltd.</li> </ul>	5	0	100%
Independent Director	Guo, Chin-Bao	Male	<ul style="list-style-type: none"> <li>■ Director of Legalway Law Firm</li> <li>■ Independent Director of Sunfar Computer Co., Ltd.</li> </ul>	13	0	100%
Independent Director	Wang, Sen-Rong	Male	<ul style="list-style-type: none"> <li>■ PHD of International Law, China University of Political Science and Law</li> <li>■ Head Attorney of Classic and Superior Attorneys at Law</li> <li>■ Director of Bioptik Technology, Inc</li> </ul>	13	0	100%
Independent Director	Cheng, Shuenn-Ren	Male	<ul style="list-style-type: none"> <li>■ PHD of Business Studies, Manuel L.Q University</li> <li>■ Vice Principle of Cheng Shiu University</li> <li>■ Independent Director of Top High Image Corp.</li> <li>■ Independent Director of Nan Ren Lake Leisure Amusement Co., Ltd.</li> </ul>	5	0	100

The members specialization of the Board of Directors contain financial accounting, law, operation and technology management etc., and they have the professional knowledge, experience and literacy required to perform their duties, which are sufficient to respond to changes in the economy, environment and society. Carrying out training for members of the Board of Directors in accordance with the "Direction for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" to continuously improve the understanding on emerging issues and the effectiveness of corporate governance. In 2021, all directors have completed training comply with standard hours, and there has at least 6 hours of training for each director.

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 an external experts and scholars team at least once of every three years. The Board of Directors performance evaluation of 2021 has been completed in the first quarter of 2022, which is conducted by board members through self-assessment, the results shows it was running well. For 2022, we expected to adopt an external assessment.

Title	Name	Organizer	Name of Courses	Training Hours
Chairman	Hung, Ya-Man	Taipei Exchange	Insider Equity Publicity orientation for companies emerging from the OTC	3
		Corporate Operating and Sustainable Development Association	New Released Corporate Governance 3.0 Roadmap Introduction	3
		Taiwan Listed OTC Companies Association	Taiwan Leader Seminar- Shipping and Economic Recovery	1.5
Director	Lo, Wei-Jer	Securities & Futures Institute	Insider Trading Prevention Seminar in 2021	3
		Corporate Operating and Sustainable Development Association	New Released Corporate Governance 3.0 Roadmap Introduction	3
Director	Gao, Feng-Chi	Corporate Operating and Sustainable Development Association	New Released Corporate Governance 3.0 Roadmap Introduction	3
		Corporate Operating and Sustainable Development Association	The Practice of Regulation Compliance for Board of Directors and Case Analysis for Supervisors's Legal Liability	3
		Corporate Operating and Sustainable Development Association	The Legal Norm and Vicarious Liability for Directors, Supervisors and Insiders that must Know Under Corporate Governance	3
		Digital Governance Association	The Practice of Online Shareholders Meeting and Board of Directors	3
Director	Tsai, Tson-Lun	Corporate Operating and Sustainable Development Association	New Released Corporate Governance 3.0 Roadmap Introduction	3
		Accounting Research and Development Foundation	Discussion on How Independent Directors Properly Exercise Their Powers from the Liability of Securities and Exchange Act- Including Audit Committees	3
		Taiwan Corporate Governance Association	The Directors and Supervisors Liability of Securities and Exchange Act and Financial Statement Fraud Cases Analysis; The Directors and Officers Liability Insurance coverage Analysis	3
		Accounting Research and Development Foundation	Financial Statement Fraud Cases and The Directors and Managerial Officers Liability	3
Director	Wang, Shu-Huan	Corporate Operating and Sustainable Development Association	New Released Corporate Governance 3.0 Roadmap Introduction	3
		Corporate Operating and Sustainable Development Association	The Practice of Regulation Compliance for Board of Directors and Case Analysis for Supervisors's Legal Liability	3
Independent Director	Guo, Chin-Bao	Taipei Exchange	Taipei Exchange ESG Webinars In 2021	4
Independent Director	Guo, Chin-Bao	Corporate Operating and Sustainable Development Association	New Released Corporate Governance 3.0 Roadmap Introduction	3
Independent Director	Wang, Sen-Rong	Securities & Futures Institute	Major Issues of Finance and Taxation in 2021	3
		Securities & Futures Institute	Discussion on the Operational Practices and the Facing Issues of Holding Companies in Taiwan	3
		Corporate Operating and Sustainable Development Association	New Released Corporate Governance 3.0 Roadmap Introduction	3
Independent Director	Cheng, Shuenn-Ren	Taiwan Corporate Governance Association	Discussion on Corporate Governance 3.0 for Liability and Obligation of the Directors under COVID 19	3
		Taiwan Corporate Governance Association	Corporate Governance and Trade Secrets Protection	3
		Taiwan Corporate Governance Association	Corporate Governance and Exchange Decree	3
		Corporate Operating and Sustainable Development Association	New Released Corporate Governance 3.0 Roadmap Introduction	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. We 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 2021, the members of the functional committee and their attendance at the 2021 annual meeting are as follows:

	Title	Name	Actual Attendance	Actual Attendances	Attendances by Proxy	Actual Attendance Rate	Notes
	Independent Director	Kuo, Chin-Bao	6	6	0	100%	
Audit Committee	Independent Director	Chang, Yi-Shun	3	3	0	100%	Resigned in July 2021, actual attendance are 3 times.
	Independent Director	Wang, Sen-Rong	6	6	0	100%	
	Independent Director	Jheng, Shuenn-Ren	2	2	0	100%	Appointed in September 2021, actual attendance are 2 times.
	Title	Name	Actual Attendance	Actual Attendances	Attendances by Proxy	Actual Attendance Rate	Notes
	Independent Director	Kuo, Chin-Bao	6	6	0	100%	
Remuneration Committee	Independent Director	Chang, Yi-Shun	5	5	0	100%	Resigned in July 2021, actual attendance are 5 times.
	Independent Director	Wang, Sen-Rong	6	6	0	100%	
	Independent Director	Jheng, Shuenn-Ren	1	1	0	100%	Appointed in September 2021, actual attendance are 1 time.

## 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 deficiencies and abnormalities in the internal control system found in the audit report, and tracks them 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 results.

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 found 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.

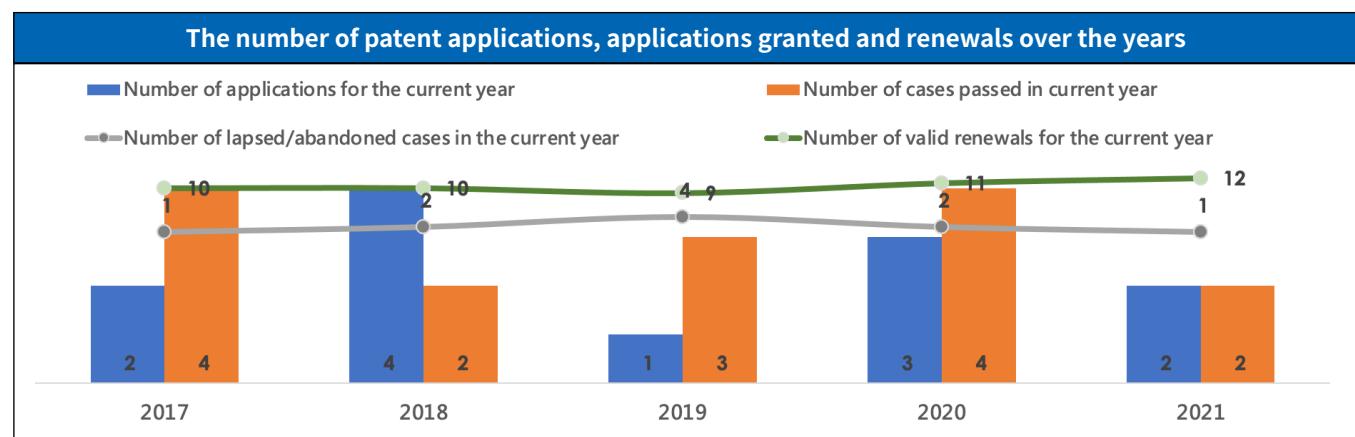
## Innovative Management

### Innovative Method

Kuo Toong's pre-treatment filter bag equipment of desalination plants operates with non-chemical production process of ourselves. 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 to 6 years to 8 to 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.

### 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 2021, including "Flexible Joints Steel Pipe" and "Restrained Joints Steel Pipe". The "Flexible Joints Steel Pipe" can increase the shock-proof effect and the strength of the pipe, while the "Restrained Joints Steel Pipe" can prevent the jointed pipe from loosening and increase the strength of the pipe. In the future, we will continue to invest in the research and development of patented technologies. In addition to the design and manufacture of pipe items, it will also enhance the technical capabilities of water treatment and desalination.



## Supply Chain Management

### New Supplier Management

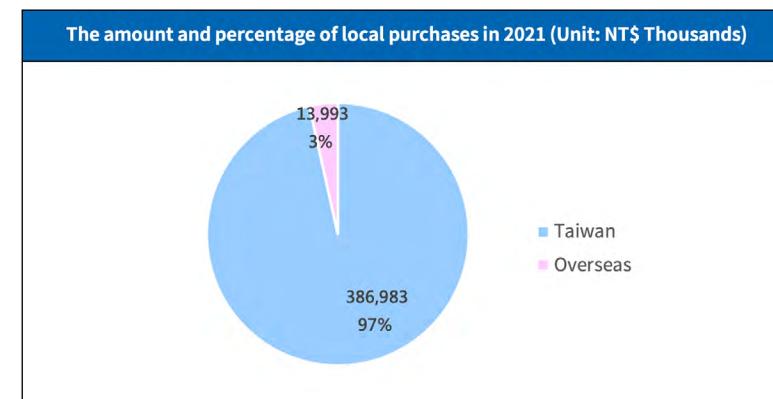
Kuo Toong conducts new supplier evaluation according to the Supplier Management Operating Procedures to meet the standards of the ISO 9001 quality management system. An evaluation team composed of the Quality Control Section and the Procurement Section implements factory inspections on the supplier's site and evaluates their product quality, delivery schedule, after-sales service, shipping price, and compatibility one by one based on the quality system. It will be registered in the list of qualified suppliers after approval by the general manager. 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, it is expected that all new suppliers will be required to sign the Supplier Integrity Pledge for jointly fulfill their corporate citizenship obligations from 2022.

### 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 in 2022, 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 hoped 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 spheroidizer and inoculants are purchased abroad for the manufacture of pipes, and other major raw materials are purchased from domestic suppliers. Local procurement accounted for 97% of the total. In the future, we will continue to strengthen the relationship with the local supply chain and grow together with local manufacturers.





# 4 Other Environmental Issues

2021 Sustainability Report

## Recycling and Reuse Material

### Raw Material

The ductile iron pipes produced by Shinyuan Complex of Kuo Toong mainly use black iron, sand, gravel and other raw materials (cement, steel plate, additives, etc.), and the black iron is made of recycled raw materials. In the past three years, the average proportion of recycled raw materials is about 64%. The main raw materials used in the last three years are as follows:

The Use of Main Raw Materials in the Past Three Years		Unit: Kilogram(KG)		
Raw Material	In 2019	In 2020	In 2021	
Black Iron	7,062,773.50	16,053,904.80	12,555,105.00	
Sand	1,646,943.00	3,290,274.00	2,409,952.00	
Gravel	1,008,540.00	1,436,571.00	775,392.00	
Others	1,841,228.07	4,133,687.60	3,887,370.60	
<b>Total</b>	<b>11,559,484.57</b>	<b>24,914,437.40</b>	<b>19,627,819.60</b>	

### 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 spherification treatment of graphite to make the required pipe items. Scrap iron accounts for about 92% of the finished pipe items.

### Waste Foundry Sand

Kuo Toong uses recycled foundry sand for its sand mould of making pipe items. The casted broken molding sand are transported to the sand recycling machine for crushing and sieving before reuse. It is estimated that about 100 tons of recycled sand are used a month.

### Silica Sand

Desalination plants need to go through a pre-treatment before performing salt water 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.

## Greenhouse Gas Inventory

### Management Measures

With the issue of climate change, 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.

The results of the 2021 greenhouse gas inventory will be verified by a third-party impartial institutions in the fourth quarter of 2022, and the verified year and results will be set as the base year and benchmark to ensure the accuracy and reliability of the greenhouse gas emissions inventory, and based on the reductions to have agile revision on management policy.

### Inventory Results

Total greenhouse gas emissions in 2021 was 11,842.8996 tons of carbon dioxide equivalent (tonnes-CO<sub>2</sub>e), of which the direct greenhouse gas emissions (Category 1) was 1,241.4324 tons-CO<sub>2</sub>e (without using biofuels), indirect greenhouse gas

emissions (Category 2-6) was 10,601.4672 tons-CO<sub>2</sub>e. Among them, the gas emissions of Category 1 does not contain PFCs, SF6, NF3.

Each Category of Greenhouse Emissions	Emissions (Tons CO <sub>2</sub> e)
Category 1: Direct GHG Emissions and Removals	1,241.4324
Category 2: Indirect GHG Emissions from Imported Energy	8,798.5511
Category 3: Indirect GHG Emissions from Transportation	0.0000
Category 4: Indirect GHG Emissions from Products Used by Organization	1,802.9161
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
<b>Total Carbon Emissions</b>	<b>11,842.8996</b>

The Emissions of Various Gas Types Information for Category 1					
Gas Type	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	HFCs	Total
<b>Emissions (tonnes-CO<sub>2</sub>e)</b>	1,215.0960	1.0711	2.7892	22.4761	1,241.4324

Note 1: The scope of the inventory adopts the Operation Control Method, and the inventory boundary in 2021 is limited to the Kaohsiung Headquarter, Shinyuan Complex and Makung 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 2021 is 0.509 tonnes-CO<sub>2</sub>e/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 Fifth Assessment Report (2013).

## Energy Management

Kuo Toong attaches great importance to energy usage, so that energy saving is not just a slogan, but a practical action. The optimization measures over the years:

### Kaohsiung Headquarters of Kuo Toong

1. Replace water chillers of AC
2. After the traditional fluorescent lamps were replaced with LED flat panel luminaires, the electricity consumption was reduced by 18,780 kWh
3. Water dispensers were replaced with energy-saving water dispensers

### Shinyuan Complex

1. After the outer circulating pump motor of the electric furnace was replaced with a new one, and the bearings and wear rings were repaired and replaced, the electricity consumption was reduced by 7,180.5 kWh
2. Build solar power plants and resell TPC after electricity generation. In 2021, 39.05 GJ of electricity were sold

### 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

### Desalination Plants

1. KTHEC energy-saving production process can save 0.93 kWh/m<sup>3</sup> per ton of water

## 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 2021, the total consumption are 92,933.09 Gigajoule (GJ). The largest consumption is purchased electricity (accounting for 76.66%), followed by liquefied natural gas (19.36%), a decrease of 9,621.89 GJ compared to 2020, mainly due to the replacement of water chillers of AC and replacement of lighting equipment with LED flat panel luminaires. In 2021, the electricity consumption of the headquarters are 117,407 kWh, which is 23,641 kWh less than that in 2020.

Diesel consumption in 2021 are increased by 546.10 GJ compared to 2020. The reason is that the Zeng Weng Project are required to use more electricity during construction in 2021 and therefore using the diesel generators for power supply.

The power generation of solar power plants in 2021 are decreased by 17,101 kWh compared to 2020. The decrease in the solar power generation of Shinyuan Complex is because a set of solar equipment is old, resulting in poor power storage efficiency.

Energy	Unit: Gigajoule(GJ)		
	In 2019	In 2020	In 2021
Liquefied Natural Gas (LNG)	11,005.55	23,306.16	17,995.83
Liquefied Petroleum Gas (LPG)	52.16	28.00	0.00
Motor Gasoline	2,091.74	2,204.80	2,582.25
Diesel	668.85	568.04	1,114.14
Non-renewable Electricity	52,237.05	76,447.98	71,240.87
Total	66,055.35	102,554.98	92,933.09

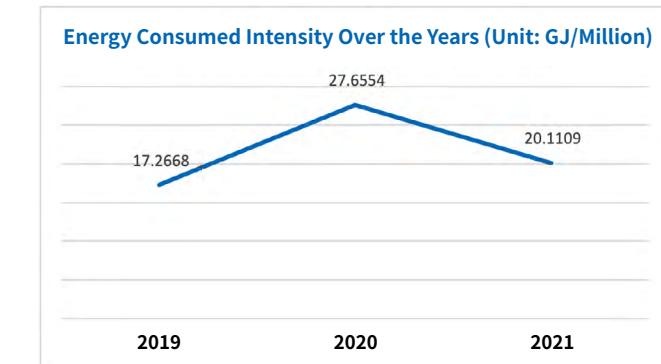
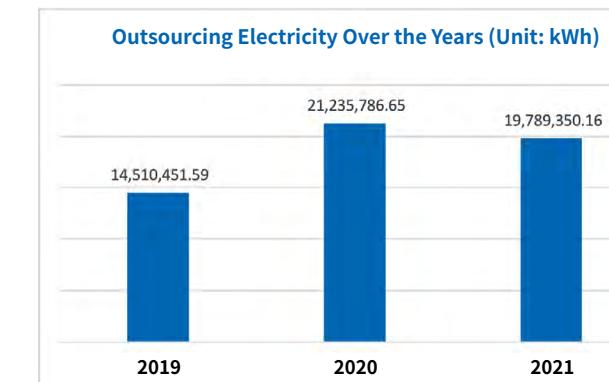
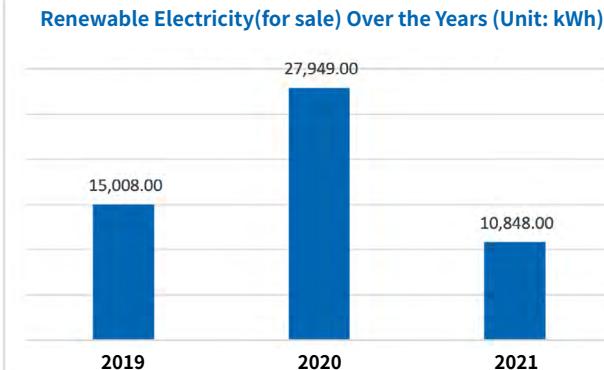
Note 1: The electricity conversion factor: 1 kWh of purchased electricity = 0.0036 GJ

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"



## Water Resources Management

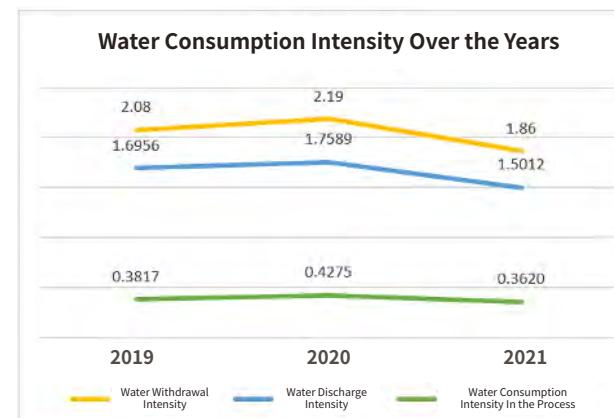
Kaohsiung Headquarters of Kuo Toong is located in a commercial building. It only uses domestic water (all from Taiwan Water Corporation), and the wastewater is discharged to sanitary sewers.

The consumption of water for the production process of Shinyuan 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 equipments 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 2021. Except for the tap water used for the sinks, the water used in the domestic wastewater treatment plant is recycled water, which is provided to the general public for road washing and irrigation.

The salt water 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 into 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)		
	In 2019	In 2020	In 2021
<b>Water Withdrawal</b>			
Salt Water (Others)	2,877.01	3,339.55	3,497.93
Third Party (Fresh Water)	3.16	7.89	15.07
Third Party (Others)	5,066.79	4,760.48	5,097.32
<b>Water Discharge (Divided by Destination)</b>	<b>2019 年</b>	<b>2020 年</b>	<b>2021 年</b>
Surface Water	4,632.43	4,439.86	4,636.01
Salt Water	1,851.32	2,078.15	2,215.55
Third Party Water (In Total)	2.88	4.50	85.76
<b>Water Discharge (Divided by Quality)</b>	<b>2019 年</b>	<b>2020 年</b>	<b>2021 年</b>
Fresh Water	4,635.31	4,444.36	4,721.77
Others(Non-fresh Water)	1,851.32	2,078.15	2,215.55
<b>Water Discharge (Divided by Processed Quality)</b>	<b>2019 年</b>	<b>2020 年</b>	<b>2021 年</b>
Primary Treatment	1,851.32	2,078.15	2,215.55
Secondary Treatment	4,635.31	4,444.36	4,721.77
<b>Water Consumption In the Process</b>	<b>2019 年</b>	<b>2020 年</b>	<b>2021 年</b>
Products (Supplied Water for Taiwan Water Corporation)	1,025.69	1,261.40	1,282.38
Damage (Water Withdrawal, Water Discharge, Used product, Mixed Waste)	434.65	324.01	390.61





# 5 2021 Sustainability Report

# 5 Other Social Issues

## 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. However, it is expected that from 2022 onwards, 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 leaded by senior employees. In 2022, we expect to introduce the mentor system, apply for the Corporate Human Resource Improvement Plan of Ministry of Economic Affairs, and arrange education and training courses of corporate social responsibility, time management skills and corporate process improvement.

In 2021, about NT\$410,000 were invested in education and training, the total number of participants were 1,401, and the total hours of education and training were 733.5 hours. Divided by gender, the training hours for male are 7.04 hours, and for female are 6.22 hours; divided by position, the hours for engineers and administration personnel are the highest at 15.78 hours.



## Performance Appraisal

Except for the general manager, vice general manager and employee who stay unpaid leave, other personnel are all required to undergo performance appraisal which is 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 person (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 2021 are 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, Shinyuan Complex would evaluates work performance every month as the basis for issuing production bonuses.

## Diversity and Inclusivity

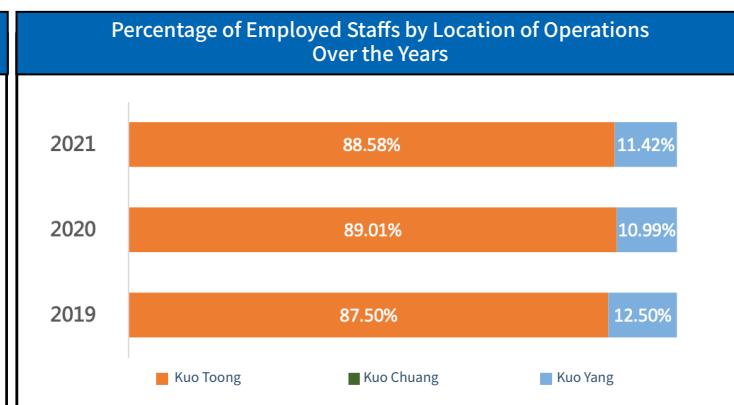
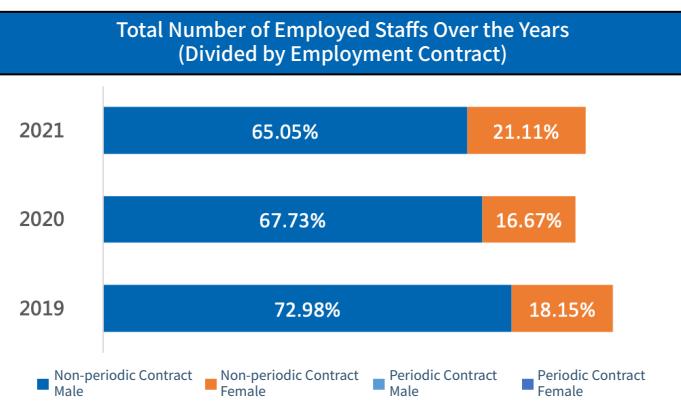
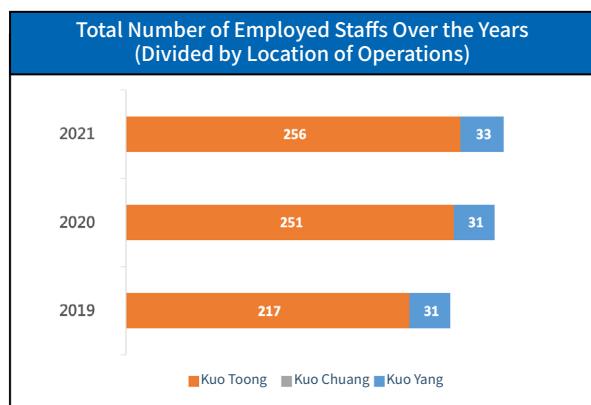
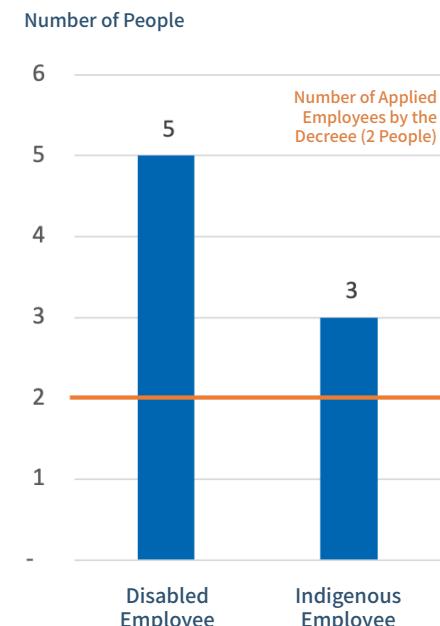
### Recruitment policy

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 does 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.

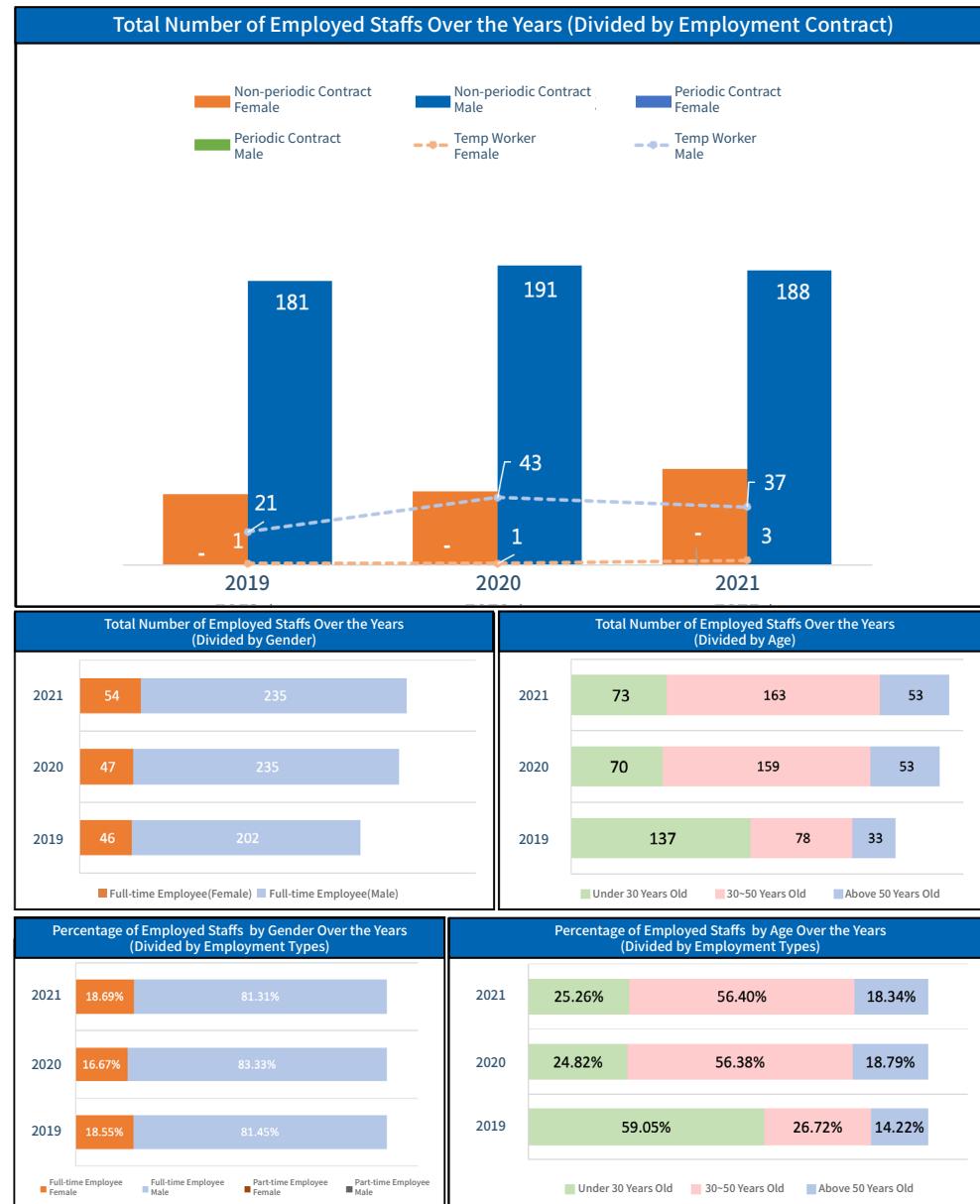
In order to promote relevant affirmative action, through education and training to publicize concepts such as equality, prevention of sexual harassment, prevention of employment discrimination, respect and understanding of cultural differences, etc; Implement and extend relevant affirmative action measures, 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 promotes equal employment opportunities through actions, and strenuously take care of underprivileged groups. We employ 5 people with physical and mental disabilities and 3 people with indigenous status, all of which are more than statutory requirement of 2 people.

### Manpower Overview

By the end of 2021, Kuo Toong had a total of 289 employees, an increase of 7 people (increased by 2.48%) compared with 2020, of which were 16 female employees (14 non-periodic contract workers, 2 temp workers), and a decrease of 9 male employees (3 non-periodic contract workers, 6 temp workers). There were no part-time employees.



There were 54 females (accounting for 18.69%) among the total number of employees, with little difference in gender ratio in the past three years; there are 73 employees under 30 years old, a slight increase of 3 people (increased by 4.28%) compared with 2020. The in-service employees had the highest proportion of 31-50 years old, of which were 163 people in 2021 (accounting for 56.40%).

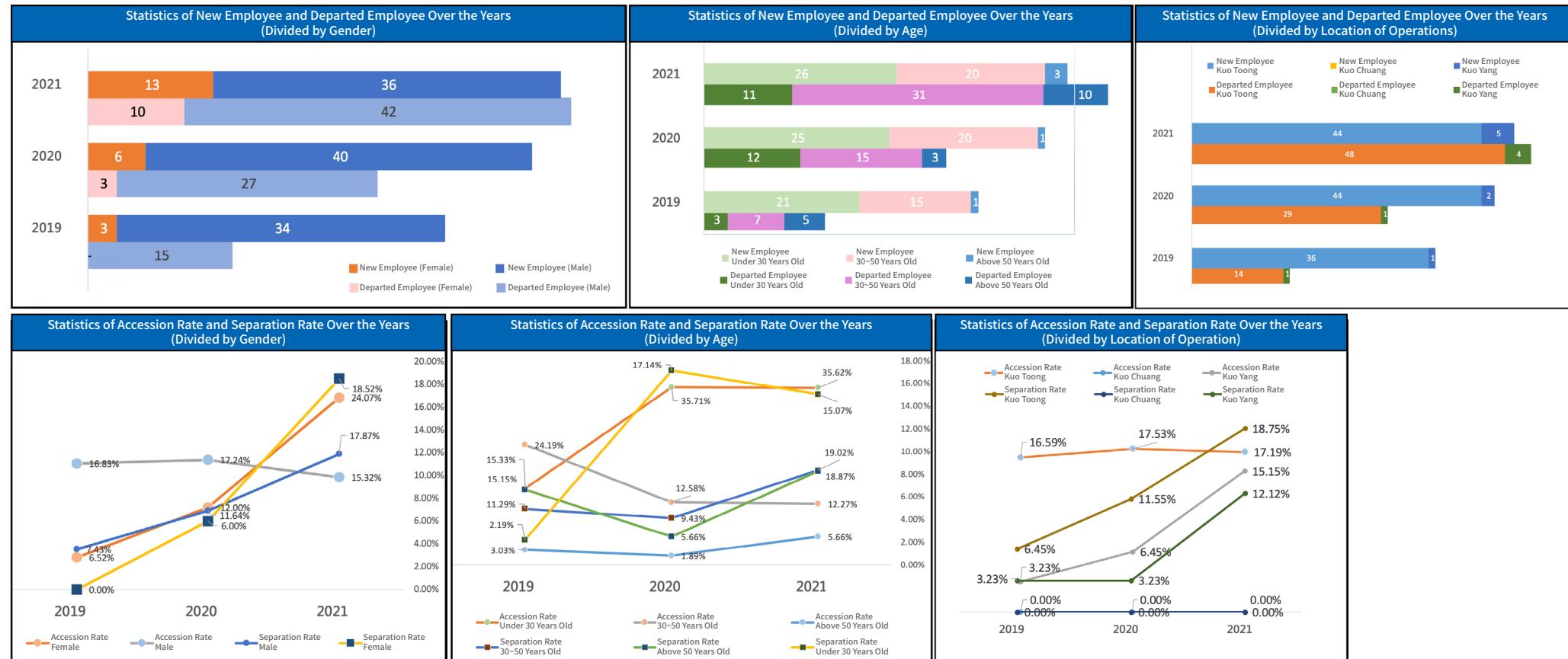


In 2021, females accounted for 3.46% of all executives, and female executives accounted for 9.3% among middle and senior executives. In addition, 78.57% of the senior executives of Kuo Toong were local residents of Taiwan.



## Employee Turnover

In 2021, a total of 49 new employees were recruited, of which were 13 females (24.07% new recruits rate) and 36 males (15.32% new recruits rate). Divided by the age, a total of 26 new employees under 30 years old were recruited, mainly recruit young engineers with less working experience. In 2021, a total of 52 employees were resigned, of which were 10 females (18.52% turnover rate) and 42 males(17.87% turnover rate). There is almost no difference in the turnover rate between the both sides. Divided by the age, a total of 10 employees above 50 years old were resigned (18.87% turnover rate), and a total of 11 employees under 30 years old were resigned (15.07% turnover rate).



## 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. From 2020 to 2021, the Audit Office has not received any grievances.

We have held labor-management meetings every quarters, 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, they will be convened to inform after translation by the personnel from human resources agency. In the future, we will continue to improve employee benefits and maintain harmonious labor relations to avoid labor disputes.

## 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.

Disclose the salary information of Non-supervisory Full-time Employees in accordance with Article 4 of Operational Measures for the Preparation and Submission of Sustainability Reports by Listed Companies. The total salary is NT\$103,895 thousand in 2021, the average and median salary are NT\$499 thousand and NT\$445 thousand separately, and the annual reduction rates are 18.86% and 17.9% respectively. According to this calculation method, new employees or resigned employees with less than 6 months in the whole year are excluded. 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.

Unit: NT\$ Thousands

Year	In 2020	In 2021
Number of Full-time Employees	198 人	208 人
Total Salary of Full-time Employees	121,830	103,895
Average Salary of Full-time Employees	615	499
Median Salary of Full-time Employees	542	445
Average Salary of Employees in the Same Industry	645	709

Analysis of the average salary by rank shows that the average salary of female is slightly lower than that of men (ratio 0.98) in the minimum wage of full-time employees. According to the analysis of executives, supervisors and non-supervisory employees, the salary of female is slightly higher than that of male in the average salary of executives.

Remuneration Category	Minimum Wage		Minimum Wage and Remuneration	
	Gender	Female	Male	Female
Executive	1.05	1	1.06	1
Supervisor	1.04	1	0.96	1
Non-supervisory Employee	0.94	1	0.92	1
Full-time Employee	0.98	1	0.96	1

### 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 production plan 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. In terms of all employees (including temp workers) to purchase employer's liability insurance, it is expected that group insurance will be included in 2022.

- 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, 2021, the amount of defined benefit plan is a net defined benefit liability of NT\$27.3 million.

Unit: NT\$ Thousands

Present Value of a Defined Benefit Obligation	64,324
Fair Value of Plan Assets	(37,019)
Net Defined Benefit Asset	0
Net Defined Benefit Liability	27,305

## Unpaid Parental Leave

In 2021, no unpaid parental leave application was filed. In the previous year, 2 people (both women) were reinstated, and they are still employed 12 months after returning to work, with a retention rate of 100%.

Year	In 2019		In 2020		In 2021	
	Male	Female	Male	Female	Male	Female
Gender						
Number of eligible employees for unpaid parental leave in the year (A)	2	3	-	3	-	1
Number of applications for unpaid parental leave in the year (B)	2	0	-	0	-	0
Number of employees who are estimated to reinstate in the year (C)	0	-	2	0	-	0
Actual number of reinstated employees (D)	-	-	2	-	-	-
Number of employees who are still employed 12 months after returning to work	-	-	-	-	2	-
Year	-	-	100%	-	-	-
Gender	-	-	-	-	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.

## 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.



# 6 2021 Sustainability Report

# Sustainability Issues Management

# Summary of Sustainability Issues Management Achievements in 2021

Kuo Toong follows the four 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 us. We will continue to review and discuss on sustainability issues, 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. Since 2022, management strategies for various issues will be formulated successively, and will serve as the basis for subsequent promotion.

## Step 1. Identification of Important Stakeholders

Through discussions by the senior executives and the stakeholders assessment conducted by 12 supervisors of Kuo Toong who participated in ESG project, it is adopted 5 aspects of the AA1000 SES standard to confirm 4 important groups of stakeholders.

## Step 3. Survey on Degree of Concern

In 2021, the competent department sent questionnaires to important stakeholders, and 103 questionnaires were actually retrieved to understand their degree of concern for various sustainability issues.

## Step 2. Identification and Collection of Sustainability Issues

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, summarize them into 2 necessary management issues and a questionnaire on 19 sustainability issues.

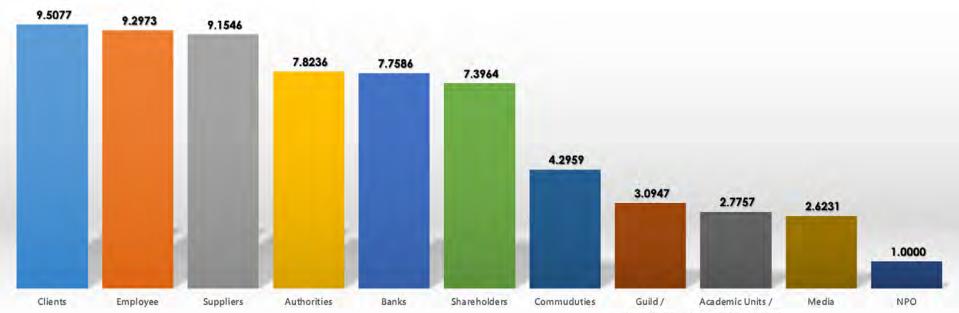
## Step 4. Degree of Impact Analysis, Decision of Material Sustainability Issues

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.

## Stakeholders Engagement

The AA1000 Stakeholder Engagement Standard (SES) is the standard that followed by Kuo Toong to identify stakeholders. It is conducted by 12 supervisors and related employees who participated in ESG project. Based on 5 assessment items including dependency, responsibility, tension, influence, and diverse perspectives to rate various stakeholders. After discussion and reviewing the results of score and, it was confirmed that the 6 important stakeholders are customers, competent authorities, employees, 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.

### Assessemnt 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 bureaus 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.

- **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 uses multiple communication channels and an open and transparent way to continuous 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 2021.

Stakeholders	Channels	Frequency	Description
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Visiting, Con-call</li> <li>• Email</li> <li>• Project Meeting</li> <li>• Customer Satisfaction Survey</li> </ul>	<ul style="list-style-type: none"> <li>• Irregularly</li> <li>• Anytime</li> <li>• Irregularly</li> <li>• Every Year</li> </ul>	<ul style="list-style-type: none"> <li>• Achieving at least one new customer per quarter in 2021</li> <li>• The customer satisfaction survey had reached 85.2 points in 2020</li> <li>• Hold a project meeting in response to the needs of new projects, and handle its affairs</li> <li>• Conduct annual surveys to understand the status of customers, as a reference for next year's business</li> </ul>
<b>Competent Authorities</b>	<ul style="list-style-type: none"> <li>• Coordination Organization Meeting</li> <li>• Construction Meeting</li> <li>• Competent Authorities Inspection</li> <li>• Construction Inspection</li> </ul>	<ul style="list-style-type: none"> <li>• Before Start Construction</li> <li>• Irregularly</li> <li>• Irregularly</li> <li>• Irregularly</li> </ul>	<ul style="list-style-type: none"> <li>• Coordinate construction work according to project progress</li> <li>• Inspect the project execution status and quality</li> <li>• Assess the project execution performance</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Occupational Health and Safety Committee</li> <li>• Labor-Management Meeting</li> <li>• Employee's Welfare Committee</li> <li>• Suggestion Box, Sexual Harassment/Workplace Bullying Grievance Mailbox</li> </ul>	<ul style="list-style-type: none"> <li>• Every Quarter</li> <li>• Every Quarter</li> <li>• Every Quarter</li> <li>• Anytime</li> </ul>	<ul style="list-style-type: none"> <li>• Held 4 meetings in 2021</li> <li>• Held 4 meetings in 2021</li> <li>• Held 4 meetings in 2021</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• New Supplier Evaluation</li> <li>• Supplier Audit</li> <li>• Environmental Safety Risk Assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Irregularly</li> <li>• Every Year</li> <li>• Irregularly</li> </ul>	<ul style="list-style-type: none"> <li>• The verification and audit of new materials and alternative materials are required to attach hazardous substance reports</li> <li>• Conduct key audits on primary raw material suppliers</li> <li>• Conduct safety and health and environmental protection matters assessment on suppliers who enter the factory for construction or service suppliers.</li> </ul>
<b>Banks</b>	<ul style="list-style-type: none"> <li>• Phone Call/Email</li> <li>• Visiting by Bank Executives</li> </ul>	<ul style="list-style-type: none"> <li>• Irregularly</li> <li>• Irregularly</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• Hold Annual General Meeting</li> <li>• Hold the Board Meeting</li> <li>• Earnings Call</li> <li>• Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>• Every Year</li> <li>• Every Quarter</li> <li>• Irregularly</li> <li>• Every Year</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly hold shareholders' meetings every year according to the Company Act and the Articles of Association</li> <li>• Regularly hold the board meetings every quarter, and hold additional board meetings according to the actual needs</li> <li>• Report the business performance and future development strategies to investors in accordance with the regulations of Taipei Exchange</li> <li>• Disclose the information of financial, business and corporate governance</li> </ul>

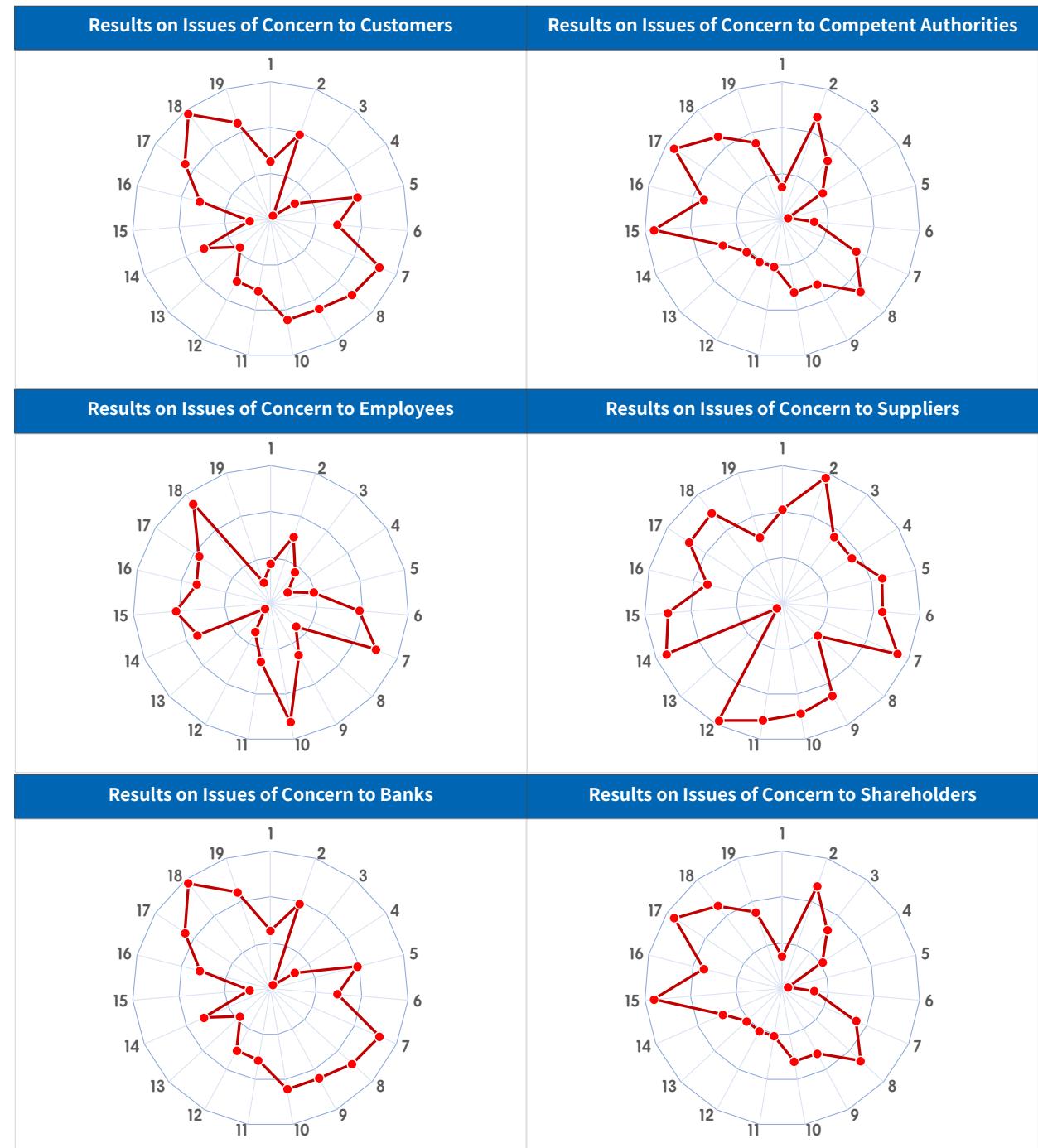
[The Channels and Frequency of Communication with Important Stakeholders >](#)

# Sustainability Issues Impact Assessment

## 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 19 sustainability issues of other relevant issues. Then, conduct an important stakeholders' concerns survey to understand their degree of concern for various sustainability issues, and 103 questionnaires were actually retrieved. A summary of concerned issues to various important stakeholders is shown in the figure below.

1. Financial performance
2. Financial performance
3. Sustainable supply chain
4. Tax Management
5. Innovation Management
6. Information security
7. Product Quality
8. Climate Strategy
9. Energy management
10. Water resources management
11. Waste Management
12. Air pollution management
13. Biodiversity
14. Hazardous Substance Management
15. Talent Attraction & Retention
16. Diversity, Inclusive and equity
17. Human Capital Development
18. Occupational safety and health
19. Social Influnce



## Identification of Material Sustainability Issues

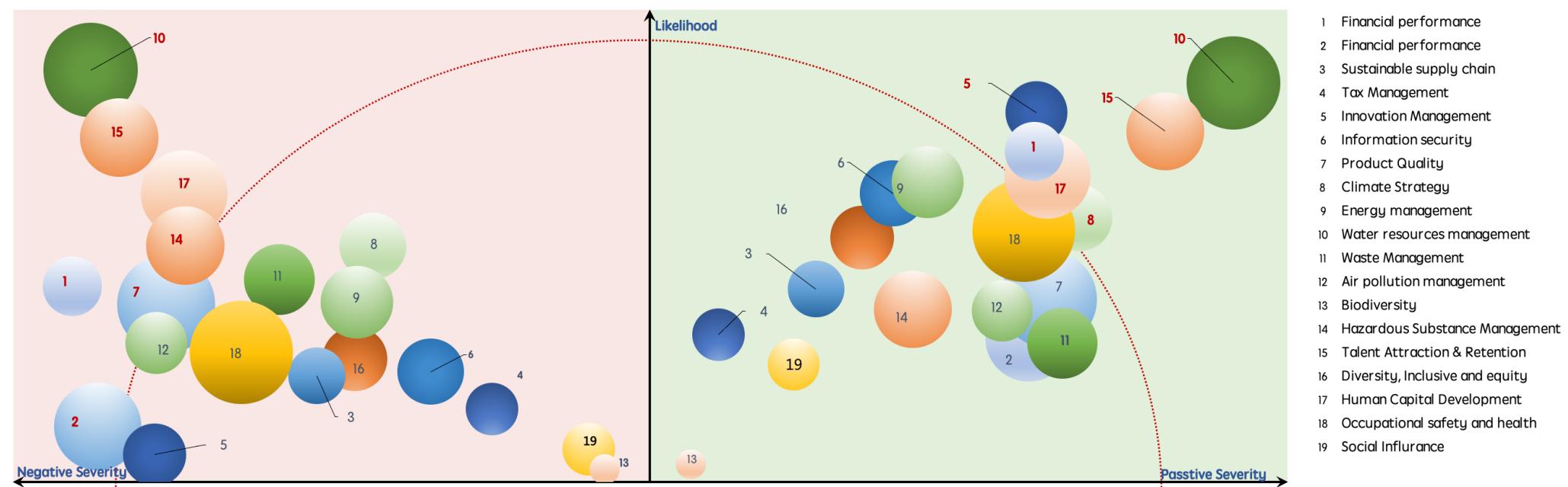
There are 9 executives will evaluate the impact of each sustainability issue and divide the impact into "severity" and "Probability" after completing the survey on the degree of concern to important stakeholders on sustainability issues. Then, divide the impact into direct impact (opportunities and benefits) and indirect impact (risk and loss) to evaluate whether Kuo Toong has impacts on stakeholders, the 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, water resources management, talent attraction and retention, innovative management, financial performance, talent development, climate change adaptation, product responsibility/hazardous substance management, product quality are listed as core sustainability issues. In addition, considering the requirements of the Sustainability Accounting Standards Board (SASB) for construction industry and engineering services which applicable to Kuo Toong, two items such as occupational safety and health and business ethics are listed as key issues, and two issues such as corporate governance and human rights management are also listed. A total of 12 items are 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



## Corresponding Disclosure Standards of Material Sustainability Issues and Informations

### 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 correspond 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
<b>Corporate Governance</b>	GRI 102 Governance 2016
<b>Human Rights Management</b>	GRI 402 Labor/Management Relations 2016 GRI 406 Non-discrimination 2016 GRI 412 Human Rights Assessment 2016
<b>Financial Performance</b>	GRI 201 Economic Performance 2016
<b>Ethical Corporate Management</b>	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
<b>Climate Change Adaptation</b>	GRI 305 Emissions 2016 IF-EN-410b.3 Climate Impact of Business Portfolio
<b>Talent Attraction and Retention</b>	GRI 401 Employment 2016 GRI 405 Diversity and Equal Opportunity 2016 TC-SC-330a.1 Hiring and Managing Global Skilled Workers
<b>Occupational Safety and Health</b>	GRI 403 Occupational Health and Safety 2018
<b>Talent Development</b>	GRI 404 Training and Education 2016
<b>Water Resources Management</b>	GRI 303 Water 2018 TC-SC-140a.1 Water Resources Management
<b>Waste and Recycling</b>	GRI 301 Materials 2016 GRI 306 Effluents and Waste 2020
<b>Product Liability /Hazardous Substance Management</b>	GRI 416 Customer Health and Safety 2016 TC-SC-410a.1 Product Lifecycle Management
<b>Innovative Management</b>	IF-EN-410a.1,2 Lifecycle Assessment of Buildings and Infrastructure
<b>Product Quality</b>	IF-EN-250a.1,2 Structural Integrity and Safety of Buildings



# 7 2021 Sustainability Report

# Appendix

## 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 2021 are as follows, which were mainly penalties due to the violations of Water Pollution Control Act and Occupational Safety and Health Act. However, Kuo Toong has actively reviewed and planned improvement for each deficiency. It has already applied for the Water Pollution Control License for the violations of Water Pollution Control Act, and the waste water generated by the factory has been treated through the wastewater treatment plant and then recycled to the production process; Kuo Toong has strengthened labor industrial safety education and training, safety publicity and safety audits to reduce future illegal practices for the violations of Occupational Safety and Health Act; Other penalties are that the contractor did not immediately notify and send an invoice after the completion of the construction, resulting in failure to obtain input documentary evidence in accordance with regulations, and violate the Value-added and Non-value-added Business Tax Act and Regulations Governing the Accounting Books and Vouchers of Profit-seeking Enterprises Managed by the Competent Tax Authorities. We have asked the relevant personnel to pay more attention and handle it carefully to avoid violating laws and regulations in the future.

Category	Number of Penalties	Amount (NTD)
Violation of Water Pollution Control Act	1	84,000
Violation of Occupational Safety and Health Act	5	440,000
Others	1	479,847
<b>Total</b>	<b>7</b>	<b>1,003,847</b>

## Supplementary Disclosure of Performance for Governance Issues - Waste

The total waste of Kuo Toong in 2021 is 5,118.14 tons, and the percentage of recycling is 97.49%. Among them, the major waste is organic sludge with an output of 2,255.24 tons in 2021, the secondary waste is induction furnace slag(R-1204)with an output of 1,907.18 tons in 2021.

The Weight of Waste Generation (Unit: Tonnes)						
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 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

## Supplementary Disclosure of Performance for Governance 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 2021, 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, and claimed the Yongan Elementary School Ecological Park in Luye Taitung to demonstrate the concept of environmental protection and cherishing water resources.

### Sponsor World Vision For Education Aid Program

While the COVID-19 pandemic spreaded in 2021, Kuo Toong and World Vision jointly visited disadvantaged families in Hualien to set an example by supporting the education aid action, so that children in rural areas can go to school with peace of mind, bridging the gap between urban and rural areas and helping the families in need.



### Sponsor Springboard to Kaohsiung Diving Association

Kaohsiung is a city that focus on the development of diving in Taiwan. It has cultivated many excellent divers, and the most important springboard for diving has been used for more than 20 years. The springboard used in international competitions is the sixth-generation equipment, while local players in Kaohsiung still practice with the first-generation springboard that has gradually become unusable. Kuo Toong focuses on "water" treatment and has been pay attention to Taiwan's water-related sports activities for a long time. We are not only supports the development of diving in Kaohsiung, but also sponsors the springboards to the local players so that they can have the same practice environment as the official competition, so as to improve sports performance and win glory for the country. More importantly, let the diving can be injected with more energy therefore the players can learn in safe training environment with peace of mind.



# GRI Index

Standards	Disclosure Item		Reference Chapter/Description/Ellipsis	Page		
<b>GRI 102: General Disclosures</b>						
Organizational Profile						
102-1	Name of the organization	1-1 Corporate Overview	p.7			
102-2	Activities, brands, products, and services	1-2 Introduction of Products	p.10			
102-3	Location of headquarters	1-1 Corporate Overview	p.7			
102-4	Location of operations	1-1 Corporate Overview	p.7			
102-5	Ownership and legal form	1-1 Corporate Overview	p.7			
102-6	Markets served	1-2 Introduction of Products	p.10			
102-7	Scale of the organization	1-2 Introduction of Products 1-3 Operation Overview	p.10			
102-8	Information on employees and other workers	5-1 Talent Development	p.40			
102-9	Supply chain	3-3 Supply Chain Management	p.32			
102-10	Significant changes to the organization and its supply chain	No significant changes in 2021	–			
102-11	Precautionary Principle or approaches	3-1 Corporate Governance	p.27			
102-12	External initiatives	None	–			
102-13	Membership of associations	1-1 Corporate Overview	p.7			
Strategy						
102-14	Statement from senior decision-maker	Words from Leaders	p.2			
Ethics and Integrity						
102-16	Values, principles, standards, and norms of behavior	2-5 Business Ethics	p.24			
Governance						
102-18	Governance structure	3-1 Corporate Governance	p.27			
102-22	Composition of the highest governance body and its committees	3-1 Corporate Governance	p.27			
102-23	Chair of the highest governance body	3-1 Corporate Governance	p.27			
102-24	Nominating and selecting the highest governance body	3-1 Corporate Governance	p.27			
102-25	Conflicts of interest	3-1 Corporate Governance	p.27			
102-27	The crowd intelligence of the highest governing unit	3-1 Corporate Governance	p.27			

Standards	Disclosure Item		Reference Chapter/Description/Ellipsis	Page		
Stakeholder Engagement						
102-40 List of stakeholder groups						
102-41	Collective bargaining agreements	No collective agreement signed with the labor union	–			
102-42	Identifying and selecting stakeholders	6-1 Identification of Important Stakeholders	p.49			
102-43	Approach to stakeholder engagement	6-2 Important Stakeholders Engagement	p.52			
102-44	Key topics and concerns raised	6-2 Important Stakeholders Engagement	p.52			
Reporting Practice						
102-45	Entities included in the consolidated financial statements	About This Report	p.3			
102-46	Defining report content and topic Boundaries	About This Report	p.3			
102-47	List of material topics	6-3 Identification of Material Sustainability Issues	p.54			
102-48	Restatements of information	No restatement of information in 2021	–			
102-49	Changes in reporting	This report is released for the first time in 2021	–			
102-50	Reporting period	About This Report	p.3			
102-51	Date of most recent report	About This Report	p.3			
102-52	Reporting cycle	About This Report	p.3			
102-53	Contact point for questions regarding the report	About This Report	p.3			
102-54	Claims of reporting in accordance with the GRI Standards	About This Report	p.3			
102-55	GRI content index	7-4 GRI Index	p.58			
102-56	External assurance	7-6 Auditor Assurance Report	p.62			
<b>GRI 103: Management Approach 2016</b>						
103-1	Explanation of the material topic and its boundary	6-3 Identification of Material Sustainability Issues	p.54			
103-2	The management approach and its components	6-3 Identification of Material Sustainability Issues	p.54			
103-3	Evaluation of the management approach	6-3 Identification of Material Sustainability Issues	p.54			

Standards Disclosure Item		Reference Chapter/Description/Ellipsis	Page
<b>Material Issues</b>			
<b>GRI 200: Economic Topics</b>			
<b>GRI 201: Economic Performance 2016</b>			
201-1	Direct economic value generated and distributed by the organization	1-3 Operation Overview	p.14
201-3	Define benefit plan obligations and other retirement plans	5-3 Remuneration and Benefits	p.45
<b>GRI 204: Procurement Practices 2016</b>			
204-1	Proportion of spending on local suppliers	3-3 Supply Chain Management	p.32
<b>GRI 205: Anti-corruption 2016</b>			
205-3	Confirmed incidents of corruption and actions taken	2-6 Business Ethics	p.25
<b>GRI 207: Tax 2019</b>			

Standards Disclosure Item		Reference Chapter/Description/Ellipsis	Page
<b>GRI 300: Environmental Disclosures</b>			
<b>GRI 301: Materials 2016</b>			
301-1	Materials used by weight or volume	4-1 Recycling and Reused Materials	p.34
301-2	Recycled input materials used	4-1 Recycling and Reused Materials	p.34
<b>GRI 303: Water and Effluents 2018</b>			
303/1/1	Interactions with water as a shared resource	4-4 Water Resources Management	p.38
303-2	Management of water discharge-related impacts	4-4 Water Resources Management	p.38
303-3	Water withdrawal	4-4 Water Resources Management	p.38
303-4	Water discharge	4-4 Water Resources Management	p.38
303-5	Water consumption	4-4 Water Resources Management	p.38
<b>GRI 305: Emissions 2016</b>			
305-1	Direct (Scope 1) GHG emissions	4-2 Greenhouse Gases Inventory	p.35
305-2	Energy indirect (Scope 2) GHG emissions	4-2 Greenhouse Gases Inventory	p.35
305-3	Other indirect (Scope 3) GHG emissions	4-2 Greenhouse Gases Inventory	p.35
<b>GRI 306: Waste 2020</b>			
306-1	Waste generation and significant waste-related impacts	7-2 Supplementary Disclosure of Performance for Environmental Issues (Waste)	p.56
306-2	Management of significant waste-related impacts	7-2 Supplementary Disclosure of Performance for Environmental Issues (Waste)	p.56
306-3	Generation of Waste	7-2 Supplementary Disclosure of Performance for Environmental Issues (Waste)	p.56
306-4	Disposal and Transfer of Waste	7-2 Supplementary Disclosure of Performance for Environmental Issues (Waste)	p.56
306-5	Direct Disposal of Waste	7-2 Supplementary Disclosure of Performance for Environmental Issues (Waste)	p.56
<b>GRI 307: Environmental Compliance 2016</b>			
307-1	Non-compliance with environmental laws and regulations	7-1 Supplementary Disclosure of Performance for Governance Issues (Regulation Compliance)	p.56

Standards Disclosure Item		Reference Chapter/Description/Ellipsis	Page
<b>GRI 400: Social Disclosures</b>			
<b>GRI 401: Employment 2016</b>			
401-1	New employee hires and employee turnover	5-3 Remuneration and Benefits	p.46
401-2	Benefits provided to full-time employees (not including temporary or part-time employees)	5-3 Remuneration and Benefits	p.46
401-3	Parental leave	5-3 Remuneration and Benefits	p.46
<b>GRI 402: Labor/Management Relations</b>			
402-1	Minimum notice periods regarding operational changes	If Kuo Toong may affect the rights and interests of workers due to major changes in the company's operations, it will follow the provisions of Article 16 of the Labor Standards Act and clearly stipulate the advance notice period in the work rules to protect the rights and interests of employees.	-
<b>GRI 403: Occupational Health and Safety 2018</b>			
403-1	Occupational safety and health management system	2-3 Worker's Health and Safety	p.20
403-2	Hazard identification, risk assessment, and incident investigation	2-3 Worker's Health and Safety	p.20
403-3	Occupational health services	2-3 Worker's Health and Safety	p.20
403-4	Worker participation, consultation, and communication on occupational health and safety	2-3 Worker's Health and Safety	p.20
403-5	Worker training on occupational health and safety	2-3 Worker's Health and Safety	p.20
403-6	Promotion of worker health	2-3 Worker's Health and Safety	p.20
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	2-3 Worker's Health and Safety	p.20
403-8	Workers covered by an occupational health and safety management system	2-3 Worker's Health and Safety	p.20
403-9	Work-related injuries	2-3 Worker's Health and Safety	p.20

Standards Disclosure Item		Reference Chapter/Description/Ellipsis	Page
<b>GRI 404: Training and Education 2016</b>			
404-1	Average hours of training per year per employee	5-1 Talent Development	p.40
404-3	Percentage of employees receiving regular performance and career development reviews	5-1 Talent Development	p.40
<b>GRI 405: Diversity and Equal Opportunity 2016</b>			
405-1	Diversity of governance bodies and employees	3-1 Corporate Governance 5-2 Diversity and Inclusivity	p.27 p.42
405-2	Ratio of basic salary and remuneration of women to men	5-3 Remuneration and Benefits	p.45
<b>GRI 406: Non-discrimination 2016</b>			
406-1	Incidents of discrimination and corrective actions taken	5-2 Diversity and Inclusivity	p.42
<b>GRI 419: Socioeconomic Compliance 2016</b>			
419-1	Non-compliance with laws and regulations in the social and economic area	7-1 Supplementary Disclosure of Performance for Governance Issues (Regulation Compliance)	p.56

# 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	p.17
	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	
Structural Integrity & Safety	Amount of defect- and safety-related rework costs	IF-EN-250a.1	2-2 Structural Integrity & Safety	p.18
	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	
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 Worker's Health and Safety	p.20
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	p.23
	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	IF-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	p.24
	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	
	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	
Activity Metrics	Number of active projects	IF-EN-000.A	2-6 Operation Data	p.25
Number of Commissioned Projects	Number of commissioned projects	IF-EN-000.B	2-6 Operation Data	p.25
Backlog	Total backlog	IF-EN-000.C	2-6 Operation Data	p.25



#### 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, 2021.

#### 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 GRI Standards and Sector Guidance published by the Global Reporting Initiatives (GRI) and other applicable rules according to its sector features, 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 conducted our work on the selected subject matter information (see Appendix) in the Report in accordance with Statement of Assurance Engagements Standard No. 1 "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, 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.

#### Inherent Limitations

The subject information included non-financial information, which was under inherent limitations than financial information. The information may involve significant judgment, assumptions and interpretations

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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 Auditing Standard No. 46 "Quality Control for Public Accounting Firms" issued by the Accounting Research and Development Foundation of the Republic of China and, accordingly, maintains a comprehensive system of quality controls, including documented 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 are, 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 GRI Standards and Sector Guidance published by the Global Reporting Initiatives (GRI) and other applicable rules according to its sector features.

#### 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 the Report.

The engagement partner on the limited assurance report is Cheng-Hui Su.

Cheng-Hui Su

Legendary & Steadfast Accountancy  
Kaohsiung, Taiwan  
Republic of China  
September 19, 2022

#### 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 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.

(Continued)

#	Assurance Subject Matter (GRI Standards/SASB Standards)	Descriptions of Indicators	Corresponding Section	Applicable Criteria
6.	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 Worker's Health and Safety	Total recordable incident rate and fatality rate for direct employees and contract employees.
7.	Designated indicator 1	Energy consumption within the organization	4-3 Energy Management	Amount of energy consumed from electricity purchased, liquified natural gas, gasoline, and diesel fuel.

(Concluded)



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