



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

Kuo Toong International Corporation  
Sustainability Report

2023

ESG Report of KUO TOONG

# Content

Words From Leaders	03
About this Report	04
Sustainability Performance in 2023	05
<b>1. About Kuo Toong</b>	<b>06</b>
1.1 Corporate Overview	07
1.2 Introduction of Products	14
1.3 Operation Overview	20
1.4 Sustainable Development	22
1.5 Stakeholder Engagement	23
1.5.1 Stakeholder Communication	24
1.5.2 Stakeholder Issues	26
<b>2. Sustainable Governance</b>	<b>30</b>
2.1 Corporate Governance	31
2.2 Information Security	38
2.3 Innovative Management	40
2.4 Supply Chain Management	41
2.5 Regulatory Compliance	42
2.6 TCFD	43
<b>3. Sustainable Environment</b>	<b>46</b>
3.1 Recycling and Reuse Materials	47
3.2 Greenhouse Gas Inventory	48
3.3 Energy Management	51
3.4 Water Resource Management	52
3.5 Waste Management	54
<b>4. Social Inclusion</b>	<b>55</b>
4.1 Talent Development	56
4.2 Diversity and Inclusivity	58
4.3 Remuneration and Benefits	64
4.4 Respect for Human Rights	71
4.5 Charity Investment	72
<b>5. GRI (SASB) Concerned Issues</b>	<b>73</b>
5.1 Environmental Impacts of Project Development	74
5.2 Structural Integrity & Safety	75
5.3 Workers' Health and Safety	77
5.4 Lifecycle Impacts of Buildings & Infrastructure	81
5.5 Business Ethics	82
5.6 Operation Data	83
<b>6. Appendix</b>	<b>84</b>
GRI Index	85
GRI 2: General Disclosures 2021	86
GRI 3: Material Topics 2021	87
6.5 Auditor's Assurance Report	88

# Words From Leaders

**With the accelerating global climate change and warming, it is imperative to establish a new corporate culture rooted in sustainability.**

Climate change and global warming continue to impact environments and lives worldwide, making carbon reduction a crucial issue for countries and businesses alike. The Company is actively responding to the net-zero emissions policy through concrete actions. In response to the environmental issues caused by climate change, Kuo Toong is taking proactive steps within its own industry to develop water resource management. We strive to minimize secondary pollution and reduce environmental impact in its engineering and water treatment activities. Moreover, it is planning towards energy efficiency and carbon reduction, formulating relevant policies and measures, including carbon reduction targets, adoption of renewable energy, energy and resource efficiency management, and innovative environmental protection technologies. These efforts aim to decrease greenhouse gas emissions and realize energy efficiency and carbon reduction goals.

Kuo Toong considers various construction methods to reduce the use of resources and energy when undertaking engineering and design projects. This approach aims to minimize the impact on society and the environment, practicing a circular economy, and adhering to net-zero emissions policies. Aligning with international trends, we strive to optimize the company's profitability. Our business philosophy has always centered on environmental protection (E for environment), social responsibility (S for social), and corporate governance (G for governance). In terms of corporate governance, we continuously promote and strengthen our governance systems. Guided by the principle of giving back to society, we annually allocate appropriate funds for social care, employee welfare, and salaries. Our goal is to ensure that as the company profits, society, the community, and our employees also benefit.

Kuo Toong has always focused on products and services related to water resources, considering "water resource management" as the company's core competency. We continuously develop core technologies and refine management models with innovative and creative thinking. Our steady management style has allowed the company to grow and thrive. With the collective effort of all employees, we constantly advance research and development of new methods and technologies to apply in various stages of public engineering, including planning, design, construction, and operation. These efforts include reducing the use of chemical additives, lowering energy consumption, designing low-carbon construction methods, and regulating construction processes, all aimed at contributing to the future of our planet.

We hope that Kuo Toong 's expertise will continue to gain recognition from all sectors. While striving for stable operational growth, we also aim to fulfill our corporate social responsibilities by prioritizing environmental protection, sustainability, employee care, and social participation.

# 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 relevant information of the 2023 Sustainability Report (hereinafter referred to as “the report” ) is as follows:



Disclosure Scope	<p>Kuo Toong issues an annual Corporate Sustainability Report once a year. The report covers all operational activities of Kuo Toong's operational sites and subsidiaries in Taiwan, disclosing overall performance in the economic, social, and environmental aspects from January 1st to December 31st, 2023. The main operational sites include the Kaohsiung Headquarter, Xinyuan Complex, and Kuo Yang Company. No further specific explanations will be provided in subsequent reports. Considering the completeness and difficulty of information collection in the past three years, some information is primarily based on the disclosure of data from 2023.</p> <p>Last report issued in September 2023. Current report issued in June 2024.</p>
Regulation Compliance	<p>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.</p> <p>To consider the trend of sustainability disclosure and the measurement of investor's expectations, regarding Sustainability Accounting Standards Board (SASB) as the core disclosure information of the report, also the engineering and construction service industry standards in the infrastructure field of SASB are used as the basis for the preparation of the report. In addition, refer to the relevant trend and assessment of sustainability, some supplementary issues will be disclosed.</p>
Management Method	<p>The data disclosed in the report, financial performance is based on the financial report audited by the accountant. All financial figures are calculated in New Taiwan dollars, and the financial data is disclosed according to IFRSs. Other data are self-compiling and statistical, using the general numerical descriptions and rounding in principle.</p> <p>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 &amp; Steadfast Accountancy (LSA) in accordance with Standards on Assurance Engagements Bulletin No.1 of the Republic of China: Assurance Engagements other than Audits or Reviews of Non-historical Financial Information, to conduct limited assurance procedure. The assurance report is disclosed in the appendix of the report and will be published on the official website.</p>
Contact Information	<p>If you have any questions about the report or any opinions for Kuo Toong, please feel free to contact us via the following methods:</p> <p>Address: No. 400, Mazu Rd., Xinyuan Township, Pingtung County Tel: 07-5573755 Email: <a href="mailto:IR@kti.com.tw">IR@kti.com.tw</a> Website: <a href="http://www.kti.com.tw">www.kti.com.tw</a></p>

# Performance in 2023

## Sustainability



### Social

1. There is no re-construction situation happened related to defects and safety in construction development projects.
2. The gender pay gap ratio is 3.8%
3. Employed 5 individuals with disabilities beyond the required quota and 6 indigenous individuals beyond the required quota of 3 (as stipulated by law).
4. Zero disabling Injury incidents.



### Environment

1. Average percentage of recycled raw material is about 55.39% in the past three years.
2. Completed CNS 14064-1 : 2021 Greenhouse Gas Inventory and Third-Party Verification.
3. Construction development projects never sanctioned for environmental pollution incidents by the competent authority.



### Governance

1. Consolidated revenue: NT\$4,132,263 thousand dollars.
2. Female directors account for 22%.
3. Local procurement represents 97% of the total.



# ESG Report of KUO TOONG



Chapter



## ABOUT KUO TOONG

- 1.1 Corporate Overview
- 1.2 Introduction of Products
- 1.3 Operation Overview
- 1.4 Sustainable Development
- 1.5 Stakeholder Engagement
  - 1.5.1 Stakeholder Communication
  - 1.5.2 Stakeholder Issues

# 1.1 Corporate Overview

<b>Name</b>	Kuo Toong International Co., Ltd
<b>Establishment Date</b>	1978/7/15
<b>Stock No.</b>	8936
<b>Type</b>	Construction and pipeline Industry
<b>Address</b>	No. 400, Mazu Rd., Xinyuan Township, Pingtung County
<b>Location</b>	Taiwan
<b>Chairman</b>	Hong, Ya-Man
<b>General Manager</b>	Hong, Ya-Man
<b>Capital</b>	NT\$2.487 billion (as of December 31, 2023)
<b>Revenue</b>	NT\$4.132 billion (In 2023)
<b>Number of Employees</b>	414 people (as of December 31, 2023)
<b>Main Business</b>	<p>(1) Manufacture and sale of large size prestressed concrete pipes, steel pipes, ductile iron pipes.</p> <p>(2) Installation of water pipes, including open cut, jacking method, shield pipelines and tunneling pipelines constructions.</p> <p>(3) Establishment and operation of desalination, water purification plant, sewage treatment plant and water recycling plant.</p>

## 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, shield tunneling, the specific mechanical equipment and plant set up for desalination, water purification and sewage water.

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

Kuo Toong has been adhering to steady operation, strong perseverance and innovative spirit to provide various projects throughout Taiwan since its establishment more than 40 years ago. Our professional status has

been unanimously recognized by engineering industry and water resources organizations. In the future, we will continue with forward-looking water-related projects and grasp various water resource initiatives promoted by the Water Resources Agency of the Ministry of Economic Affairs, including the 10-year, 160-billion-dollar investment in projects such as reclaimed water plants, new seawater desalination plants, regional dispatch networks for water sources, artificial lake construction, capturing subsurface flow water, reservoir silt removal, and other national strategic projects. Aligned with the Water Resources Agency's initiatives like the "Pearl String Plan," and leveraging our advantage in producing DIP and SP pipe materials, coupled with our specialized expertise in pipeline construction, we are advancing in a multi-faceted manner to offer complete water resource solutions. Beyond tasks such as sediment clearance and water conveyance (via pipelines) for water distribution, water purification (filtration systems), and water generation (desalination), our focus extends to wastewater treatment and reclaimed water application. Moreover, given the impact of recent extreme climatic conditions, including fewer typhoons resulting in uneven rainfall distribution across northern, central, and southern Taiwan, the significance of water source development has grown. In light of this, our company is committed to establishing water resources utilization modeling projects in the tidal section of the Zengwen River and collaborating with the government to create new water sources. This endeavor positions us as a comprehensive water resource solution provider and propels us toward internationalization.

## Milestones

### Milestones

In 1978

Kuo Toong Cement Products Co., Ltd was established, engaged in the design, manufacture and assembly of concrete products, etc., with a capital of NT\$ 2 million dollars.

In 1979

Build a factory by purchase land in Xinyuan and officially produced prestressed concrete non-cylinder pipes and fittings of coated steel pipes for water service (SP accessory ).

In 1981

Obtained the qualification of water pipe contractor and officially produced Reinforced Concrete Pipes (RCP), Reinforced Concrete Pipes for Sewerage-Jacking Method (JCP), and Reinforced Concrete Pipe Steel Joints for Sewerage-Jacking Method (JCP Joints).

In 1998

Passed ISO 9002 International Quality Assurance by Bureau of Standards, Metrology and Inspection, MOEA

In 1999

Changed the company's name into "Kuo Toong International Co., Ltd."

In 2002

The stock was officially listed on the Taipei Exchange.

In 2004

Set up the first private desalination plant in Penghu.

In 2005

Invested in Xiyu Desalination Co., Ltd., whose main business are water operator and piping engineering etc.

In 2008

The joint venture Xinjiang Kuo Toong Pipeline Co., Ltd., was officially listed on the A-share market (code: 002205) in Shenzhen in December.

## Milestones

**In 2009** Participated in the “Promote Private Participation in the Construction and Operation Transfer Plan of Toufen, Miaoli County (including Toufen Interchange of Expressway) sewage sewer system” of Miaoli government. Also invested in Kuo Yang Environment Technology Co., Ltd., whose main business are construction of Toufen sewage sewer system and its subsequent operation and maintenance. Officially produced the ductile iron pipes (DIP).

**In 2014** Prepared subsidiary's establishment of Fujian Taiming Cast Pipe Technology Co., Ltd. which specialize in Ductile Iron Pipes development in China.

**In 2017** Used the world's first elephant trunk diversion steel pipe method on “Zengwen Reservoir Anti-silt tunnel project” and received the Public Construction Prime Quality Awards by Ministry of Economic Affairs.

**In 2018** “Dashu Section Second Pipeline Project of Nanhua Gaoping Leveling Pipeline” was received the Excellent Construction Award by Water Resources Agency.

**In 2019** “Kinmen Desalination Plant Improvement and Expansion Project” was received the Excellent Construction Award by Water Resources Agency.

**In 2021** To meet the water shortage in Taiwan, Kuo Toong joined drought-resistant national team to complete Hsinchu emergency desalination 3,000CMD unit and Taichung construction site of emergency groundwater well treatment project. Kuo Toong and its subsidiary “Kuo Yang Environment Technology Co., Ltd. “won the Private Team Award and Charity Award of “The 19th Golden Thumb Awards For PPP” .

**In 2022** Obtained the "Zengwen River Tidal Reach Water Resources Utilization Modeling Plant Construction Project" and engaged in government-led water source development initiatives.

**In 2023** The "Zengwen Nanhua Interconnected Pipeline Project, Section A2" was awarded the Excellent Engineering Golden Safety Award by the Ministry of Labor. The "Zengwen Nanhua Interconnected Pipeline Project, Section A2" received the Special Excellence Award from the Chinese Taipei Society for Trenchless Technology. The "Taichung City Futian Water Resource Recycling Center Effluent Water Recycling Project" was awarded the Excellence Award by the Chinese Taipei Society for Trenchless Technology.

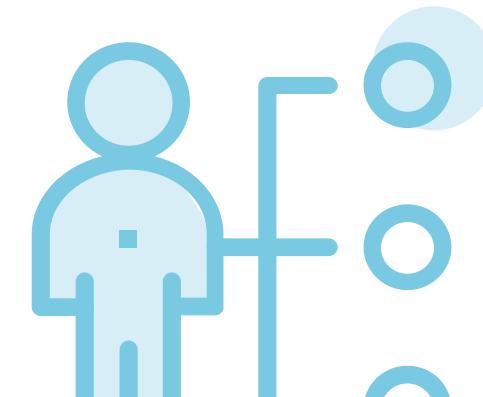
## Organization structure and responsibilities

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

Department	Responsibilities
Chairman's Office	Formulate the company's operating philosophy, strategy, and goal
	Approval and supervision of investment business
	Planning and supervising various operations of corporate governance
	Maintain public relations and corporate image
	Implement the operating goal
General Manager's Office	Assessment and execution of investment business
	Assessment, analysis and improvement of company's operating performance
	Implementation of goal management and hierarchical accountability, including rewards and penalties
	Supervise the execution of company's quality, environmental safety and health plans
Audit Office	Planning, execution and improvement of auditing internal control system
	Ensure all operations comply with the laws and company's interior regulations and assist in improving operational performance

Department	Responsibilities
Financial & Administrative Department	Deal with general administrative affairs and company-related stock affairs
Pipeline Construction Department	Operation and discussion of the Audit Committee and the Board of Directors
	Comprehensive management of HR regulations, recruitment, compensation, labor and health insurance, organizational development, education and training and labor relations and other related affairs
	Procurement of bulk raw materials and fixed assets and setting contracts to control
	Analyze the accounting affairs and manage abnormal operations
	Financial funds division and management
	Integrate Information system, information security training and maintenance, management and maintenance for machines
	Construction assessment and supervision of undertaking relevant projects
	Relevant affairs of construction business development, expansion, planning and construction drawing manual
	Comprehensive management of construction quotation, contract, quality, progress, cost, contract out and tender
	Cost control and construction quality audit, assessment of various construction methods and account management results
	Annual budget assessment and immediate revision
	Manage and assign on-site personnel

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



## 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 2023 are listed as follows:



Company	Association	Member
Kuo Toong	Taiwan Underground Pipeline Engineering Association	✓
	Taiwan Water Pipe Engineering Industries Association	✓
	Taiwan Electrical Contractors Association	✓
	Taiwan Environmental Engineering Association	✓
	Chinese Taipei Society for Trenchless Technology	✓
	Taiwan Sewerage Association	✓
	Water Industry Development and Promotion Association	✓
	Kaohsiung Chamber of Industry	✓
	Taiwan Association of Machinery Industry	✓
	Taiwan Foundry Society	✓
	Pingtung Chamber of Commerce	✓
	Chinese Taiwan Water Works Association	✓
	Northern Taiwan Occupational Safety and Health Promotion Association of Construction Industry	✓
	Southern Taiwan Occupational Safety and Health Promotion Association of Construction Industry	✓
	Central Taiwan Occupational Safety and Health Promotion Association of Construction Industry	✓
	Water Affairs Organization Taiwan (WAOT)	✓

Company	Association	Member
Kuo Chuang	Taiwan Underground Pipeline Engineering Association	V
	Taiwan Water Pipe Engineering Industries Association	V
	Taiwan Electrical Contractors Association	V
	Taiwan Environmental Engineering Association	V
	Taiwan Casting Industry Association	V
	Chinese Taiwan Water Works Association	V
	Northern Taiwan Occupational Safety and Health Promotion Association of Construction Industry	V
	Central Taiwan Occupational Safety and Health Promotion Association of Construction Industry	V
Jianyi	Taiwan Regional Engineering Contractors Association (A Class)	V
	Northern Taiwan Occupational Safety and Health Promotion Association of Construction Industry	V
	Southern Taiwan Occupational Safety and Health Promotion Association of Construction Industry	V
	Central Taiwan Occupational Safety and Health Promotion Association of Construction Industry	V

## 1.2 Introduction of Products

### Type of Product and Service

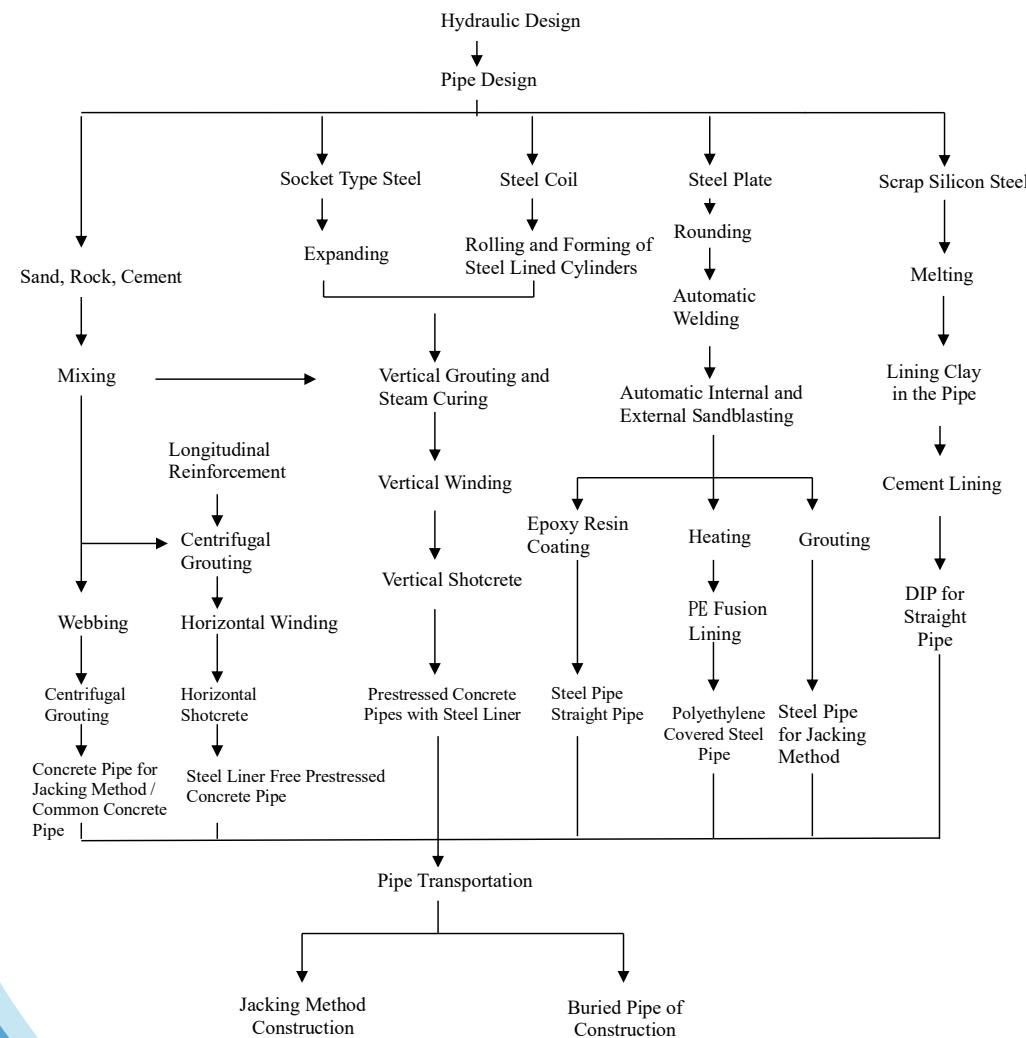
Kuo Toong's primary services encompass the manufacturing and installation of pipes, water treatment construction, and seawater desalination.



#### 1. Manufacturing and installation of pipes

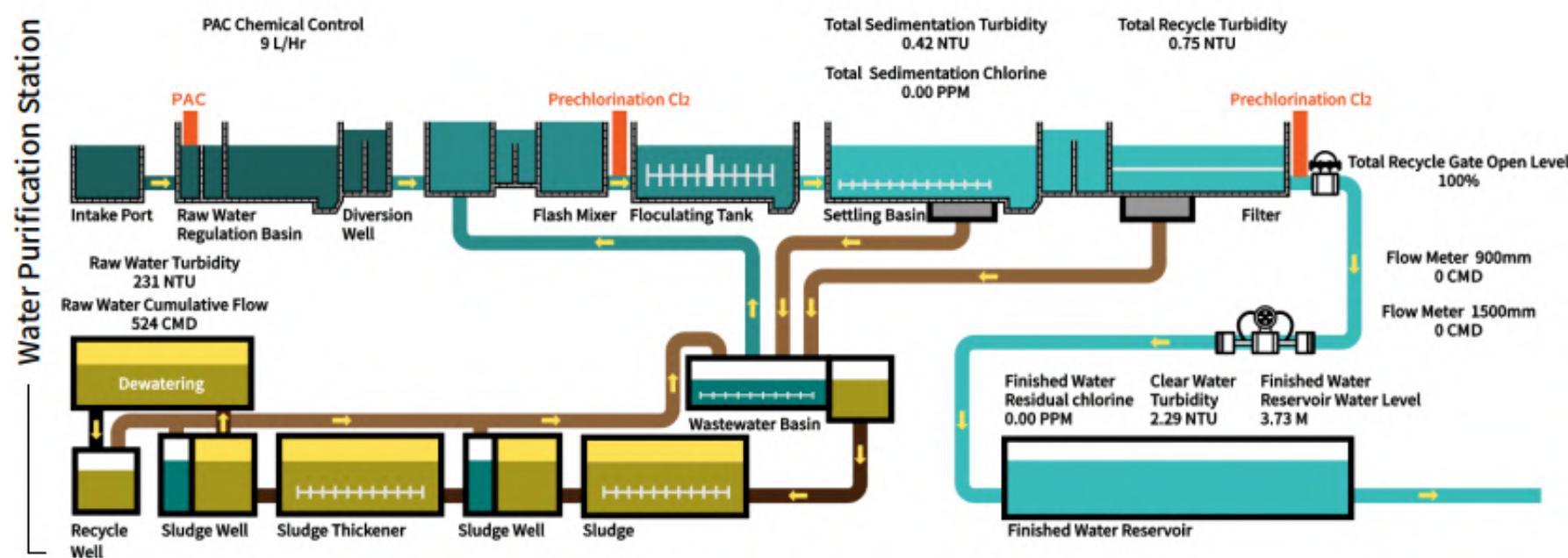
Pipe manufacturing refers to the design, manufacture and sales of concrete pipes, ductile cast iron pipes, steel pipes, sewage discharge pipes, and rainwater discharge pipes and other water pipes etc. Pipe installation includes installation, contracting project and conducting construction of tap water 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.

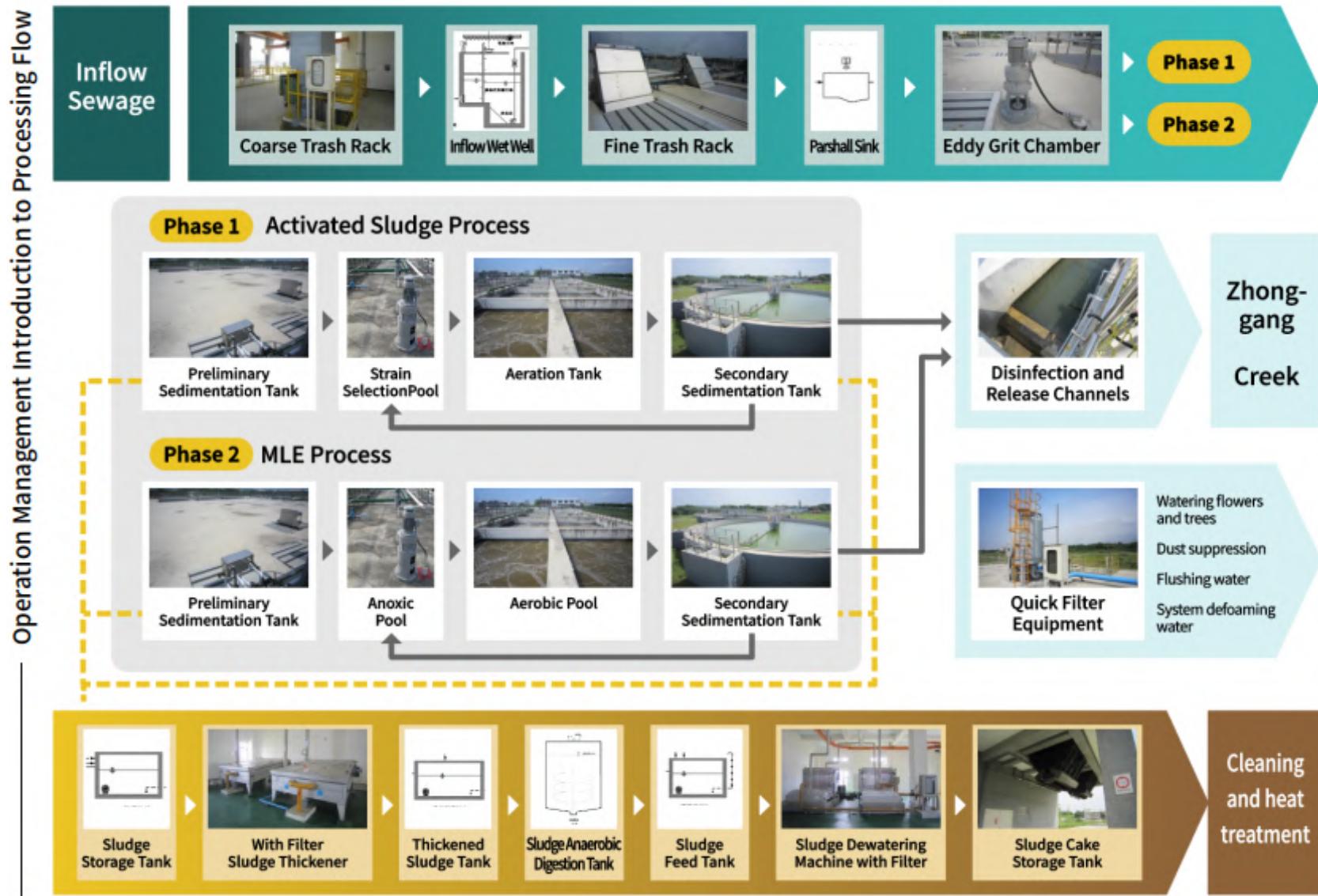


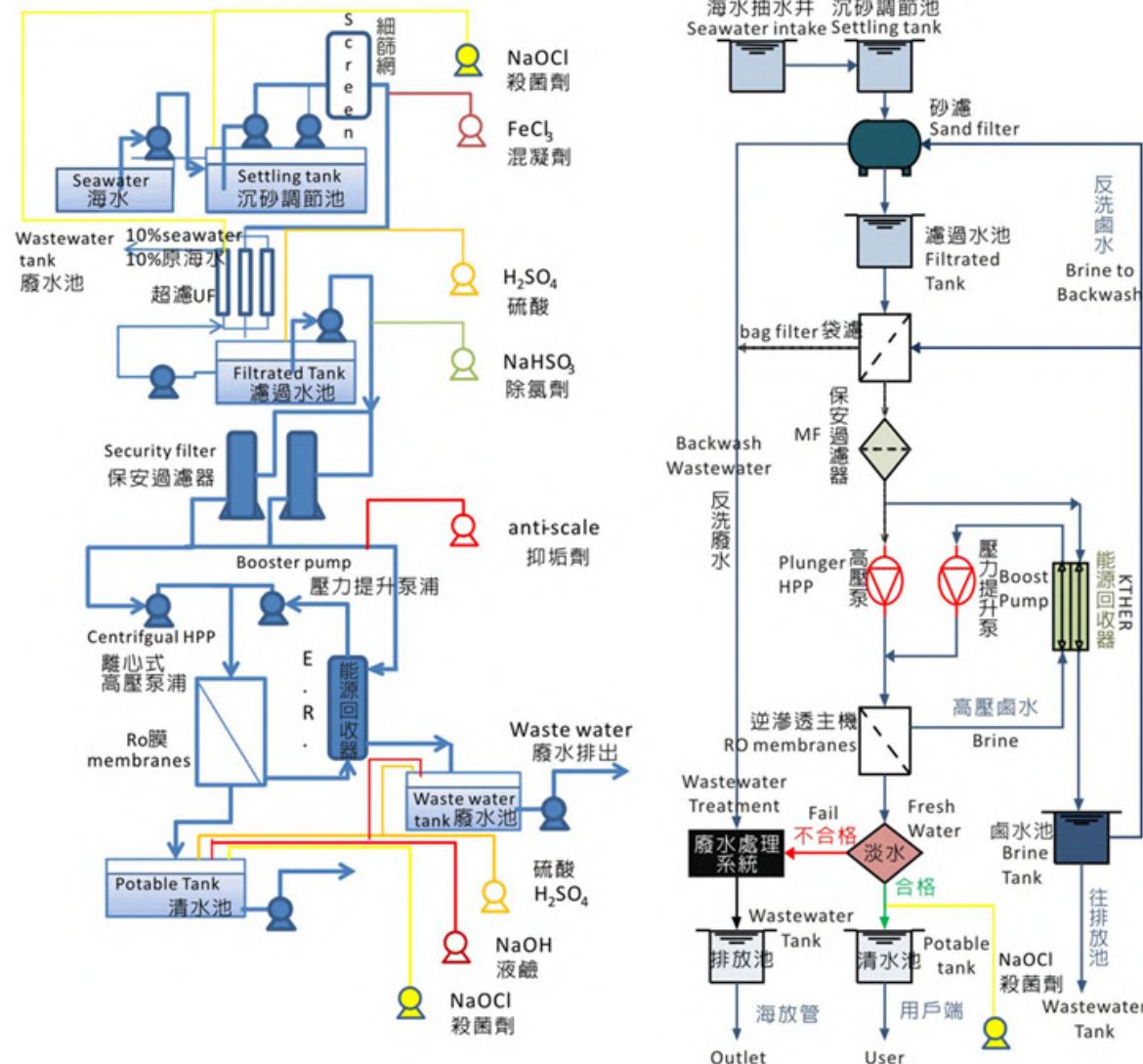


## 2. Water Treatment Construction

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







## Product Certification

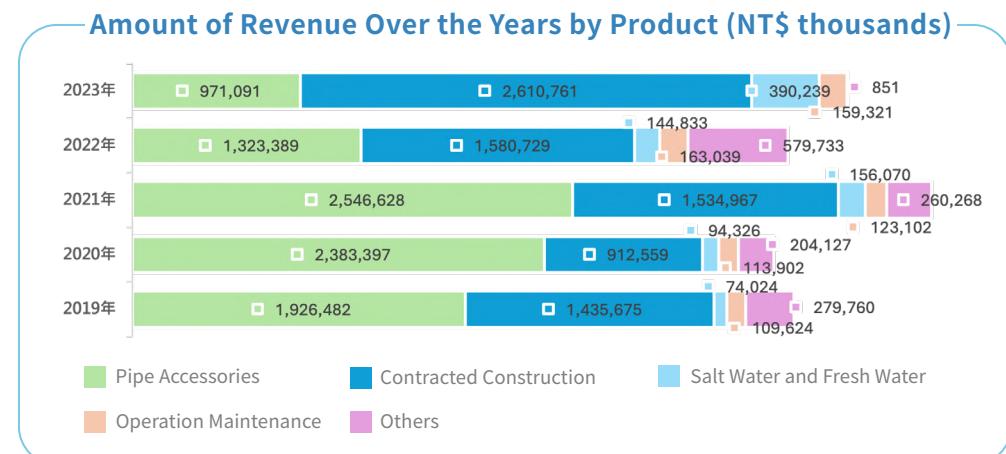
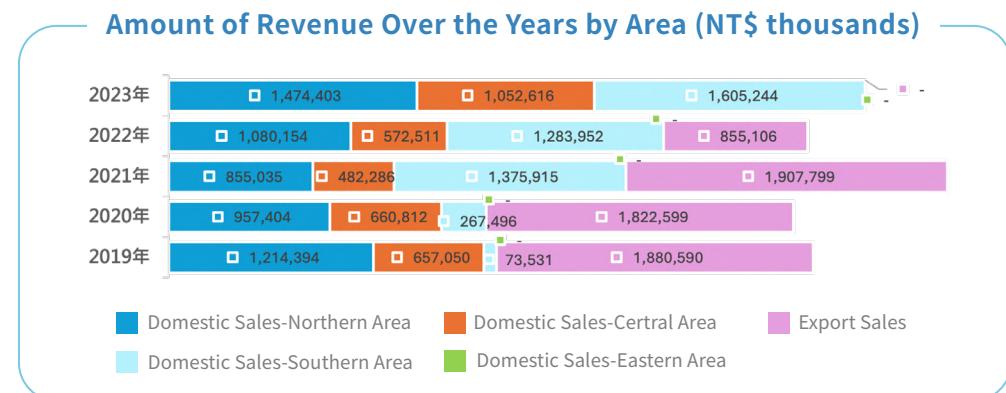
Kuo Toong has introduced the ISO quality management system since 1998, and passed the ISO 9001:2015 verification which is valid until 2025 in 2019, continued to implement ISO 9001 internal and external audits to maintain the effectiveness of the management system, ensure compliance with organizational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

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

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

## Sale District

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



# 1.3 Operation Overview

## Operational Strategy

Through streamline production control, Kuo Toong has effectively reduced inactive time of semi-finished products in process of the production. It's not only can lower the production time costs and manufacturing costs but also increase daily production. At the same time, continues to strengthen materials, expansion of pipe fittings and water resource solutions to strive for the most favorable tenders on various projects. In order to ensure the quality, we have passed ISO 9000 series quality management system since 1998 and has implemented quality first of the production. In addition, by continuously building core competencies in desalination and water reclamation, Kuo Toong has a track record of operating five desalination plants. In the future, the company will actively pursue internationalization and the development of large-scale desalination plant construction and operations."

## Financial Performance

The consolidated revenue of Kuo Toong in 2023 was NT\$4.132 billion, which has increased by 8.98% compared to consolidated revenue of NT\$3.791 billion in 2022. The relevant information on the financial performance of Kuo Toong over the years (Unit: NT\$ thousands) is as follows:

	In 2019	In 2020	In 2021	In 2022	In 2023
Revenue	3,825,565	3,708,311	4,621,035	3,791,723	4,132,263
Cost	3,123,532	2,866,660	3,552,571	2,686,939	2,563,423
Gross Profit	702,033	841,651	1,068,464	1,104,784	1,568,840
Expense	333,021	474,835	472,657	304,601	238,261
Net Profit	369,012	366,816	595,807	800,183	1,330,579
Non-operating Income and Expense	-75,962	-149,553	-104,644	30,914	-226,742
Net Profit Before Tax	293,050	217,263	491,163	831,097	1,103,837
Tax Expense	39,010	102,438	164,126	209,095	290,089
Net Profit After Tax	254,040	114,825	327,037	622,002	813,748
Other Comprehensive Income	-146,550	9,661	-12,244	66,890	-158,420
Total Comprehensive Income	107,490	124,486	314,793	688,892	655,328
Earnings Per Share (Basic)	0.81	0.5	1.81	2.52	2.88
Employee Wages and Benefits	435,663	426,255	468,899	366,836	331,243
Dividend and Interest Expense	153,461	143,181	160,208	183,232	265,136

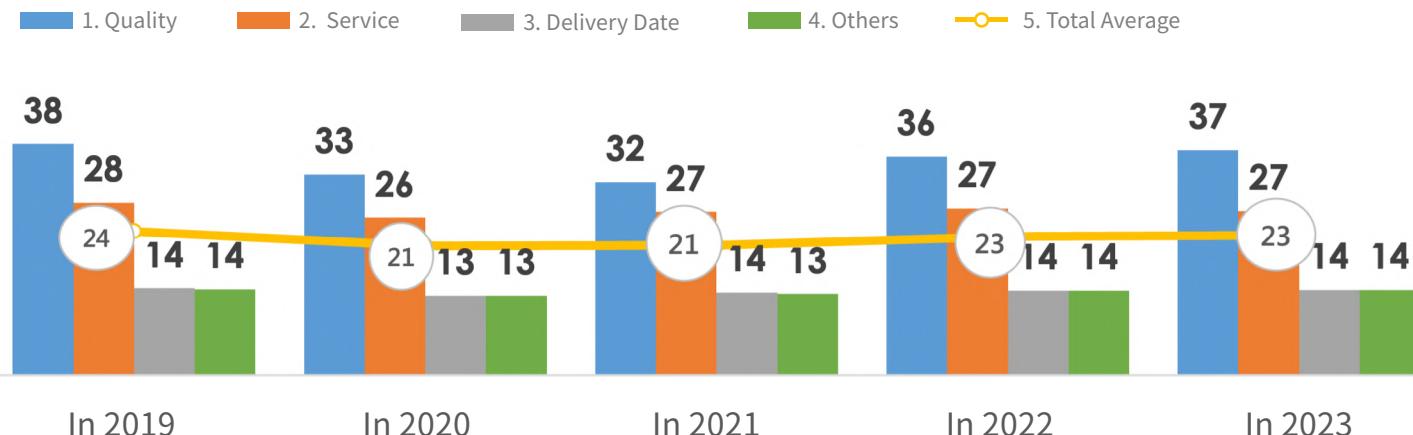
## Customer Service

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

Customer relationship management is an important part of the sustainable operation of the enterprise. In order to understand the valuable opinions of customers, Kuo Toong through the "Customer Satisfaction Survey" after the pipe project is ended to facilitate customer's direct feedback, and summarizes customer concerns irregularly to ensure their needs are addressed. The customer satisfaction survey is investigated in 4 items, including quality, service, delivery date and others. In 2023, we got a score of 92 on customer satisfaction survey, the quality items score was higher compare to the previous two years. This improvement can be attributed to Kuo Toong's response to the increased demand in recent years. The company recruited and trained new personnel, enhanced equipment maintenance, increased production capacity, and maintained product quality.

A regular monthly quality meeting has held at the end of each month to review product yield and address vendor-related issues across different departments, aiming to enhance product quality throughout the factory. Other aspects showed minor differences compared to previous years, all in line with customer requirements and expectations.

**Customer Satisfaction Survey Over the Years**



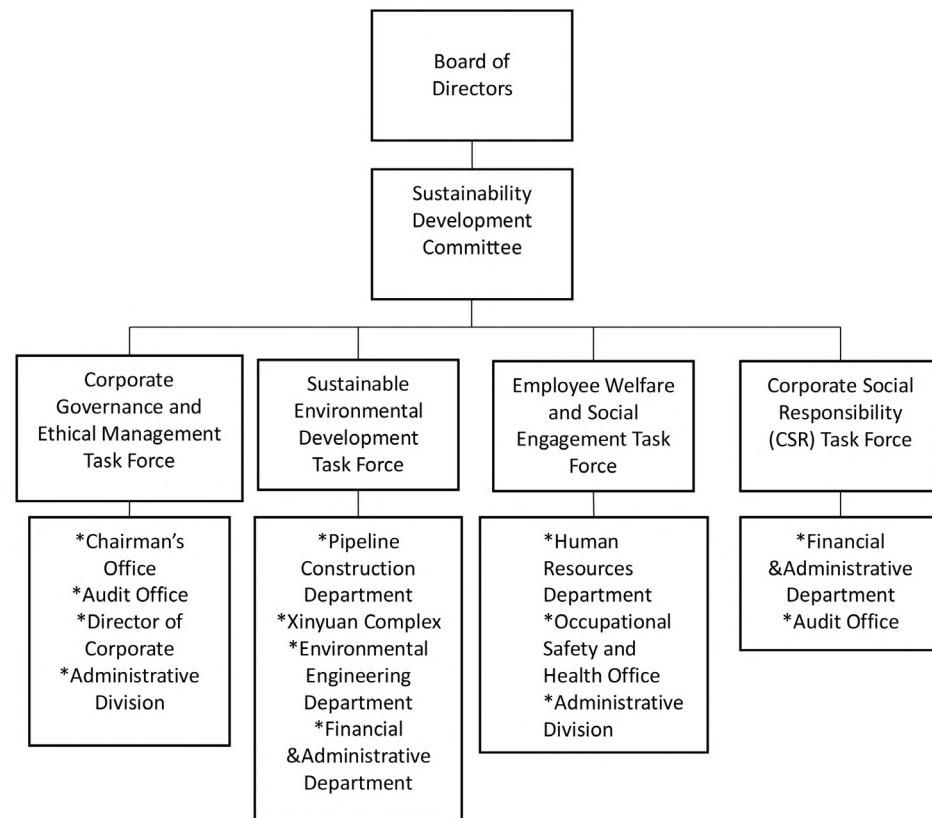
## 1.4 Sustainable Governance

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

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

Furthermore, meetings can be convened as needed. Semi-annual reports on execution results are submitted, and annual execution plans for the following year are presented at the end of each year.

The Sustainability Development Committee of Kuo Toong held two meetings in 2023 and reported its execution status to the Board of Directors on May 12 and November 13 in 2023. This report encompassed various aspects, including the preparation of the sustainability report, social care initiatives, and greenhouse gas inventory and external verification. The Board of Directors reviewed the execution effectiveness and provided necessary guidance and adjustments to ensure the implementation of sustainable business directions and strategies.



## 1.5 Stakeholder Engagement

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

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

### Step 1 Identification of Important Stakeholders

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

### Step 2 Identification and Collection of Sustainability Issues

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

### Step 3 Survey on Degree of Concern

In 2023, the competent department sent questionnaires to important stakeholders, and 91 questionnaires were actually retrieved to understand their degree of concern for various sustainability issues.

### Step 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.

## 1.5.1 Stakeholder Communication

### Summary on the Significance of Each Important Stakeholder to Kuo Toong

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

The questionnaire survey on sustainable issues is not the only channel for Kuo Toong to understand stakeholder's issues of concern. We use multiple communication channels and an open and transparent way to 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 2023.

## The Channels and Frequency of Communication with Important Stakeholders

Stakeholders	Channels	Frequency	Description
Customers	<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>■ Achieved at least one new customer per quarter in 2023.</li> <li>■ The customer satisfaction survey had reached a score of 92 in 2023.</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>
Competent Authorities	<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>■ Discussion on occupational safety and project overview.</li> <li>■ Coordination of construction operations based on project progress.</li> <li>■ Inspection of project execution status and project quality.</li> <li>■ Evaluation of project execution performance.</li> </ul>
Employees	<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 2023.</li> <li>■ Held 4 meetings in 2023.</li> <li>■ Held 4 meetings in 2023.</li> </ul>
Suppliers	<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 for suppliers involved in on-site construction or services.</li> </ul>
Banks	<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>
Shareholders	<ul style="list-style-type: none"> <li>■ Hold Annual General Meeting</li> <li>■ Hold the Board Meeting</li> <li>■ Annual Report</li> <li>■ Earnings Call</li> </ul>	<ul style="list-style-type: none"> <li>■ Every Year</li> <li>■ Every Quarter</li> <li>■ Every Year</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. In 2023, a total of 7 board meetings were held.</li> <li>■ disclose the information of financial, business and corporate governance.</li> <li>■ In 2023, a total of 2 earnings calls were conducted to provide updates on the company's operational status to investors.</li> </ul>

## 1.5.2 Stakeholder Issues

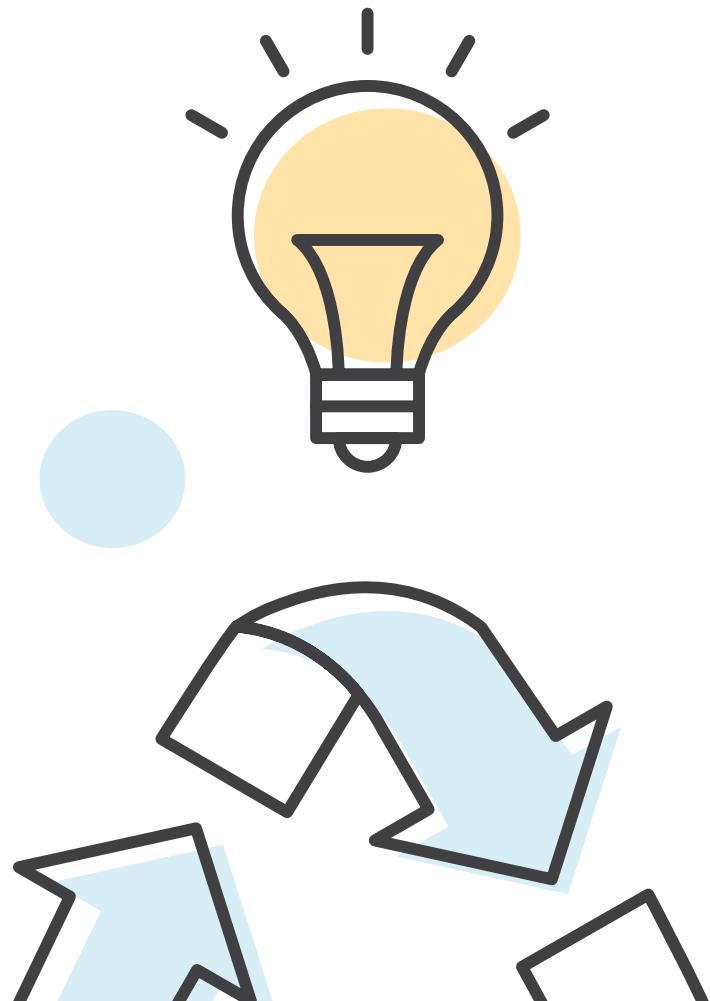
### Important Stakeholder Concerned Issues

#### Stakeholder Identification

Kuo Toong values its relationships with stakeholders and takes their opinions seriously, maintaining good communication and interaction with stakeholders in all business activities. Accordingly, Kuo Toong International Co., Ltd. has identified important stakeholders, including shareholders, operators, employees, customers, suppliers (or subcontractors), regulatory agencies, and other local community groups or individuals. We strive to comprehensively address and respond to stakeholders' needs and expectations to the greatest extent possible. To address the issues of primary concern to important stakeholders, Kuo Toong International Co., Ltd. has established diverse communication mechanisms to accurately respond to the information expected by stakeholders.

#### Communication

The ESG Sustainability Committee discusses and interacts with stakeholders encountered through operational activities and interactive exchanges. Following the GRI: 2021 Sustainability Reporting Standards, the management process involves the identification, prioritization, validation, and review of material topics. Therefore, Kuo Toong International Co., Ltd. conducts surveys to gather information on stakeholders' material issues and responds to the concerns of important stakeholders.



## Survey Content

### Instructions:

1. Please select the issues you are concerned about from the following material topics. If you do not choose a particular issue, it indicates that you are not concerned about it at all and it has no impact on you.
2. You are required to score the topics you have selected. Concern index indicates how much you believe you should be concerned about the issue based on changes in your surrounding environment. Impact index indicates how much the company's operations might affect your environment.
3. When you select a material topic, please fill in the scores for both "Concern Index" and "Impact Index" based on the following criteria:
  - Concern Index 1-10 points. Although you have chosen this material issue, 1 point means your concern index is very low, and 10 points means your concern index is very high. Please fill in the appropriate score.
  - Impact Index 1-10 points. Although you have chosen this material issue, 1 point means the impact on you is very low, and 10 points means the impact on you is very high. Please fill in the appropriate score.
4. Thank you very much for completing the survey. We will statistically analyze the results and specifically present the material issues you selected in the ESG Corporate Sustainability Report.
5. If you have any questions while filling out the survey or if you do not understand the meaning of any material issue, you can contact us at:

Name/Unit:		Date of Completion:	
------------	--	---------------------	--

GRI 200	201 Economic Performance		202 Market Presence		203 Indirect Economic Impacts		204 Procurement Practices		205 Anti-Corruption		206 Anti-competitive Behavior		207 Tax	
	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index

GRI 300	301 Materials		302 Energy		303 Water and Effluents		304 Biodiversity		305 Emissions		306 Waste		308 Supplier Environmental Assessment	
	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index

GRI 400	401 Employment		402 Labor/Management Relations		403 Occupational Health and Safety		404 Training and Education		405 Diversity and Equal Opportunity		406 Non-discrimination		407 Freedom of Association and Collective Bargaining	
	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index
	408 Child Labor		409 Forced or Compulsory Labor		410 Security Practices		411 Rights of Indigenous Peoples		413 Local Communities		414 Supplier Social Assessment		415 Public Policy	
	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index
	416 Customer Health and Safety		417 Marketing and Labeling		418 Customer Privacy									
	Concern Index	Impact Index	Concern Index	Impact Index	Concern Index	Impact Index								

## Summary Table of Survey Response Rates

### Summary Table of Response Status

	Number of Questionnaires Issued	Number of Questionnaires Collected	Response Rate (%)
Shareholders	2	2	100%
Employees	154	63	41%
Customers	9	7	78%
Suppliers	20	13	65%
Corporate Entities	3	3	100%
Public Associations	5	1	20%
Others	5	4	80%
Total	198	93	47%

### Kuo Yang's Summary Table of Response Status

	Number of Questionnaires Issued	Number of Questionnaires Collected	Response Rate (%)
Shareholders	1		0%
Operators	4	3	75%
Employees	13	9	69%
Suppliers	2	1	50%
Regulatory Agencies	1		0%
Corporate Entities	1	1	100%
Total	22	14	64%

### Determination of Material Issues :

Kuo Toong conducts a statistical analysis of the collected questionnaires. The evaluation criteria for selecting material issues are as follows: if the average score for the concern index and impact index of each material issue reaches 7.00 or higher, it will be included as a material issue. Additionally, to address global warming and climate change issues and to emphasize the importance of the working environment for all employees, we have specifically included materials issues related to greenhouse gas emissions and occupational safety and health. This reflects Kuo Toong International Co., Ltd.'s ongoing commitment to these issues. The list of all material issues is shown below, and each material issue is described accordingly:

GRI	Material Topics	Average Concern Index	Average Impact Index	Selection
201	Economic Performance	7.19	6.34	
202	Market Presence	6.96	6.02	
203	Indirect Economic Impacts	6.86	6.27	
204	Procurement Practices	6.58	6.18	
205	Anti-Corruption	7.31	6.35	
206	Anti-competitive Behavior	6.72	5.96	
207	Tax	7.16	6.53	
301	Materials	6.86	6.24	
302	Energy	7.03	6.39	
303	Water and Effluents	7.35	6.63	
304	Biodiversity	6.69	6.04	
305	Emissions	7.15	6.72	
306	Waste	7.54	6.94	
308	Supplier Environmental Assessment	6.95	6.48	

GRI	Material Topics	Average Concern Index	Average Impact Index	Selection
401	Employment	7.95	7.32	✓
402	Labor/Management Relations	7.52	6.94	
403	Occupational Health and Safety	7.97	7.20	✓
404	Training and Education	7.40	6.65	
405	Diversity and Equal Opportunity	7.20	6.59	
406	Non-discrimination	7.38	6.67	
407	Freedom of Association and Collective Bargaining	6.57	5.98	
408	Child Labor	6.87	5.99	
409	Forced or Compulsory Labor	7.29	6.50	
410	Security Practices	6.42	5.66	
411	Rights of Indigenous Peoples	6.34	5.53	
413	Local Communities	6.94	6.24	
414	Supplier Social Assessment	6.69	5.92	
415	Public Policy	5.92	5.42	
416	Customer Health and Safety	6.91	6.29	
417	Marketing and Labeling	6.77	6.05	
418	Customer Privacy	7.20	6.62	



# ESG Report of KUO TOONG



## Chapter **2**

### **SUSTAINABLE GOVERNANCE**

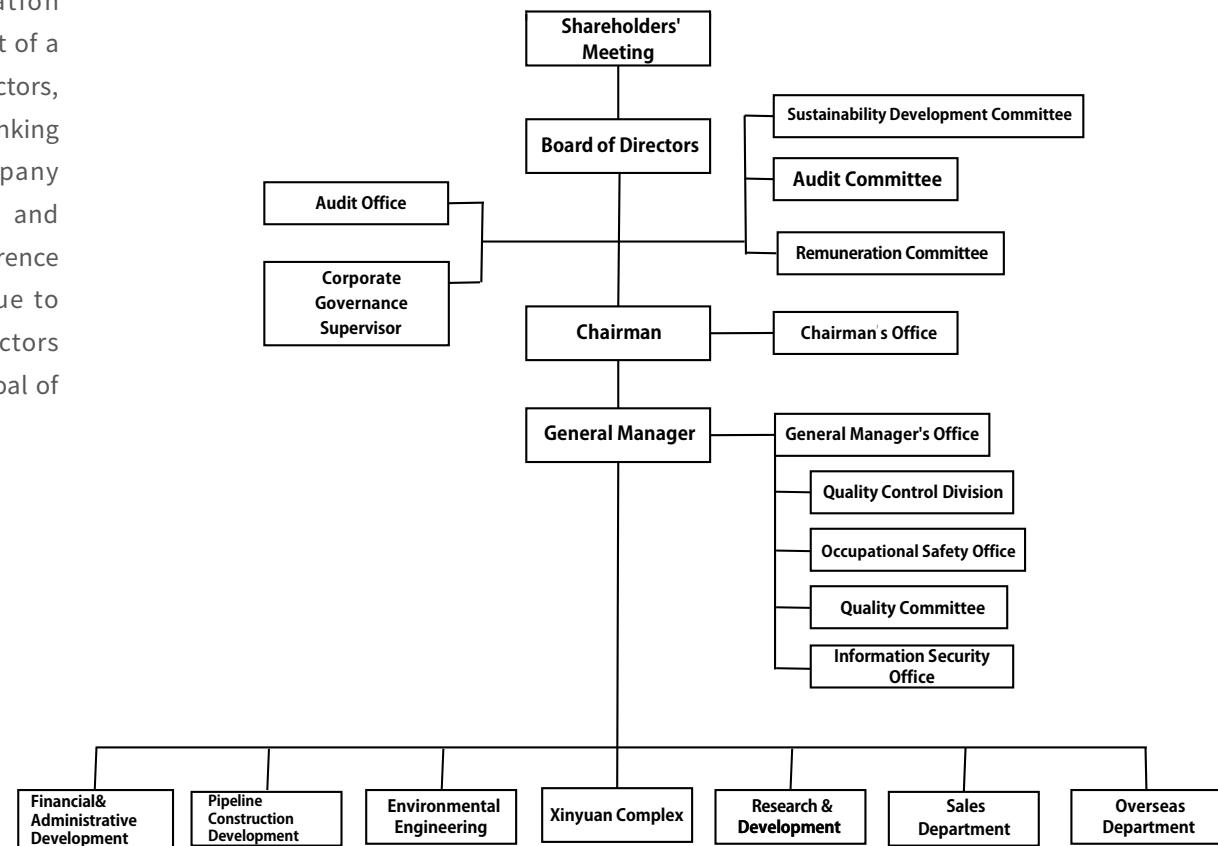
- 2.1 Corporate Governance
- 2.2 Information Security
- 2.3 Innovative Management
- 2.4 Supply Chain Management
- 2.5 Regulatory Compliance
- 2.6 TCFD

## 2.1 Corporate Governance

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

### Governance Structure

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



## Operations of the Board of Directors

The Board of Directors of Kuo Toong adopts a candidate nomination system in accordance with the "Company's Articles of Association" and "Method for Election of Directors". The shareholders' meeting selects people from the list of director candidates, it will be 5 to 9 directors are established with a term of 3 years. They are elected by the shareholders meeting with legal capacity, and can be re-elected. Among the aforementioned number of directors, there shall be no less than 2 independent directors and no less than 1/5 of the number of directors. The "Board Meeting Principles" stipulates the mechanism for avoiding conflicts of interest. If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.

The Board of Directors consists of 9 directors, including 4 independent directors. Among the members of the Board of Directors, there are 7 male members and 2 female members (accounting for 22% of female directors); 2 directors are between 30 and 50 years old, and 8 directors are over 50 years old. In 2023, a total of 7 board meetings were held, and the average attendance rate of all directors of the board as 100%.



Title	Name	Gender	Main (Educational) Experience	Actual Attendance	Attendance by Proxy	Actual Attendance Rate
Chairman	Hong, Ya-Man	Female	<ul style="list-style-type: none"> <li>■ Master of Civil Engineering and Disaster Mitigation Technology, National Kaohsiung University of Science and Technology</li> <li>■ Chairman of Kuo Toong Co., Ltd, Kuo Toong Int LLC., Kuo Yang Environment Technology Co., Ltd., Marvel Line Co., Ltd., Ding Teng Co., Ltd., Tong Chuang Industrial Co., Ltd.</li> <li>■ Director of Xiyu Seawater Desalination Co., Ltd and Jie Mao International Co., Ltd.</li> </ul>	7	0	100%
Director	Luo, Wei-Jhe	Male	<ul style="list-style-type: none"> <li>■ Master of Accountancy, National Taiwan University</li> <li>■ Head Accountant of Legendary &amp; Steadfast Accountancy</li> <li>■ Independent Director of Hong Ho Precision Textile Co., Ltd.</li> </ul>	7	0	100%
Director	Pan, Ren-Zhi	Male	<ul style="list-style-type: none"> <li>■ Department of Finance and Taxation, National Chung Hsing University</li> <li>■ Chief of Sanmin Branch, Kaohsiung National Tax Bureau</li> <li>■ Chief Secretary of Kaohsiung City National Tax Bureau</li> </ul>	7	0	100%
Director	Zhou, Huang-Tsan	Male	<ul style="list-style-type: none"> <li>■ PHD of Engineering in Civil Engineering, National Taiwan University of Science and Technology</li> <li>■ Professional qualification as a Civil Engineering Technician</li> <li>■ Director of the Department of Civil and Engineering Information, Cheng Shiu University of Science and Technology, Director of Construction Technology Center, Director of the Graduate Institute of Construction Engineering</li> <li>■ Associate Professor at Kinmen University</li> </ul>	7	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> <li>■ Independent Director of Taiwan Tea Corporation</li> <li>■ Independent Director of Xxentria Technology Materials Co., Ltd.</li> </ul>	7	0	100%
Independent Director	Jheng, Shun-Ren	Male	<ul style="list-style-type: none"> <li>■ PHD of Business Studies, Manuel L.Q University, PHD Program in Technology Management, Chung Hua University</li> <li>■ Vice Principle of Cheng Shiu University</li> </ul>	7	0	100%



Title	Name	Gender	Main (Educational) Experience	Actual Attendance	Attendance by Proxy	Actual Attendance Rate
Independent Director	Jheng, Shun-Ren	Male	<ul style="list-style-type: none"> <li>■ Independent Director of Top High Image Corp.</li> <li>■ Independent Director of Nan Ren Lake Leisure Amusement Co., Ltd.</li> <li>■ Independent Director of Daily-Polymer Corporation</li> <li>■ Director of Ensure Global Corp., Ltd.</li> </ul>	7	0	100%
Independent Director	Wu, Yen-Chiu	Female	<ul style="list-style-type: none"> <li>■ Department of Business Administration, Providence University</li> <li>■ Special Assistant to the Chairman, Chant World International Co., Ltd.</li> <li>■ Accounting Manager, Twoway Communications, Inc.</li> <li>■ Chief Financial Officer, Yunicap Electronics Industry Corp.</li> <li>■ Deputy General Manager, Take Well Engineering Inc.</li> <li>■ Consultant and Supervisor, Ejia Bio-Tech Co., Ltd.</li> <li>■ Independent Director of Axis Corporation</li> </ul>	7	0	100%
Director	Xu, Zheng-Zhe	Male	<ul style="list-style-type: none"> <li>■ MA of Business Administration, National Sun Yat-sen University</li> <li>■ General Manager of Triocean Industrial Corporation Co., Ltd.</li> </ul>	2	0	100%
Independent Director	Chen, Zong Kun	Male	<ul style="list-style-type: none"> <li>■ MA of Construction Engineering Technology, National Taiwan Institute of Technology</li> <li>■ MA of Law, College of Law, National University of Kaohsiung</li> <li>■ Senior Engineer and Chairman of the Union, Bes Engineering Corporation</li> <li>■ Real Estate Appraiser, Urban-Rural Real Estate Appraisal Firm</li> </ul>	2	0	100%
Director	Gao, Fong-Ci	Male	<ul style="list-style-type: none"> <li>■ Department of Law, National Taiwan University</li> <li>■ Head Attorney of Kao &amp; Associates International Law Firm</li> <li>■ Independent Director of Solar Applied Materials Technology Corp.</li> </ul>	2	0	100%
Director	Shih, Qing-Cang	Male	<ul style="list-style-type: none"> <li>■ Department of Soil and Water Conservation, National Chung Hsing University</li> <li>■ Professional qualification as a Soil and Water Conservation Technician</li> <li>■ Southern Region Water Resources Office, Water Resources Agency, Ministry of Economic Affairs</li> </ul>	2	0	100%

Note: Directors Gao, Fong-Ci and Shih Qing-Cang resigned in February 2023; Chen Zong-Kun and Xu Zheng-Zhe were elected at the shareholders' meeting in June 2023.

The board members cover various professional fields including finance and accounting, law, management, and technology management. They possess the necessary professional knowledge, experience, and qualities to fulfill their duties, capable of adapting to changes in the economic, environmental, and social aspects. In accordance with the "Guidelines for Continuing Education for Directors and Supervisors of Listed and OTC Companies," the board members have undergone relevant training to enhance their understanding of emerging issues and continuously improve the effectiveness of corporate governance. In 2023, all board members completed the required training hours, with each director completing at least 6 hours of training.

In order to continuously strengthen the operational efficiency of the Board of Directors, the "Board of Directors Performance Evaluation Policy" has been formulated, and the evaluated scope includes the performance of the overall Board of Directors, individual director members and functional committees. It shall implement the Board of Directors performance evaluation once a year, and shall be carried out by an external professional independent institution or external team of expert scholars at least once every three years. The Board of Directors internal performance evaluation of 2023 has been completed in the first quarter of 2024. The results showed it was running well. The report on the evaluation was submitted to the board in March of the same year. For further details on the board's performance evaluation, please refer to the "Corporate Governance" of the Kuo Toong's official website under the "Investor Relations section" category. The external evaluation of the Board's performance will be conducted on December 4.

Title	Name	Organizer	Name of Courses	Training Hours
Chairman	Hong, Ya-Man	Taipei Exchange	Seminar on Insider Shareholding for Listed and Emerging Stock Market Companies	3
		Digital Governance Association	Corporate ESG and Climate Change Risk Management	3
Director	Luo, Wei-Jhe	Securities & Futures Institute	2023 Insider Trading Prevention Seminar	3
		Accounting Research and Development Foundation	2023 ESG Summit - Sharing of Sustainability Disclosure Examples	2
		Accounting Research and Development Foundation	2023 ESG Summit - Green Finance and Sustainable Transformation	3
Director	Pan, Ren-Zhi	Accounting Research and Development Foundation	2023 ESG Summit - Carbon Footprinting and Carbon Management	3
		Corporate Operating and Sustainable Development Association	Practical Application of Labor Incident Law	3
		Corporate Operating and Sustainable Development Association	Analysis of Legal Regulations and Practical Cases of Insider Trading	3
Director	Zhou, Huang-Tsan	Taiwan Corporate Governance Association	Legal Issues to Be Aware of in Internal Shareholding Management and Share Transactions	3
		Corporate Operating and Sustainable Development Association	Digital Transformation, Visioning the Future, and New Thinking in Risk Management	3
		Corporate Operating and Sustainable Development Association	Analysis of Legal Regulations and Practical Cases of Insider Trading	3

Title	Name	Organizer	Name of Courses	Training Hours
Director	Xu, Zheng-Zhe	Taiwan Corporate Governance Association	Legal Issues to Be Aware of in Internal Shareholding Management and Share Transactions	3
		Taiwan Corporate Governance Association	Net Zero Sustainable Talent Development Seminar (Southern Region) - Carbon Governance and Sustainable Ecosystem	9
Independent Director	Wang, Sen-Rong	Taiwan Investor Relations Institute	Protection of Trade Secrets and Non-Compete Agreements	6
		Securities & Futures Institute	Key Financial, Tax, and Securities Regulatory Issues in 2023	3
		Securities & Futures Institute	Setting Sustainable Governance Strategies under Risk Management	3
Independent Director	Jheng, Shun-Ren	Taiwan Stock Exchange (TWSE)	2023 Cathay Sustainable Finance and Climate Change Summit	6
Independent Director	Wu, Yen-Chiu	Securities & Futures Institute	Discussing Corporate Governance Blueprint 3.0 and Director Responsibilities	3
		Securities & Futures Institute	Practical Sharing on Corporate Mergers and Acquisitions - Focusing on Hostile Takeovers	3
Independent Director	Chen, Zong Kun	Taiwan Investor Relations Institute	2023 KPMG Business Leaders Forum - Opportunities and Challenges in the Net Zero Trend	3
		Corporate Operating and Sustainable Development Association	Due Diligence and Financial Evaluation in Mergers and Acquisitions Transactions	3
		Taiwan Corporate Governance Association	Legal Issues to Be Aware of in Internal Shareholding Management and Share Transactions	3
		Corporate Operating and Sustainable Development Association	Exploration of Operational Risk Management and the Independent Director System	3
		Corporate Operating and Sustainable Development Association	Practical Compliance with Board Regulations and Legal Responsibilities of Directors and Supervisors, along with Case Studies	3

## Operations of Audit Committee and Remuneration Committee

Kuo Toong set up an Audit Committee in 2017 to replace the supervisor system to strengthen the function of supervising the operation of the Board of Directors and responsible for the fair expression of the company's financial statements, including the appointment (dismissal) of accountants, independence and performance, and the effective implementation of internal controls, compliance with relevant laws and regulations and control of existing or potential risks. Kuo Toong established the Remuneration Committee in 2011 to evaluate the company's directors and managerial officers' remuneration policies and systems from a professional and objective position, and submit recommendations to the Board of Directors for reference in their decision-making, helping the company's finances more oriented to the overall interests of the organization, which is beneficial to the rigor of corporate governance. The Audit Committee and the Remuneration Committee are composed of three independent directors. By the end of 2023, the members of the functional committee and their attendance at the 2023 annual meeting are as follows:

	Title	Name	Expected Attendance	Actual Attendance	Attendance by Proxy	Actual Attendance Rate	Note
Audit Committee	Independent Director	Jheng, Shun-Ren	7	7	0	100%	
	Independent Director	Wang, Sen-Rong	7	7	0	100%	
	Independent Director	Wu, Yen-Chiu	7	7	0	100%	
	Independent Director	Chen, Zong Kun	2	2	0	100%	Elected in June 2023, with an expected attendance of 2 times.

	Title	Name	Expected Attendance	Actual	Attendance by Proxy	Actual Attendance Rate	Note
Remuneration Committee	Independent Director	Jheng, Shun-Ren	4	4	0	100%	
	Independent Director	Wang, Sen-Rong	4	4	0	100%	
	Independent Director	Wu, Yen-Chiu	4	4	0	100%	

## 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. 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.

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

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



## 2.2 Information Security

### Information Security Policy

To ensure the integrity of information security and safeguard both operational data and customer information, we have established the Information Security Management Measures. Additionally, comprehensive Information Security Policies have been formulated as follows:

- The company's various information security management regulations must comply with relevant government laws and regulations (such as the Cyber Security Management Act, Criminal Code, Classified National Security Information Protection Act, Patent Act, Trademark Act, Copyright Act, Personal Data Protection Act, etc.).
- Establish a dedicated information security management unit responsible for the creation and promotion of information security systems.
- Regularly conduct information security education and training to disseminate information security policies and related implementation regulations.
- Develop a management mechanism for the use of hosts and networks to centrally allocate and utilize resources.
- Prior to the deployment and launch of new systems and equipment, consider risk and security factors to prevent situations that could compromise information security.

- Implement physical and environmental security measures for the information server room, with regular maintenance and upkeep.
- Clearly define the permissions for network systems to prevent unauthorized access.
- Establish an internal audit plan for the information security management system, regularly reviewing the usage of personnel and equipment within the scope of the information security management system, and drafting and implementing corrective and preventive measures based on audit reports.
- Develop and conduct drills for business continuity management, backup, and recovery to ensure the continuous operation of the company's business.
- All company personnel are responsible for maintaining information security and must comply with the company's information security management regulations.
- If an outsourced vendor requires subcontracting while performing outsourced tasks for the company, they should evaluate the information security risks related to subcontracting. Additionally, the outsourced vendor must appropriately supervise and manage the subcontractor in accordance with relevant information security regulations.
- In the management of internal and external projects, clearly specify and state all information security requirements related to the projects. This ensures the confidentiality, integrity, and availability of internal and external project information, thereby reducing the risk of sensitive information (including personal data) leakage and legal violations.
- The evaluation and review of the information security policy should be conducted at least once a year to reflect the latest developments in management policies, government regulations, new technologies, and company operations. This ensures the feasibility and effectiveness of the information security management system, maintaining operational continuity and the ability to provide appropriate services.

## Information Security Operation Status:

To ensure the confidentiality, integrity, and availability of the company's business information and to comply with the Financial Supervisory Commission's "Guidelines for Establishing Internal Control Systems for Public Companies," the company established the Information Security Office on December 7, 2023. The office includes one dedicated information security supervisor and two information security personnel. We have formulated an "Information Security Policy" based on ISO/IEC 27001 to regulate the company's information security management system, enhance the security of network equipment and communications, and effectively reduce the risks of information assets being stolen, misused, leaked, tampered with, or destroyed due to human error, intentional acts, or natural disasters.



## Specific Information Security Operations in 2023

### Recovery Drills

Conducted disaster recovery drills once a year.  
Regularly backed up data to ensure business continuity.

### Information Security Diagnosis

Conducted social engineering drills twice a year.  
Replaced outdated servers, totaling 34 units.

### Information Security Awareness

Conducted group information security training three times a year.  
Held information security meetings four times a year.

### Information Security Email

Conducted company-wide information security awareness campaigns twice.  
Issued notifications regarding phishing email incidents twice.

## 2.3 Innovative Management

### Innovative Method

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

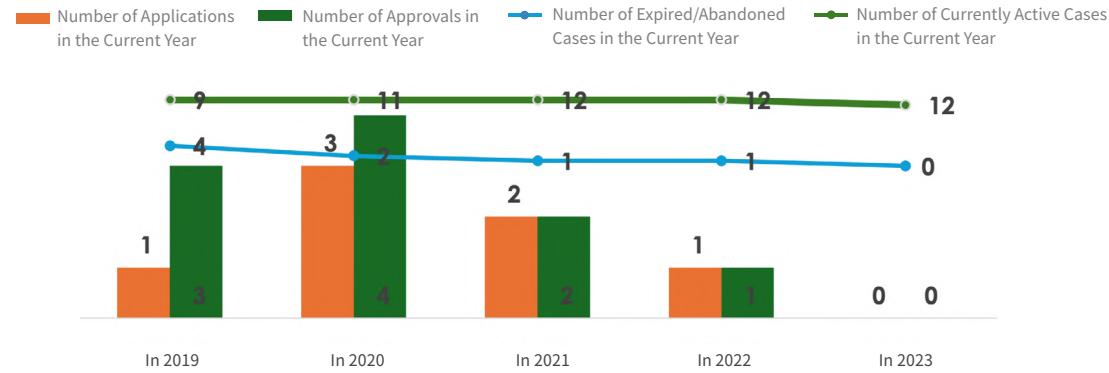
Kuo Toong has been continuously improving the processes of its desalination plant to enhance its reliability. The lowest energy consumption mode of the desalination plant involves the continuous operation of the units for 24 hours without interruption. Prior to the improvement in the brine pipeline process,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

and further enhancements brought it to 240 hours (10 days) with a reliability rate of 33%. These improvements significantly increased the reliability rate without affecting the overall water production and maintenance activities. Kuo Toong will continue to enhance the processes to maintain equipment reliability after all maintenance on energy recovery equipment is completed.

### Product Patent

Kuo Toong encourages innovation. By applying new technologies, we can not only effectively improve operational efficiency but also potentially create new business opportunities through the acquisition of patented technologies. In 2022, Kuo Toong obtained a domestic patent for the "non-assembled bolted flexible pipe," which is applied in steel pipes used in pipeline construction. This innovation is particularly valuable in scenarios where pipelines may be susceptible to damage or leakage due to factors like earthquakes or ground movements. The flexible pipe is designed to absorb vibrations and accommodate pipeline displacement caused by such factors. In the future, Kuo Toong will continue to invest in research and development of patented technologies, not only in pipe-related design and manufacturing but also in enhancing water treatment and seawater desalination technology capabilities. As of the end of 2023, there are 12 valid patent cases in existence.

Patent Applications, Approvals, and Active Cases Over the Years



## 2.4 Supply Chain Management

### New Supplier Management

Kuo Toong conducts new supplier evaluation according to the Supplier Management Operating Procedures to meet the standards of the ISO 9001 quality management system. An evaluation team composed of the Quality Control Section and the Procurement Section implements factory inspections on the supplier's site. Each aspect is assessed individually based on the quality system, product quality, delivery schedule, after-sales service, shipping price, and cooperation level, among other factors. After a supplier passes the evaluation and receives approval from the General Manager, they will be added to the list of qualified suppliers. At present, the supplier evaluation item mainly focuses on product quality and safety. In order to further implement the corporate social responsibility of the supply chain, starting in 2023, all new suppliers are required to sign an "Supplier Integrity Pledge" for jointly fulfill their corporate citizenship responsibilities. In 2023, a total of 52 new suppliers signed this commitment.



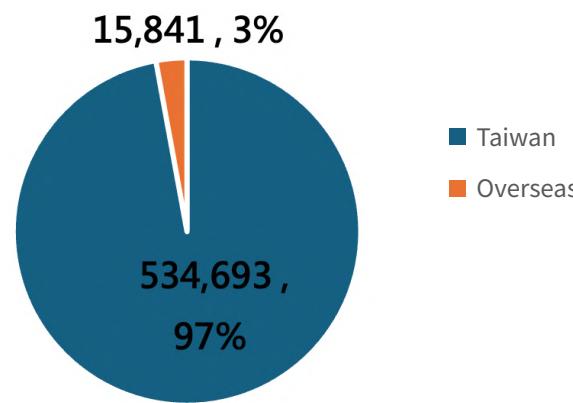
### Supplier Audit / Counselling

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

## Local Procurement

Kuo Toong actively cooperates with suppliers to jointly pursue the sustainable operation and growth of the enterprise, continue to implement local procurement, promote the local economy and reduce transportation energy consumption. Only product additives such as nodularizer and inoculants are purchased abroad for the manufacture of pipes, and other major raw materials are purchased from domestic suppliers. Local procurement accounted for 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.

**2023 Local Procurement Amount and Percentage**  
(Unit: NT\$ thousands)



## 2.5 Regulatory Compliance

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

Category	In 2022		In 2023	
	Number of Penalties	Amount (NTD)	Number of Penalties	Amount (NTD)
Violation of the Environmental Assessment Act	1	340,000	0	0
Violation of Occupational Safety and Health Act	3	310,000	2	210,000
Violation of the Water Pollution Control Act	1	30,250	0	0
Total	5	680,250	2	210,000

## 2.6 TCFD

### Adapting to the Impact of Climate Change

The company follows the framework of TCFD (Task Force on Climate-related Financial Disclosure) for disclosing climate-related financial risks. The framework it adheres to is as follows:

Key Factors	Content	Actions
Governance	Disclosure of the company's governance of climate-related risks and opportunities.	<ul style="list-style-type: none"> <li>■ Integrate climate change issues into Kuo Toong's comprehensive risk management framework, with the Board of Directors designating the Sustainability Development Committee to report climate change-related issues regularly.</li> <li>■ The Board of Directors continuously monitors climate change-related issues, sets relevant operational goals and plans, and conducts regular reviews for improvements.</li> </ul>
Strategy	Disclosure of actual and potential impacts of climate-related issues on the company's business, strategy, and financial planning.	<ul style="list-style-type: none"> <li>■ Identify short, medium, and long-term climate-related risks and opportunities faced by Kuo Toong, analyze industry climate change risks, enhance the company's capacity, and improve financial structure.</li> <li>■ Implement and plan the framework for financial disclosure related to climate change (TCFD) as required by public authorities.</li> <li>■ Continuously develop and optimize autonomous energy-saving and water-saving measures, gradually replacing equipment with energy-efficient alternatives to achieve optimal energy use.</li> </ul>
Risk Management	Disclosure of how the organization identifies, assesses, and manages climate-related risks.	<ul style="list-style-type: none"> <li>■ Each functional unit implements the risk management policy approved by the Board of Directors and integrates reasonable climate action mechanisms into project operations management processes.</li> <li>■ Strengthen the ability of departments to identify risks and opportunities and enhance internal awareness of climate change risks.</li> <li>■ Establish procedures for identifying, measuring, monitoring, and reporting risk assessment and managing high-risk climate issues.</li> </ul>
Metrics and Targets	Disclosure of the metrics and targets used to assess and manage significant climate-related issues.	<ul style="list-style-type: none"> <li>■ Annually establish relevant risk and opportunity metrics and plans based on the company's environmental policy and risk management processes.</li> <li>■ Greenhouse gas inventory metrics.</li> <li>■ Develop annual plans to reduce electricity, water usage, and waste.</li> <li>■ The Board of Directors annually establishes relevant risk and opportunity metrics and plans based on the company's environmental policy and risk management processes.</li> <li>■ Annually disclose the company's major greenhouse gas emissions data in the sustainability report and strive to reduce the company's emission density to achieve low-carbon service goals.</li> </ul>

# Facing Risks

## Climate Change Risks

	Category	Item	Impact
Physical Risks	Immediate	Extreme Weather	<ul style="list-style-type: none"> <li>In recent years, the frequency of extreme weather events caused by climate change has been gradually increasing, which may lead to damage to the company's buildings, facilities, equipment, information security, transportation, and personnel safety, causing operational interruptions.</li> <li>The risk of damage from extreme weather increases, leading to property losses.</li> <li>Damage to investment objectives results in asset losses.</li> </ul>
	Immediate	Heavy Rain or Typhoon	<ul style="list-style-type: none"> <li>During the implementation of various projects, interruptions and equipment damage may occur, resulting in property loss and contract risk.</li> </ul>
	Immediate	Extreme Temperatures	<ul style="list-style-type: none"> <li>The increase in the number of days with extreme high and low temperatures each year leads to higher energy consumption and equipment damage in office and operational environments, resulting in operational interruptions and property loss.</li> <li>Increasing employee illness rates threaten their health and impact continuous company operations.</li> </ul>
	Long-term	Rising Global Average Temperature	<ul style="list-style-type: none"> <li>The global average temperature continues to rise.</li> <li>The issue of carbon emission reduction is intensifying.</li> <li>Changes in biodiversity increase the likelihood of pandemics.</li> </ul>
Transitional Risks	Policies and Regulations	International Conventions or Initiatives	<ul style="list-style-type: none"> <li>Requirements of international conventions or initiatives, such as TCFD, mandate that the company formulate relevant climate change risk responses.</li> </ul>
	Policies and Regulations	Updates to Laws and Regulations	<ul style="list-style-type: none"> <li>Formulation of related environmental laws and policies in Taiwan, such as mandatory disclosure of greenhouse gas emissions and the introduction of energy management issues.</li> <li>Imposition of carbon taxes or carbon fees.</li> </ul>
	Technology	Requirements for Low-Carbon Products and Services	<ul style="list-style-type: none"> <li>The need to invest significant costs in developing low-carbon products and services, altering existing operational processes, may cause transitional adaptation challenges.</li> </ul>
	Market/Reputation	Changes in Customer Behavior/ Public Awareness and Environmental Requirements	<ul style="list-style-type: none"> <li>Failing to meet stakeholder expectations can affect the company's reputation and trust.</li> </ul>



# ESG Report of KUO TOONG



Chapter

3

## SUSTAINABLE ENVIRONMENT

- 3.1 Recycling and Reuse Materials
- 3.2 Greenhouse Gas Inventory
- 3.3 Energy Management
- 3.4 Water Resource Management
- 3.5 Waste Management

## 3.1 Recycling and Reuse Material

### Raw Material

The main production processes at Kuo Toong's Xinyuan Complex are ductile iron pipes and steel pipes. The primary raw materials for ductile iron pipes include black iron, sand, gravel, and others (cement, additives, etc.). Steel pipes primarily use steel plates as raw materials. Black iron is sourced from recycled raw materials, with an average composition of approximately 56.47% over the past three years. The table below shows the main raw materials used over the last three years.

#### The Use of Main Raw Materials in the Past Three Years

Unit: Kilograms

Raw Material	In 2021	In 2022	In 2023
Black Iron	12,555,105.00	15,263,529.20	17,302,526.50
Sand	2,409,952.00	3,724,839.00	3,911,601.00
Gravel	775,392.00	1,961,952.00	1,916,626.00
Others	3,887,370.60	7,646,158.10	10,101,877.51
Total	19,627,819.60	28,596,478.30	33,232,631.01

### Scrap Iron

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

### Waste Casting Sand

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

### Silica Sand

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

## 3.2 Greenhouse Gas Inventory

### Management Measures

As the adverse impacts of climate change continue to intensify, carbon emission management has become an important issue for corporate management. Therefore, Kuo Toong initiated a greenhouse gas inventory project in 2021, established a comprehensive inventory of greenhouse gas emissions in accordance with the CNS 14064-1 : 2021 organization level of greenhouse gas inventory standard, and implemented greenhouse gas inventories for Scope 1, Scope 2 and Scope 3.

In 2023, the organizational boundary for the inventory decreased by excluding the "Penghu Seawater Desalination Plant" (due to its closure in 2023), and the verification was obtained from a third-party certification body. The baseline year remains 2022 to ensure the accuracy and reliability of the greenhouse gas emission inventory. This approach allows for the assessment of reduction progress and the ongoing adjustment of management policies.



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

### Inventory Results

Kuo Toong International Co., Ltd. falls under the category of companies with a capital of less than NT\$5 billion. According to the sustainability development roadmap for listed and OTC companies, it has not reached the mandatory audit schedule. The greenhouse gas emission information in this report is voluntarily disclosed. In 2023, the total greenhouse gas emissions amounted to 14,486.7249 tonnes-CO<sub>2</sub>e. This includes direct greenhouse gas emissions (Category 1) of 2,628.3423 tonnes-CO<sub>2</sub>e (without the use of biofuels) and indirect greenhouse gas emissions (Categories 2-6) of 11,858.3826 tonnes-CO<sub>2</sub>e. In Category 1, emissions from stationary and mobile sources include three types of gases: CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O. Fugitive emissions include HFCs from refrigeration, CH<sub>4</sub> from fertilizer, and CO<sub>2</sub> from fire extinguishers. Category 2 covers purchased electricity, while Category 4 pertains to the transportation and disposal of waste.

## Greenhouse Gas Emissions

Category 1				
Emission Scope	Total Emissions (Metric tons CO <sub>2</sub> e)	Emission Intensity (Metric tons CO <sub>2</sub> e/ thousand NTD of revenue)	Assurance Institution	Assurance Situation Explanation
Parent Company: Kuo Toong Corporation	2,008.0500	0.000623	Legendary & Steadfast Accountancy (LSA)	Limited Assurance
Subsidiary: Kuo Yang Corporation	620.2923	0.000799		
Category 2				
Emission Scope	Total Emissions (Metric tons CO <sub>2</sub> e)	Emission Intensity (Metric tons CO <sub>2</sub> e/ thousand NTD of revenue)	Assurance Institution	Assurance Situation Explanation
Parent Company: Kuo Toong Corporation	8,055.5194	0.002498	Legendary & Steadfast Accountancy (LSA)	Limited Assurance
Subsidiary: Kuo Yang Corporation	1,292.3623	0.001664		
Categories 3~6				
Emission Scope	Total Emissions (Metric tons CO <sub>2</sub> e)	Emission Intensity (Metric tons CO <sub>2</sub> e/ thousand NTD of revenue)	Assurance Institution	Assurance Situation Explanation
Parent Company: Kuo Toong Corporation	2,064.5402	0.000640	-	-
Subsidiary: Kuo Yang Corporation	445.9607	0.000574		

## Organizational Boundaries Explanation

Operating Locations	Description of Operating Locations	Review	Verify	Exclude
Parent Company: Kuo Toong Corporation	Individual units of Kuo Toong International Co., Ltd. including the Kaohsiung headquarters, Xinyuan Complex	<input checked="" type="radio"/>	<input checked="" type="radio"/>	
Subsidiary: Kuo Yang Corporation	Kuo Yang Environment Technology Co., Ltd.	<input checked="" type="radio"/>	<input checked="" type="radio"/>	
Each Category of Greenhouse Emissions				Emissions (Tons CO2e)
Category 1: Direct GHG Emissions and Removals				2,628.3423
Category 2: Indirect GHG Emissions from Imported Energy				9,347.8817
Category 3: Indirect GHG Emissions from Transportation				0
Category 4: Indirect GHG Emissions from Products Used by Organization				2,510.5009
Category 5: Indirect GHG Emissions Associated with the Use of Products from the Organization				0
Category 6: Indirect GHG Emissions from Other Sources				0
Total Carbon Emissions				14,486.7249

### The Emissions of Various Gas Types Information for Category 1

Gas Type	CO2	CH4	N2O	HFCs	Total
Emissions (tonnes-CO2e)	1,918.1073	623.6572	4.0131	82.5647	2,628.3423

Note 1: The scope of the inventory adopts the Operation Control Method, and the inventory boundary is limited to the Kaohsiung Headquarter, Xinyuan Complex of Kuo Toong and Kuo Yang Corporation(excluding contracted projects).

Note 2: The GHG inventory adopts the CNS 14064-1 : 2021 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 2023 was 0.494 tonnes-CO2e/thousand kWh.

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

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

## 3.3 Energy Management

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

### Kaohsiung Headquarters of Kuo Toong

1. Paperless operations: Gradually transitioning routine paper forms to online processes.

### Xinyuan Complex of Kuo Toong

1. Improved electric furnace noise: The original current range was 100~110A. After noise improvement and enhanced thermal efficiency, the current range is now between 96~105A, achieving approximately a 4% improvement with a total energy saving of 92,835.58 kWh.
2. Sold 12.45 GJ of electricity in 2023.

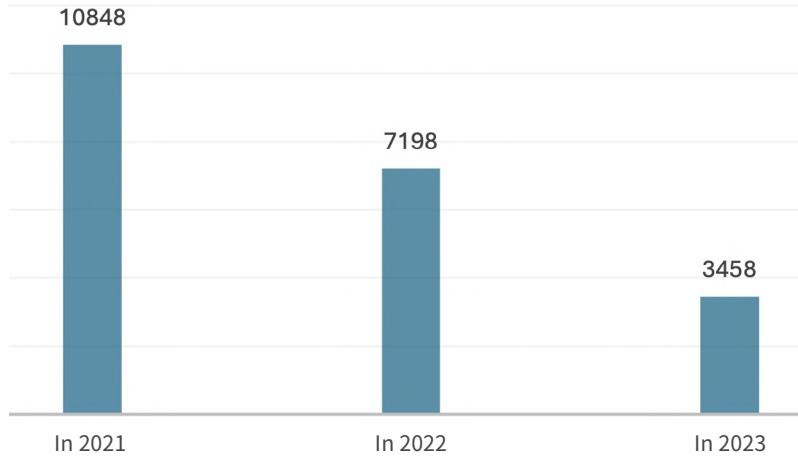
## Energy Consumption

The main types of energy used by Kuo Toong include purchased electricity, liquefied natural gas, motor gasoline and diesel, etc. The energy usage for 2023 is as follows:

The solar power generation in 2023 decreased by 3,470 kWh compared to 2022. This reduction was due to the aging of some solar equipment, resulting in reduced energy storage efficiency and normal equipment wear and tear.

Energy	In 2021	In 2022	In 2023
Liquefied Natural Gas (LNG)	17,995.83	22,761.05	25,747.87
Liquefied Petroleum Gas (LPG)	0	3.78	-
Motor Gasoline	2,582.25	2,930.91	1,750.56
Diesel	1,114.14	735.63	750.40
Non-renewable Electricity	71,240.87	75,912.73	70,584.05
Total	92,933.09	102,344.10	98,832.88

Annual Solar Power Generation Capacity (kWh)  
Over the Years



## 3.4 Water Resource Management

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

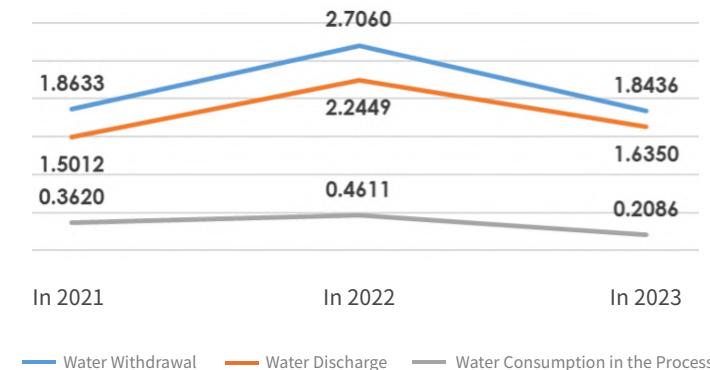
The consumption of water for the production process of Xinyuan Complex is fresh water, which is used for cement lining. Its produced wastewater flows to the grit chamber after recycling, and recycled water is 100% used for cleaning equipment and surrounding roads. Except for the decrease caused by evaporation,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

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

The seawater used by the desalination plants through the wastewater treatment system for sand filtration and sedimentation, and then is filtered by the reverse osmosis system. Its RO membrane can be used for 3 years without cleaning (In general standard practice, it needs to be washed once every 3 months). The main reason is that through the patented technology of Kuo Toong, the RO membrane clogging is decreased by 7 to 10 times through the energy recovery device, so as to reduce the number of cleanings. By adopting the method of not adding chemicals, Kuo Toong has reduced the impact of marine pollution and surrounding ecology due to the addition of chemicals discharged 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.

Water Withdrawal	In 2021	In 2022	In 2023
Salt Water (Others)	3,497.93	3,130.89	376.19
Third Party (Fresh Water)	15.07	13.90	12.60
Third Party (Others)	5,097.32	7,115.64	7,229.45
Water Discharge (Divided by Destination)	In 2021	In 2022	In 2023
Surface Water	4,636.01	6,492.36	6,506.51
Salt Water	2,215.55	2,017.57	244.19
Third Party Water (In Total)	85.76	2.19	5.70

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



Water Discharge (Divided by Quality)	In 2021	In 2022	In 2023
Fresh Water	4,721.77	6,494.55	6,512.21
Others (Non-fresh Water)	2,215.55	2,017.57	244.19

Water Discharge (Divided by Processed Quality)	In 2021	In 2022	In 2023
Primary Treatment	2,215.55	2,017.57	244.19
Secondary Treatment	4,721.77	6,494.55	6,512.21

Water Consumption	In 2021	In 2022	In 2023
Products (Supplied Water for Taiwan Water Corporation)	1,282.38	1,113.32	132.00
Damage (Water Withdrawal, Water Discharge, Used Product, Mixed Waste)	390.61	634.99	729.84

Note: Due to the closure of the Penghu Seawater Desalination Plant in 2023, related values have decreased significantly.

## 3.5 Waste Management

In 2023, Kuo Toong generated a total of 5,574.48 tons of waste, with a recycling and reuse rate of 99.70%. The most significant waste category was organic sludge, amounting to 3,281.16 tons, primarily recycled through thermal treatment. Following that, waste foundry sand (R-1201) accounted for 1,087.11 tons, and induction furnace slag (R-1204) amounted to 1,189.60 tons. Among them, the analysis of the weight of waste disposal is as follows:



### The Weight of Waste Generation (Unit: Tons)

Transfer/Direct Disposal	Recycling and Reuse		Direct Disposal			Total
	The Ways of Disposal	Recycling and Reuse (Non-hazardous)	Other Recycling Operations (Non-hazardous)	Landfill (Hazardous)	Landfill (Non-hazardous)	
In 2023		2,327.36	1,755.73	0.14	10.75	0.00 4,093.98
In 2022		1,662.04	1,589.95	0.09	0	77.82 3,329.90
In 2021		2,850.86	2,144.65	0.10	17.94	110.59 5,124.14
In 2020		1,194.70	1,074.19	0	0	64.82 2,333.71
In 2019		262.86	141.89	0	0	83.83 488.58



# ESG Report Of KUO TOONG



Chapter

4

## SOCIAL INCLUSION

- 4.1 Talent Development
- 4.2 Diversity and Inclusivity
- 4.3 Remuneration and Benefits
- 4.4 Respect for Human Rights
- 4.5 Charity Investment

## 4.1 Talent Development

### Overview of Allocations Invest in Education and Training Over the Years



### Total Hours for Offering Education and Training Over the Years



### Education and Training Management

Starting from 2022, the heads of each department at Kuo Toong submitted applications based their needs or after receiving information of external courses. This was done to establish effective professional training plans for employees, thereby strengthening their career development capabilities. During the new employee orientation, courses such as the company management system, working environment introduction, occupational safety and health education, and training are arranged. Additionally, new employees are mentored by senior employees. Moreover, we applied for the Corporate Human Resource Improvement Plan of Ministry of Economic Affairs, and arranged education and training courses of corporate social responsibility, time management skills and corporate process improvement. On November 21, 2023, Kuo Toong conducted a training session on ethical business practices and relevant legal regulations, focusing on corporate integrity and insider trading. The training lasted for 120 minutes and was attended by 226 managers and employees.

In 2023, approximately 1,393,500 NTD was allocated for education and training expenses, with a total participation of 470 individuals and a combined training duration of 4,603 hours. Divided by gender, the training hours for male were 9.27 hours, and for female were 19.74 hours; divided by position, the training hours for middle

and executives were 47.68 hours, for supervisors were 30.55 hours, for engineering personnel were 10.11 hours, and for administration personnel were 13.15 hours. The increase in education and training expenses and hours in 2023 was primarily due to the company's high number of engineering personnel, many of whom required certification renewals on a biennial or triennial basis. As a result, there were more retraining hours in 2023, leading to higher training costs compared to 2022.

In addition to internal talent development, Kuo Toong actively supports industry-academia collaboration. In 2023, we initiated a research project in collaboration with National Kaohsiung University of Science and Technology (NKUST):

### Research Background

The ultrafiltration (UF) and reverse osmosis (RO) units in the reclaimed water plant employ physical and chemical methods to maintain the plant's efficiency. Besides the blockage caused by organic salts or impurities, biofilm formation on the UF and RO membranes is a significant issue. While UF can use physical methods to remove biofilms, this requires a larger volume of water or more energy. Chemical methods are often used instead, but they introduce environmentally unfriendly chemicals into natural water bodies. Therefore, this research project primarily aims to improve the efficiency of UF and RO systems in reclaimed water facilities using functional fungi.

## Performance Appraisal

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

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

The employees who should be taken the performance appraisal in 2023 were 100% carried out according to the annual performance appraisal operation. The appraisal results are used as the basis for calculating year-end bonuses, education and training, job transfers and promotions, etc. In addition, Xinyuan Complex would evaluate work performance every month as the basis for issuing production bonuses.

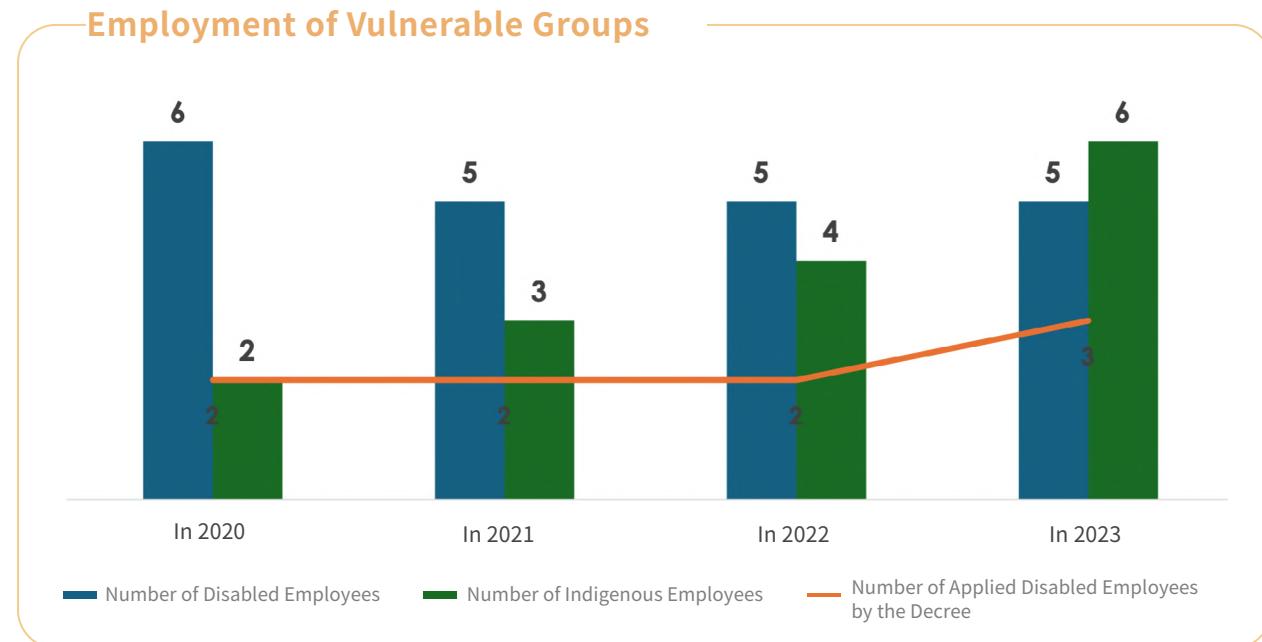


## 4.2 Diversity and Inclusivity

### Recruitment Policy

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

In order to promote relevant affirmative action, through education and training to publicize concepts such as equality, prevention of sexual harassment, prevention of employment discrimination, respect and understanding of cultural differences, etc.; Implement and extend relevant affirmative action measures, for examples, providing working hours for breastfeeding, paternity leave, family care leave, etc., to strengthen employees' understanding and respect for equality in the workplace. Let all employees understand the company's determination to implement human rights protection. In terms of talent recruitment, we promote equal employment opportunities through actions, and strenuously take care of underprivileged groups. By the end of 2023, we had employed five people with disabilities and 6 individuals of indigenous background, exceeding the legal requirements.



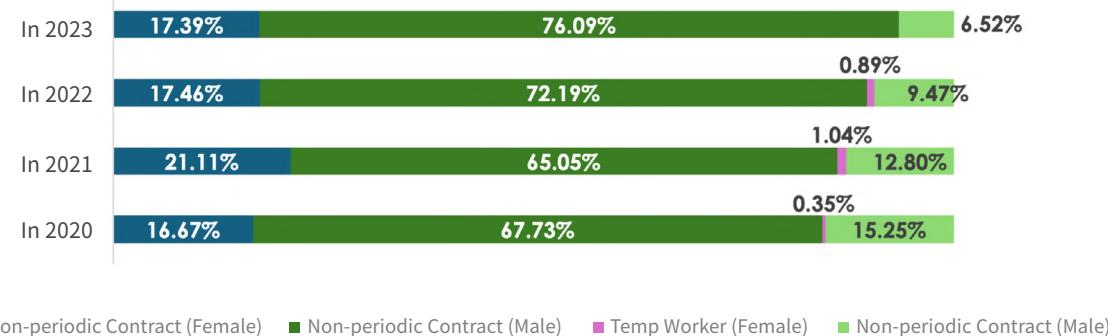
## Manpower Overview

Kuo Toong has a predominantly male workforce due to the nature of the industry. As of the end of 2023, the total number of employees was 414, which represents an increase of 76 people (increased by 22.49%) compared with 2022, and all employees were full-time employees.

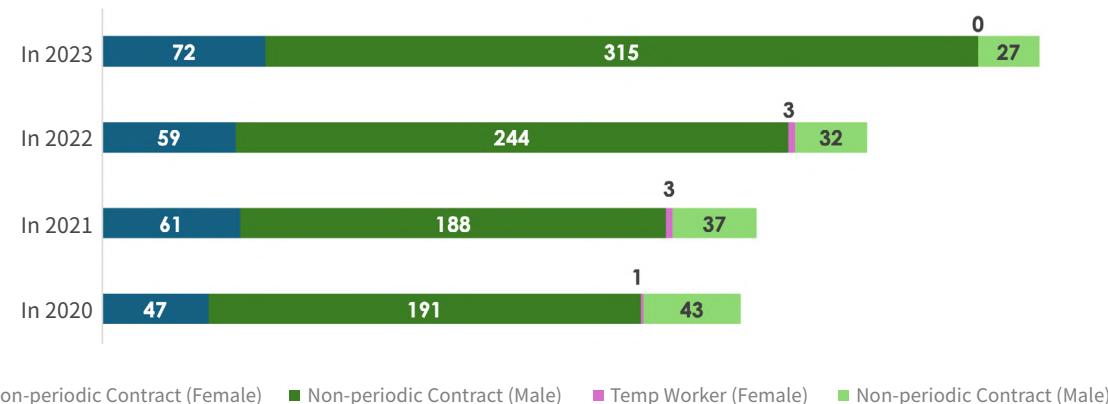
As of the end of 2023, there were 72 females (accounting for 17.39%) among the total number of employees, with little difference in gender ratio in the past three years; there were 112 employees under 30 years old, which represents an increase of 20 people (increased by 21.74%) compared with 2022. The in-service employees had the highest proportion of 31-50 years old, of which were 249 people (accounting for 60.14%).

In 2023, there were 57 employees in supervisory positions. Among all supervisors, females accounted for 28.07% of the total. In the category of executives, females made up 22.73% of the total, which is higher than the overall female representation of 17.39% among all employees. Furthermore, based on the counties and cities where our operations are located, 54.55% of executives in both Kuo Toong and Kuo Yang companies were local residents.

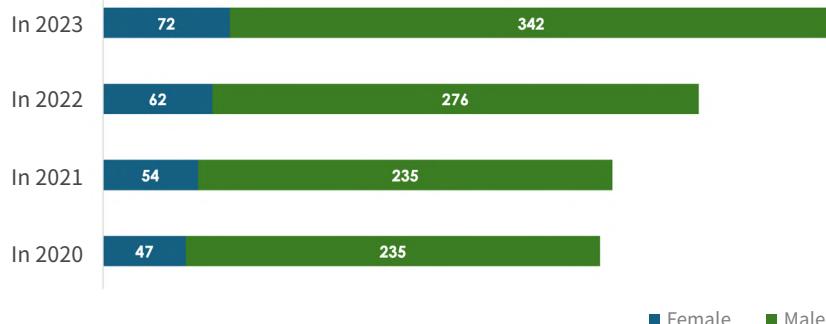
### Gender Ratio of Hired Employees Over the Years (by Employment Contract)



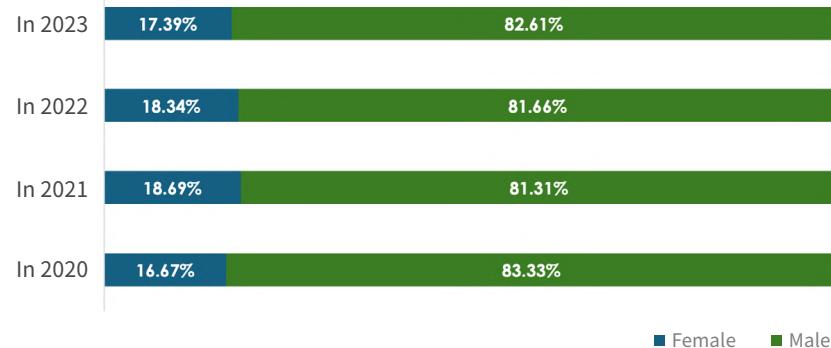
### Number of Hired Employees Over the Years (by Employment Contract)



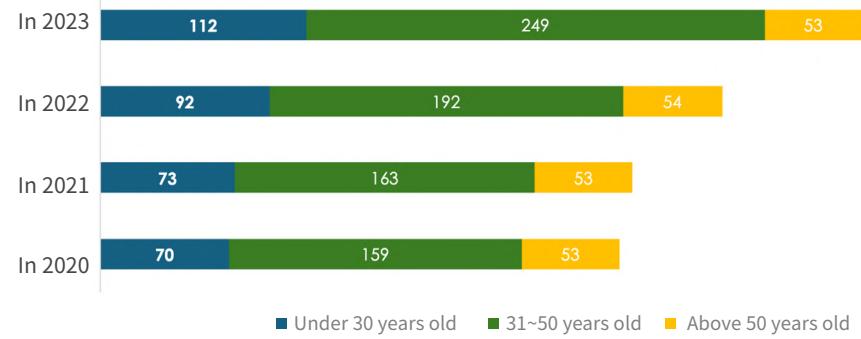
### Number of Hired Employees Over the Years (by Gender)



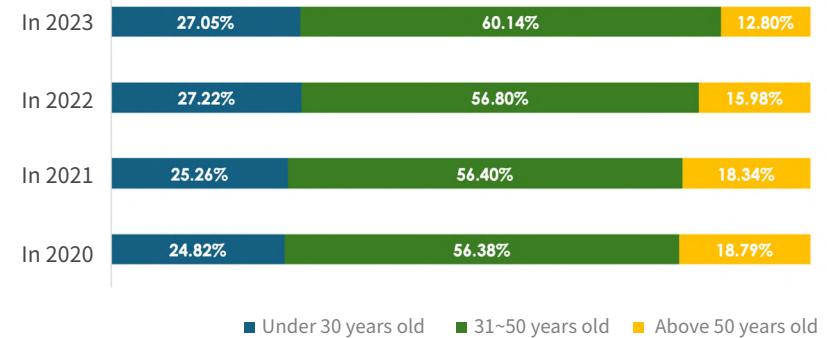
### Gender Ratio of Hired Employees Over the Years



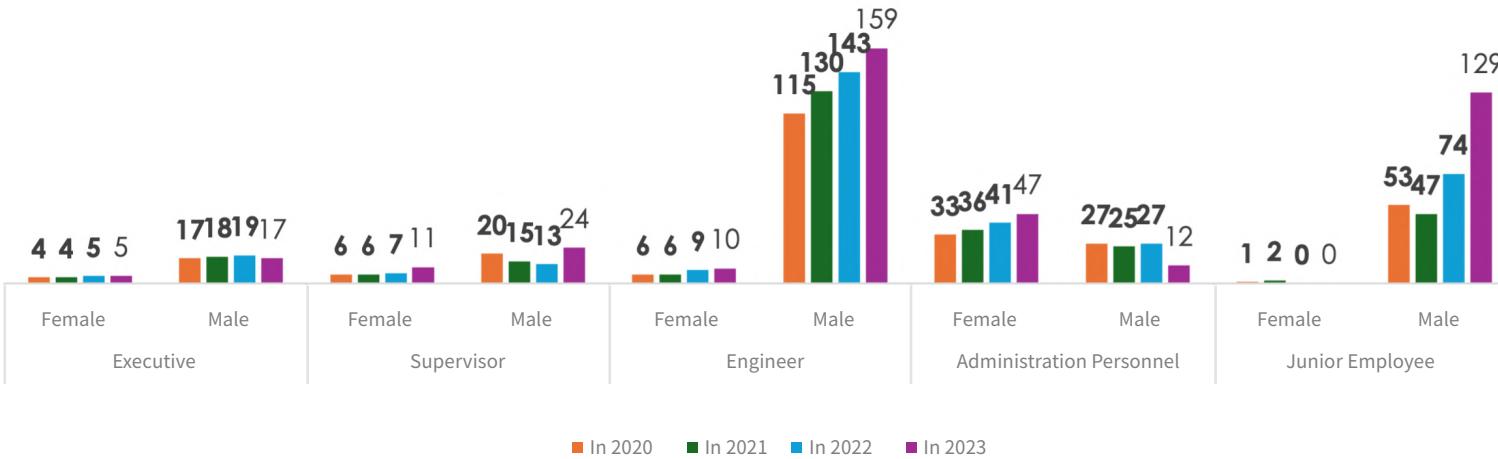
### Number of Hired Employees Over the Years (by Age Group)



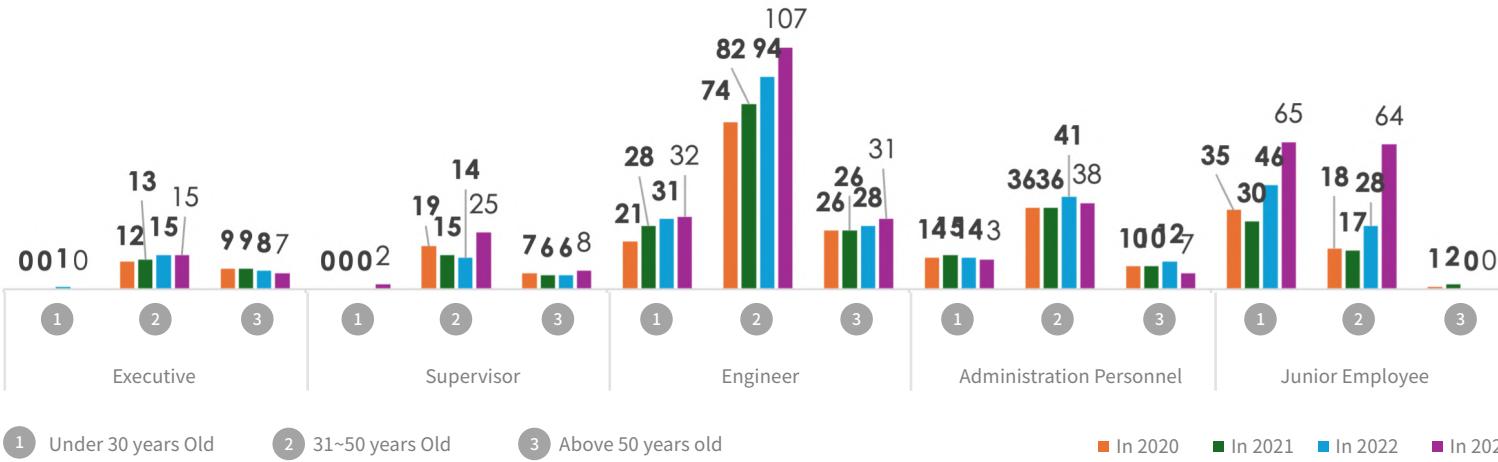
### Age Ratio of Hired Employees Over the Years



### Employee Category Statistics Over the Years (by Gender)



### Employee Category Statistics Over the Years (by Age Group)



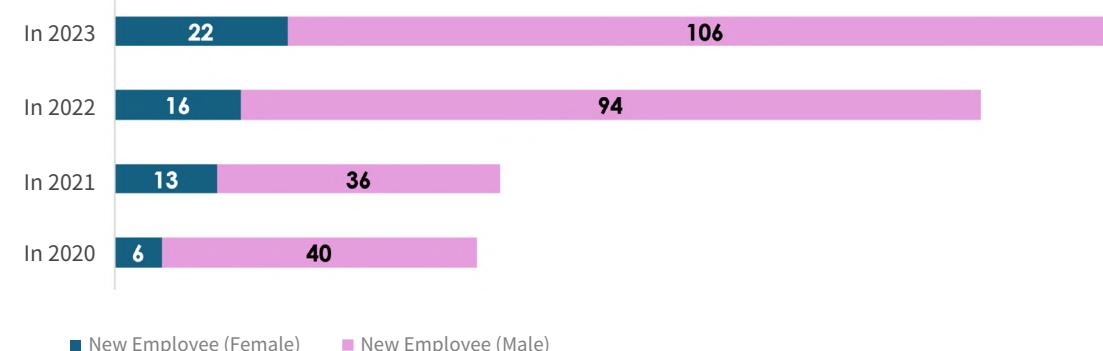
## Employee Turnover

In 2023, a total of 128 new employees were recruited, of which were 22 females (new recruiting rate of 30.56%) and 106 males (new recruiting rate 30.99%). Divided by the age, there were 44 new employees (new recruiting rate of 39.29%) under 30 years old, 77 new employees (new recruiting rate of 30.92%) between 31-50 years old, and 7 new employees (new recruiting rate of 13.21%) over 51 years old.

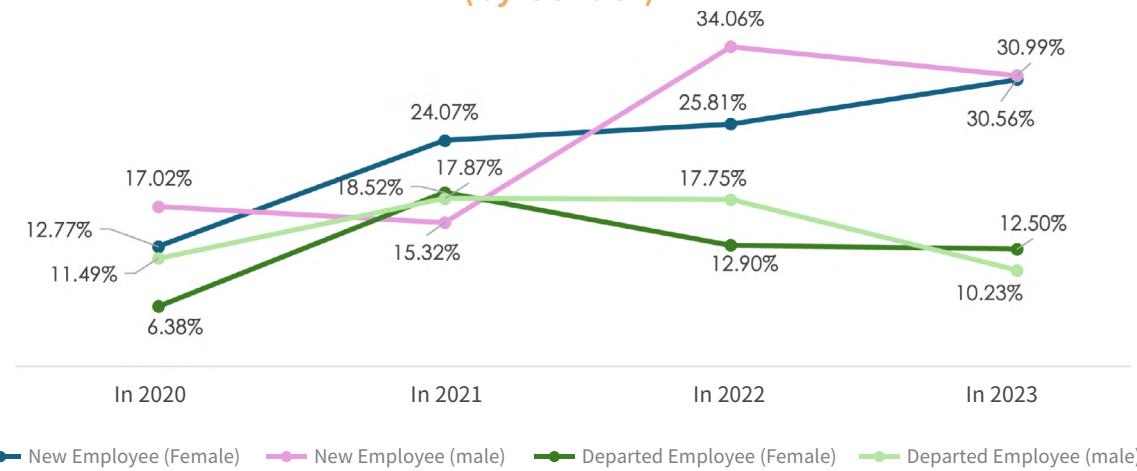
In 2023, a total of 44 employees were resigned, of which were 9 females (turnover rate of 12.50%) and 35 males (turnover rate of 10.23%). Divided by the age, the highest turnover was among employees aged 31 to 50, with 26 departures (turnover rate of 10.44%). There were 8 departures among employees under 30 (turnover rate of 7.14%) and 10 departures among employees over 50 (turnover rate of 18.87%).



### Statistics of New Hires and Departures Over the Years (by Gender)



### Statistics of New Recruiting and Turnover Rate Over the Years (by Gender)



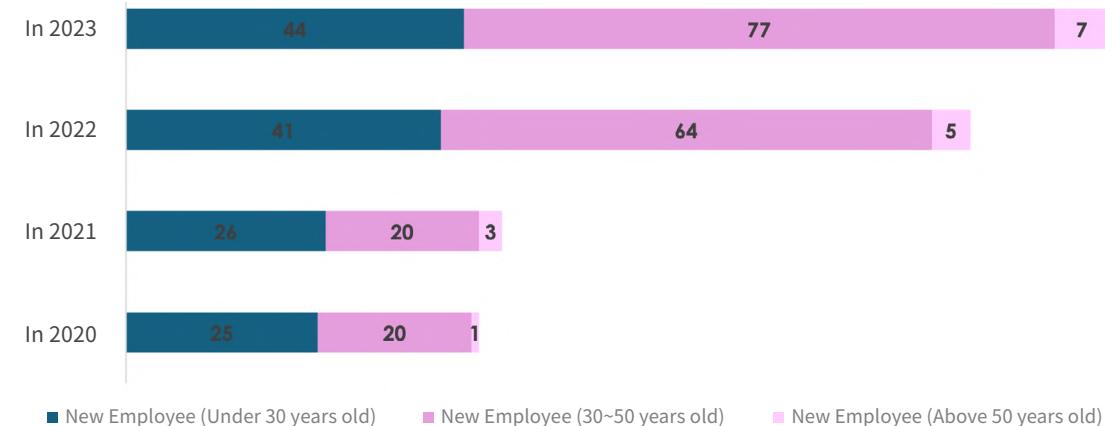
## Communication and Grievance

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

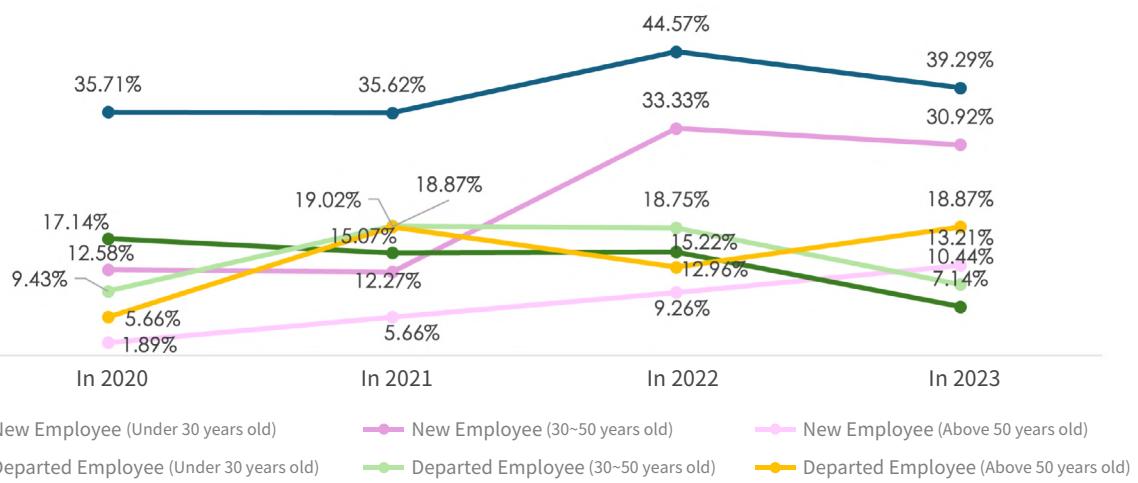
We have held labor-management meetings every quarter, its topics include adjusting extended working hours, and managing dormitories for migrant workers. In terms of communication with migrant workers, it is conducted through personnel from human resources agency who serve as translators during gathering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



### Statistics of New Hires and Departures Over the Years (by Age Group)



### Statistics of New Recruiting and Turnover Rate Over the Years (by Age Group)



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

## 4.3 Remuneration and Benefits

### Salary of Non-supervisory Full-time Employees

The remuneration policy is based on personal capability, performance, contribution to the company, and has a positive correlation with operating performance. The planning of salary adjustment is linked with the results of performance appraisal, it shall be submitted an application for the employee by the head of each department according to the actual situation.

According to the regulations outlined in the Taiwan Stock Exchange's "Instructions for Reporting Salary Information of Full-Time Employees in Non-Supervisory Positions," Kuo Toong has disclosed the salary information for its full-time employees in non-supervisory positions. In 2023, the total salary amounted to NT\$183,593 thousand. The average salary and median salary were NT\$703 thousand and NT\$580 thousand separately. Compared to the previous year (2022), the average salary and median salary of full-time employees in 2023 increased by 9.66% and 2.63%, respectively, reflecting a normal annual salary adjustment.

Kuo Toong values the salary rights of its junior employees. In addition to adhering to the regulations of the "Labor Standards Act," the company applies the same salary standards for both men and women, which are higher than the government-mandated minimum wage. The details are as follows:

Year	In 2021	In 2022	In 2023
Number of Full-time Employees	208 people	238 people	261 people
Total Salary of Full-time Employees	103,895	162,948	183,593
Average Salary of Full-time Employees	499	685	703
Median Salary of Full-time Employees	445	566	580
Average Salary of Employees in the Same Industry	709	687	677

Note: The Market Observation Post System publishes the average employee salary for companies in the same industry annually at the end of June.

	Male	Female	Average
Average Salary	45,008.42	43,279.68	41,772.44
Number of Employees	342	72	414
Percentage of Employees	82.61%	17.39%	
Male/Female Salary Gap Ratio			3.8%

The Gender Pay Gap = (Average Salary for Men - Average Salary for Women) / Average Salary for Men \* 100%.

According to the table above, the gender pay gap at Kuo Toong is 3.8%, which is significantly lower than the 15.8% reported by the Ministry of Labor and the 13.5% average reported by the OECD. This demonstrates the company's ongoing commitment to addressing pay equity.

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

Item	Ratio
The ratio of the annual total remuneration of the highest-paid individual in 2023 to the median annual total remuneration of other employees (excluding the highest-paid individual)	19.84
The ratio of the percentage increase in the annual total remuneration of the highest-paid individual in 2023 to the median percentage increase in the annual total remuneration of other employees (excluding the highest-paid individual)	3.04

The mentioned remuneration includes minimum wage and variable bonuses. To avoid issues such as negative salary growth for employees who did not receive a full-year salary (e.g., those who joined in the middle of 2022 or left in the middle of 2023) and to calculate the salary growth rate for new employees in 2022, employees who were not employed for the entire duration of both 2022 and 2023 were excluded. This was done to ensure that the statistical results for the median were consistent with the actual situation.

## Employee Benefits

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

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

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

## Pension Appropriation

The employees in Taiwan who choose to apply the "Labor Pension Act" will be provided with 6% of their monthly salary to the individual labor pension accounts of the Bureau of Labor Insurance to protect their rights and interests. Those who choose to continue to apply the "Retirement Mechanism Prescribed in the Labor Standards Act" or choose to apply the pension system of the Act while retaining their seniority under the old labor retirement system will be provided pension funds and deposited in an account at the Bank of Taiwan in the name of the Labor Pension Reserve Supervision Committee. At the end of each year, according to the insufficient balance of the actuarial report of the pension, the difference will be allocated before the end of March of the following year. As of December 31, 2023, the amount of defined benefit plan is a net defined benefit liability of NT\$5.98 million.

Unit: NT\$ thousands

Present Value of a Defined Benefit Obligation	47,626
Fair Value of Plan Assets	(41,636)
Net Defined Benefit Asset	0
Net Defined Benefit Liability	5,989

## Unpaid Parental Leave

In 2023, five employees applied for parental leave. One employee who had taken parental leave in the previous year returned to work, and that employee remained employed for 12 months after returning, resulting in a retention rate of 100%.

Year	In 2020		In 2021		In 2022		In 2023	
	Female	Male	Female	Male	Female	Male	Female	Male
Gender								
Number of eligible employees for unpaid parental leave (A)	-	3	-	1	4	1	6	7
Number of applications for unpaid parental leave (B)	-	3	-	-	1	-	4	1
Number of employees who are estimated to reinstate in the year (C)	2	-	-	-	-	-	-	-
Actual number of reinstated employees (D)	2	-	-	-	-	-	1	-
Number of employees who are still employed 12 months after returning to work (E)	-	-	2	-	-	-	1	-
Reinstatement rate for expiry of unpaid leave (D)/(C)	100%	-	-	-	-	-	-	-
Retention rate for 12 months after reinstatement (E)/(D of the previous year)	-	-	100%	-	-	-	-	-

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

## Employee Care and Activities

### Company Trip

In addition to upholding a professional spirit in their work and meeting the needs of our company, clients, and market, our employees also maintain a healthy mindset within the work environment. To ensure this, we regularly organize employee trips and carefully select travel destinations. These trips provide our employees with the opportunity to step away from the office, reflect on their life direction, connect with nature, and rejuvenate their minds. This, in turn, enhances work efficiency and promotes a better work-life balance.



### Year-End Celebration

The year-end celebration is an annual grand event and an excellent opportunity to foster team spirit among employees. Through this gathering, communication quality between departments can be enhanced, and employees can better understand each other's joys and challenges at work. It also serves as a chance for employees to relieve stress in an appropriate manner. From the company's perspective, we hope to use this occasion to express our gratitude to our hardworking employees for their contributions throughout the year and to show understanding of their work pressures. The company also hopes that through this event, we can reflect on the past year, clear out the old, and usher in the new. Whether in work or personal life, we can organize our thoughts and plan for the coming year.



## Employee Benefits

To stabilize employees' morale and foster a sense of belonging to the company, we strive to provide various employee benefits and create a happy workplace and a happy company. This allows employees to contribute their talents in a safe, healthy, and stable environment, while also aligning with the sustainable goal of decent work. Our employee benefits include:

### Employee Bonuses

To encourage all employees to work together in creating profits, the company distributes bonuses if there is a surplus at the end of the fiscal year. After covering previous years' losses and setting aside the statutory reserve, at least 2% of the remaining surplus is allocated as bonuses for all employees. For the fiscal year 2023, approximately NT\$46,461 thousand will be allocated as employee bonuses based on the results of mid-term and annual performance evaluations according to the company's "Performance Evaluation Management Measures."

### Labor and Health Insurance

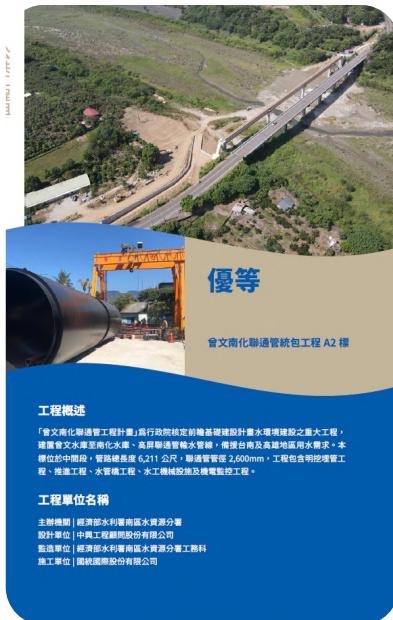
All employees are properly enrolled and withdrawn from labor and health insurance in accordance with relevant government regulations.

### Employee Welfare Committee

- A. The company has established an Employee Welfare Committee in accordance with the law to organize various employee welfare activities. Funds for these activities are allocated according to legal requirements, and any shortfall is supplemented by the company.
- B. Birth gifts for employees.
- C. Marriage and bereavement allowances: All employees are eligible for these allowances.
- D. Domestic and international travel subsidies: All employees are eligible for these subsidies.
- E. Other benefits: Employees receive appropriate gifts for occasions such as the Dragon Boat Festival, Mid-Autumn Festival, and birthdays. The company also has policies for educational scholarships and grants for employees' children.

# Innovative Sustainability Performance

## The 2023 17th Occupational Safety and Health Construction Golden Safety Award [The Excellence Award]



### Reasons for Award

Our company actively participated in the 17th Construction Golden Safety Award to enhance the safety and health awareness of all construction personnel and to create a safe and stable work environment.

- Through the competition process, we reviewed and improved our construction safety and health facilities and management systems.
- The project team effectively utilized the "Safety and Health Technology System," "Management Methods," and "Provision of Adequate Resources" to ensure the safety of workers on the construction site. The key points and features of our project's safety and health execution include:
  - (1) Involvement of the highest-level management in occupational safety measures.
  - (2) Establishment of safety and health policy objectives.
  - (3) Assessment of construction safety risks and selection of construction methods.
  - (4) Three-stage management of heat hazards, triple warning for hoisting operations, and ground unhooking design for pipe hoisting.
  - (5) Implementation of AIoT technology systems for proactive real-time management of occupational safety and health on-site.
  - (6) Implementation of walk-around supervision management by the management team.

Implementing occupational safety and health measures and preventing disasters has always been our company's goal. We aim to create a "safe, comfortable, healthy, and high-quality" work environment for our workers, achieving the occupational safety management goal of "Safety First, Zero Occupational Accidents."

## Humanistic Care

Kuo Toong participated as a co-organizer in the cultural and artistic event "Soundscape Documentary Music Theater - Qijin White Roses: A 25-Year Journey" by the Neo-Classical Chamber Ensemble. Through this collaboration, Kuo Toong actively engages in cultural and artistic activities and provides practical support to the Neo-Classical Chamber Ensemble in nurturing local talents in music theater.



## 4.4 Respect for Human Rights

### Human Rights Protection

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

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

Kuo Toong also adheres to internationally recognized labor rights, such as freedom of association, collective bargaining rights, care for vulnerable groups, prohibition of child labor, elimination of all forms of forced labor, and the elimination of discrimination in employment and occupation. The company confirms that its human resources utilization policy provides equal and fair treatment without discrimination based on gender, race, socioeconomic class, age, marital and family status, etc., to implement equality and fairness in employment, employment conditions, compensation, benefits, training, evaluation, and promotion opportunities. Additionally, the company conducts annual human rights education sessions. This year's training lasted 120 minutes and was attended by 164 participants.

### Preventive Measures

To address situations that may harm the rights of workers, Kuo Toong provides an effective and appropriate grievance mechanism to ensure equality and transparency in the grievance process. Employee grievances should receive timely and appropriate responses. Additionally, human rights education and training are conducted, with a course launched in November 2023. The course duration is 120 minutes, and it was attended by 164 participants.

### Measures and Disciplinary Procedures for Preventing Sexual Harassment

Kuo Toong has established the "Measures and Disciplinary Procedures for Preventing Sexual Harassment." This includes providing a complaint channel, where employees who experience sexual harassment can lodge complaints in writing or orally. In cases of suspected or actual sexual harassment, a Sexual Harassment Complaints Handling Committee is formed in a confidential manner to initiate an investigation process. The committee should consist of at least fifty percent female employees. Complaints should be resolved within two months from the date of filing. If the investigation confirms the allegations, disciplinary actions are taken in accordance with relevant regulations and employment policies.



## 4.5 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 2023, the amount of donation reached NT\$2.22 million.

### Water Refill Activity

The water refill stations continue to operate, with sponsoring water dispensers by Kuo Toong providing drinking water to the public. By the end of 2023, this initiative has reduced the use of 8,057 PET bottles, resulting in a total carbon reduction of 749.26 kilograms, equivalent to the carbon absorption capacity of 62.44 trees in a year.

### Kaohsiung Diving Team

Kaohsiung has always been a key area for the development of diving, producing many excellent divers for Taiwan. To help local athletes train with equipment that meets official competition standards and improve their performance for national glory, Kuo Toong has provided support. This is also aimed at injecting new vitality into the sport of diving, ensuring that athletes can learn and train safely in a secure environment.

### World Vision

Since 2021, Kuo Toong has partnered with World Vision to visit disadvantaged families in Hualien, recognizing their needs and hopes. We aim to inspire others to join us in supporting World Vision's educational initiatives, helping children in remote areas attend school with peace of mind, bridging the urban-rural gap, and assisting families in need.



# ESG Report of KUO TOONG



Chapter  
**5**

## GRI (SASB) CONCERNED ISSUES

- 5.1 Environmental Impacts of Project Development.
- 5.2 Structural Integrity & Safety
- 5.3 Workers' Health and Safety
- 5.4 Lifecycle Impacts of Buildings & Infrastructure
- 5.5 Business Ethics
- 5.6 Operation Data

## 5.1 Environmental Impacts of Project Development

Financial Indicators	Exposed Information in 2023
Indicator Code: IF-EN-160a.1 Number of incidents of non-compliance with environmental permits, standards, and regulations	Kuo Toong had no record of being fined for environmental pollution incidents of the project development in 2023.
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 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 conduct an environmental assessment in compliance with the regulations first to ensure that whether it will cause a significant impact on the surrounding environment. Normally, issued tender will be conducted only after passing the environmental assessment by the competent authority, then Kuo Toong will write a tender cover letter based on the relevant documents explaining the construction procedures for environmental assessment.

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

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

In 2023, one of the projects that was awarded to the company is the "Phase 1 Construction of the STSP Kaohsiung Second (Qiaotou) Park Wastewater Treatment Plant." Before the tender opening, the development unit shall apply for environmental assessment entrusted by its agency in accordance with the Environmental Impact Assessment Act. The assessment items contain the living environment, natural environment, social environment, economy, culture, ecology, etc. Through professional judgment by the review committee, experts and scholars, various opinions from all parties and development unit, it was determined that there was no risk of the relevant items listed in the Environmental Impact Assessment Act. Then, Kuo Toong would obtain the tender to carry out the construction according to the contents stipulated in environmental impact statement.

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

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

## 5.2 Structural Integrity & Safety

Financial Indicators	Exposed Information in 2022
Indicator Code: IF-EN-250a.1 Amount of defect- and safety-related rework costs	There were no defect-and safety-related rework instances in 2023.
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 were no legal proceedings associated with defect- and safety-related incidents in 2023.

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

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

### Material Inspection

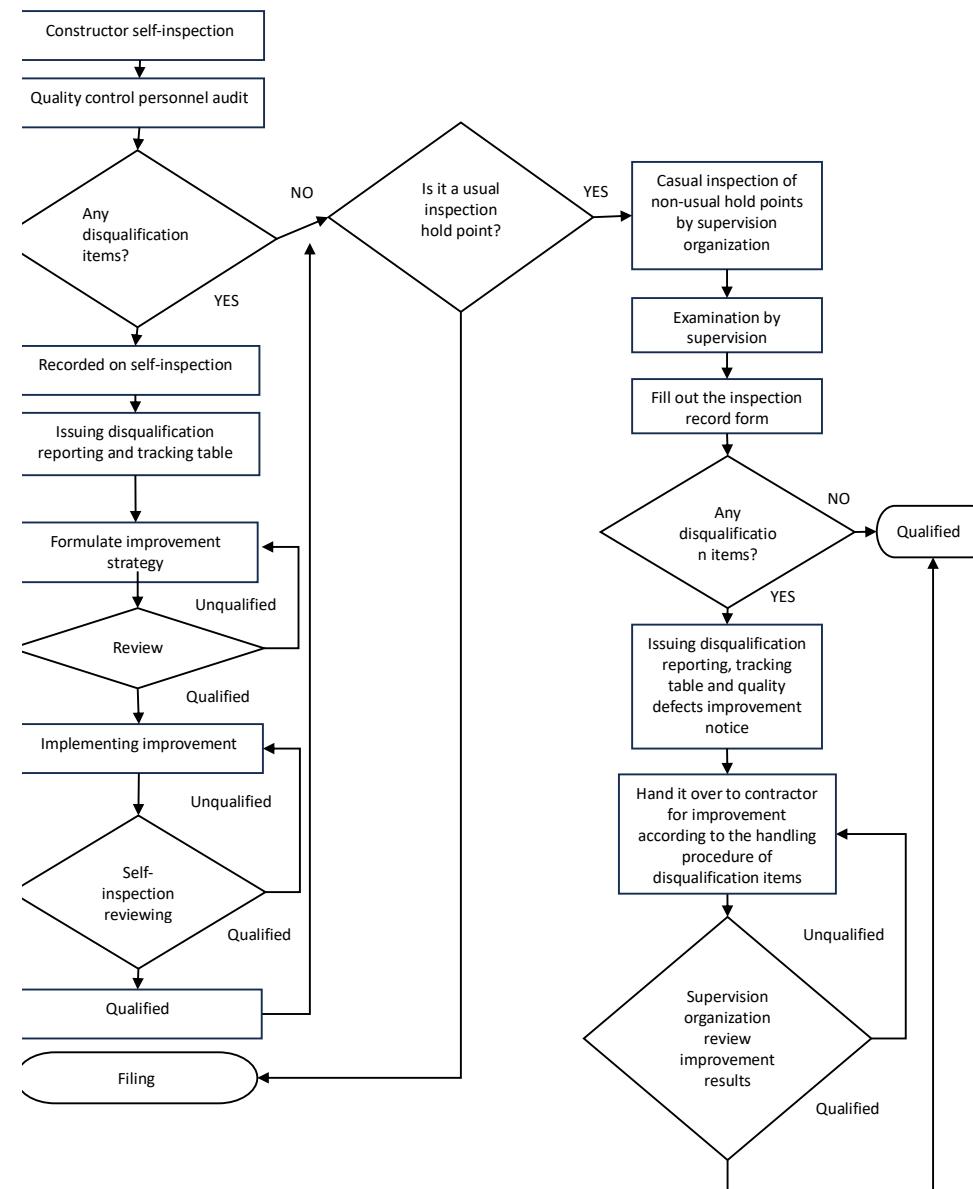
The materials used in the project must pass the inspection (test) before they can be used. The inspection or sampling inspection report issued by the laboratory should be complied with the requirements of CNS 17025 (ISO/IEC 17025). After reviewing and evaluating the test report, the supervisory unit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

### Construction Inspection

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

Kuo Toong is very strict in terms of construction quality and process. There was no reconstruction related to defects and security happened during the construction stage or warranty period of the project in 2023. Also, there was no associated reconstruction costs incurred and no legal actions arising from reconstruction due to defects or safety issues.

# Construction Inspection Procedure Diagram



## 5.3 Workers' Health and Safety

Financial Indicators	Exposed Information in 2022
Indicator Code: IF-EN-320a.1 (1) (a)Total Recordable Incident Rate (TRIR) for Direct Employees (1) (b)Total Recordable Incident Rate (TRIR) for Contract Employees (2) Fatality Rate	(1) (a)TRIR for Direct Employees: 0 (1) (b)TRIR for Contract Employees: 0 (2) Fatality Rate: 0%

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

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

For the safety management of suppliers, Kuo Toong arranges contractors to participate safety education and training 1 to 2 days before entering the site, informs them of hazards and industrial safety risks, and conducts on-site inspections under the construction of contractors entering the factory to check whether they have worn protective gear or not, also require a self-inspection after leaving the site. The construction site requires the on-site workers (including contractors) to follow the sponsor institution's occupational safety and health regulations and requires the supervisory unit to conduct irregular audits as well. In the past two years, Kuo Toong has no industrial safety accident happened of contractors.

In 2023, Kuo Toong implemented the ISO 45001 Occupational Health and Safety Management System and obtained third-party certification.





## 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 and attended various safety-related courses every year to promote employees' safety awareness and implementation of work safety behaviors in the factory. In 2023, there were 17 training programs implemented in total, and 135 people have completed the training.

Safety-related Courses	Number of Trainees
ISO45001	40
Site Supervisor	2
Quality Management Education and Training for Public Works	1
Class A Air Pollution Control Specialist	1
Lifting Operations Personnel	2
Water Utility Technicians	4
Operational Supervisor Safety Education and Training	11
Fixed Crane Operator	26
First Aider	8

Safety-related Courses	Number of Trainees
Construction Safety Assessment Personnel	3
Aerial Work Platform Operator	2
Kaohsiung City Pipeline Excavation Project Manager	2
Forklift	14
Specialized Personnel for Wastewater Treatment	2
General Construction Industry Safety and Health Education Training (Taiwan Occupational Safety and Health Card)	5
Construction Industry Occupational Safety and Health Business Supervisor	7
Occupational Safety Management Personnel	5
<b>Total</b>	<b>135</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 2023, there were no disabling injuries and no instances of occupational disease were reported.



	Disabling Injury Related Data	In 2021	In 2022	In 2023
Employees Disabling Injury Related Data	Annual Working Hours	539,915.0	551,935.4	634,042.9
	Number of Deaths	-	-	-
	Number of Severe Disabling Injuries	-	-	-
	Number of Near Miss Injuries	-	-	-
	Number of Lost Workdays	-	-	-
	Number of Recordable Incidents	-	-	-
Employees Disabling Injury Indicators	Fatality Rate of Occupational Injuries	-	-	-
	Disabling Injury Severity Rate	-	-	-
	Total Recordable Incident Rate (TRIR)	-	-	-
	Near Miss Frequency (NMFR)	-	-	-
	Lost Workday Incidence Rate	-	-	-
	Disabling Injury Frequency Rate (FR)	-	-	-
	Disabling Injury Severity Rate (SR)	-	-	-

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

Note 2: Fatality Rate of Occupational Injuries= Number of Deaths Caused by Occupational Injuries  $\times$  200,000  $\div$  Annual Working Hours

Note 3: "Number of Severe Occupational Injuries" refers to injured workers are not able to be recovered (e.g., amputation) or not able to be recovered within six months to the health status before injured. Disabling Injury Severity= Number of Severe Occupational Injuries  $\times$  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

## Physical and Mental Health

Kuo Toong is committed to providing employees with a safe and comfortable working environment. We regularly promote health information and provide employees with accurate health education. In compliance with occupational safety regulations, we employ contract medical personnel to offer on-site health services for 2 to 4 hours per week. These services include health management, occupational disease prevention, and health promotion activities to protect workers' health. According to regulations, we conduct high-standard health check-ups regularly and fully subsidize these check-ups for employees. New employees are also subsidized for an initial basic health check-up. Additionally, we offer one-on-one health consultations to safeguard the physical and mental well-being of construction workers.

After obtaining health check-up reports, our medical personnel manage employees based on the results. Currently, employees identified as medium to high risk suffer mainly from the "three highs" (high cholesterol, high blood pressure, and high blood sugar). Our medical staff continuously monitor these employees, arrange consultations, and provide regular health education to help improve their health.

## Implementation of Statutory Labor Health Services

Kuo Toong complies with regulations to implement health protection and promotion measures, following the guidelines set by the Ministry of Labor. For the protection of female employees' health, we assess the impact of their work on maternal health during pregnancy, assisting them with health interviews and related health education information. Additionally, our facilities are equipped with nursing rooms for female employees who need them.



## 5.4 Lifecycle Impacts of Buildings & Infrastructure

Financial Indicators	Exposed Information in 2023
<p>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</p>	<p>(1) Number of commissioned projects certified to a third-party multi-attribute sustainability standard: One case            (2) There were no green building contracting requirements for completed or ongoing projects in 2023; therefore, this indicator does not applicable.</p>
<p>Indicator Code: IF-EN-410a.2            Discussion of process to incorporate operational-phase energy and water efficiency considerations into project planning and design</p>	<p>The winning tenders or ongoing projects in 2023 were all water pipeline constructions, there was no use of electricity or water in the actual operational process. Therefore, the planning and design for energy and water efficiency were not applicable.</p>



## 5.5 Business Ethics

Financial Indicators	Exposed Information in 2023
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 was no project in countries that have the 20 lowest rankings in the Corruption Perceptions Index of 2023. Refer to Transparency International's 2023 Corruption Perception Index: <a href="https://www.transparency.org/en/cpi/2022">https://www.transparency.org/en/cpi/2022</a>
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 were no relevant legal proceedings associated with charges of (1) bribery or corruption and (2) anticompetitive practices in 2023.
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 employee's grievance policy, assist all personnel implement their duties in accordance with ethics.

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

Kuo Toong upholds the spirit of compliance with the law to carry out professionalism and ethic. In order to ensure fair trade and prevent unfair competition, monopoly, market distribution and concerted price manipulation, whether it is an external engineering tender or an internal outsourcing procurement, we must abide by the spirit and laws of fair trade. In 2023, there were no relevant legal actions arising from breach of bribery, corruption and anti-competitive practices.

Kuo Toong has adopted the "Code of Ethics for Business Integrity" and "Code of Conduct and Operational Procedures for Business Integrity" on January 17, 2022, through its Board of Directors. These guidelines are applicable to all subsidiary companies as well. All relevant matters are executed in accordance with these guidelines, which serve as a commitment to actively implement the company's operational policies by the Board of Directors and management. In addition to establishing an audit unit under the Board of Directors, the company has designated the management department and legal department to jointly serve as the responsible units for business integrity. In October 2023, an educational campaign on "Corporate Integrity and Insider Trading Regulations and Practices" was conducted for all employees. This ensured effective communication of anti-corruption policies and prevention procedures to relevant personnel. Furthermore, an "Employee Grievance Procedure" has been established, allowing all employees to express their concerns or issues through email or suggestion boxes to the Chairman, General Manager, supervisors, and audit personnel. In 2023, there were no complaints received involving violations of the "Code of Ethics" or corruption incidents.

In addition, to prevent corruption incidents originating from external sources, suppliers are required to sign an "Integrity and Cleanliness Commitment Letter." This commitment emphasizes the joint responsibility of suppliers to uphold values of integrity and cleanliness in business. The commitment letter is updated annually. As of 2023, the company's operational bases providing services such as pipeline manufacturing and installation, water treatment, and desalination are located in Taiwan and China. No projects have been undertaken in countries listed within the bottom 20 ranks of the Transparency International's Corruption Perceptions Index.

## 5.6 Business Ethics

The disclosure items for operation data of Kuo Toong and its subsidiary Kuo Chuang in 2023 are as follows. As of December 31, 2023, the total backlog of signed but not yet recognized project revenue for Kuo Toong and Kuo Chuang was approximately NT\$11.35 billion.

Company	In 2021		In 2022		In 2023	
	Number of Ongoing Constructions	Number of Completed Constructions	Number of Ongoing Constructions	Number of Completed Constructions	Number of Ongoing Constructions	Number of Completed Constructions
Kuo Toong	20	1	19	8	20	4
Kuo Chuang	3	5	4	2	4	0
Jianyi	0	0	3	0	2	2
Total	23	6	26	10	26	6





# ESG Report of KUO TOONG



## Chapter 6

### APPENDIX

GRI Index

GRI 2:General Disclosures 2021

GRI 3:Material Topics 2021

6.5 Auditor's Assurance Report

# GRI Index

## GRI 2 : General Disclosures 2021

Indicator	Disclosure Item	Reference Chapter/Description/Ellipsis	Page
The Organization and its Reporting Practices			
2-1	Organizational details	1.1 Corporate Overview	7
2-2	Entities included in the organization's sustainability reporting	About this Report	4
2-3	Reporting period, frequency and contact point	About this Report	4
2-4	Restatements of information	There was no such occurrence in the 2023 report.	
2-5	External assurance	6.5 Auditor Assurance Report	91
Activities and Workers			
2-6	Activities, value chain and other business relationships	1.2 Introduction of Products 2.4 Supply Chain Management	14 42
2-7	employees	4.2 Diversity and Inclusivity	58
2-8	Workers who are not employees	4.2 Diversity and Inclusivity	58
Governance			
2-9	Governance structure and composition	2.1 Corporate Governance	31
2-10	Nomination and selection of the highest governance body	2.1 Corporate Governance	31
2-11	Chair of the highest governance body	2.1 Corporate Governance	31
2-12	Role of the highest governance body in overseeing the management of impacts	2.1 Corporate Governance	31
2-13	Delegation of responsibility for managing impacts	2.1 Corporate Governance	31
2-14	Role of the highest governance body in sustainability reporting	About this Report 2.1 Corporate Governance	4 31
2-15	Conflicts of interest	2.1 Corporate Governance	31
2-16	Communication of critical concerns	1.5.2 Stakeholder Issues	26
2-17	Collective knowledge of the highest governance body	2.1 Corporate Governance	31
2-18	Evaluation of the performance of the highest governance body	2.1 Corporate Governance	31

Indicator	Disclosure Item	Reference Chapter/Description/Ellipsis	Page
治理			
2-19	Remuneration policies	2.1 Corporate Governance 4.3 Remuneration and Benefits	31 64
2-20	Process to determine remuneration	2.1 Corporate Governance 4.3 Remuneration and Benefits	31 64
2-21	Annual total compensation ratio	4.3 Remuneration and Benefits	64
Strategy, Policies and Practices			
2-22	Statement on sustainable development strategy	Words From Leaders	3
2-23	Policy commitments (responsible business practices, respect for human rights)	5.5 Business Ethics 2.1 Corporate Governance	82 31
2-24	Embedding policy commitments	5.5 Business Ethics 1.5 Stakeholder Engagement	82 23
2-25	Processes to remediate negative impacts	1.5.1 Stakeholder Communication 1.5.2 Stakeholder Issues	24 26
2-26	Mechanisms for seeking advice and raising concerns	1.5 Stakeholder Engagement 1.5.1 Stakeholder Communication 1.5.2 Stakeholder Issues	23 24 26
2-27	Compliance with laws and regulations	2.5 Regulatory Compliance	43
2-28	Membership associations	1.1 Corporate Overview	7
Stakeholder Engagement			
2-29	Approach to stakeholder engagement	1.5 Stakeholder Engagement	23
2-30	Collective bargaining agreements	No collective agreement signed with the labor union.	

## GRI 3 : Material Topics 2021

Indicator	Disclosure Item	Reference Chapter/Description/Ellipsis	Page
3-1	Process to determine material topics	1.5.2 Stakeholder Issues	26
3-2	List of material topics	1.5.2 Stakeholder Issues	26
Material Topics			
GRI 200 : Economic Topics			
GRI 201 : Economic Performance 2016			
3-3	Management approach	1.3 Operation Overview	20
201-1	Direct economic value generated and distributed	1.3 Operation Overview	20
201-3	Defined benefit plan obligations and other retirement plans	4.3 Remuneration and Benefits	64
GRI 205 : Anti-Corruption 2016			
3-3	Management approach	5.5 Business Ethics	82
205-3	Confirmed incidents of corruption and actions taken	5.5 Business Ethics	82
GRI 300 : Environmental Topics			
GRI 301 : Materials 2016			
3-3	Management approach	3.1 Recycling and Reuse Material	47
301-1	Materials used by weight or volume	3.1 Recycling and Reuse Material	47
301-2	Recycled input materials used	3.1 Recycling and Reuse Material	47
GRI 303 : 水與放流水 2018			
3-3	Management approach	3.4 Water Resource Management	52
303-1	Interactions with water as a shared resource	3.4 Water Resource Management	52
303-2	Management of water discharge-related impacts	3.4 Water Resource Management	52
303-3	Water withdrawal	3.4 Water Resource Management	52
303-4	Water discharge	3.4 Water Resource Management	52
303-5	Water consumption	3.4 Water Resource Management	52

Indicator	Disclosure Item	Reference Chapter/Description/Ellipsis	Page
<b>GRI 305 : Emissions 2016</b>			
3-3	Management approach	3.2 Greenhouse Gas Inventory	48
305-1	Direct (Scope 1) GHG emissions	3.2 Greenhouse Gas Inventory	48
305-2	Energy indirect (Scope 2) GHG emissions	3.2 Greenhouse Gas Inventory	48
305-3	Other indirect (Scope 3) GHG emissions	3.2 Greenhouse Gas Inventory	48
<b>GRI 306 : Waste 2020</b>			
3-3	Management approach	3.5 Waste Management	54
306-1	Waste generation and significant waste-related impacts	3.5 Waste Management	54
306-2	Management of significant waste-related impacts	3.5 Waste Management	54
306-3	Waste generated	3.5 Waste Management	54
306-4	Waste diverted from disposal	3.5 Waste Management	54
306-5	Waste directed to disposal	3.5 Waste Management	54
<b>GRI 307 : Environmental Compliance 2016</b>			
3-3	Management approach	2.5 Regulatory Compliance	43
307-1	Non-compliance with environmental laws and regulations	2.5 Regulatory Compliance	43
<b>GRI 400 : Social Topics</b>			
<b>GRI 401 : Employment 2016</b>			
3-3	Management approach	4.2 Diversity and Inclusivity	58
401-1	New employee hires and employee turnover	4.3 Remuneration and Benefits	64
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.2 Diversity and Inclusivity	58
401-3	Parental leave	4.3 Remuneration and Benefits	64
		4.3 Remuneration and Benefits	64

## GRI 3 : 重大主題 2021

Indicator	Disclosure Item	Reference Chapter/Description/Ellipsis	Page
<b>GRI 402 : Labor/Management Relations 2016</b>			
3-3	Management approach	4.2 Diversity and Inclusivity	58
402-1	Minimum notice periods regarding operational changes	Kuo Toong adheres to the provisions of Article 16 of the Labor Standards Act and explicitly stipulates the notice period in the company's work rules when significant changes in company operations may affect labor rights, in order to safeguard the rights of employees.	
<b>GRI 403 : Occupational Health and Safety 2018</b>			
3-3	Management approach	5.3 Workers' Health and Safety	77
403-1	Occupational health and safety management system	5.3 Workers' Health and Safety	77
403-2	Hazard identification, risk assessment, and incident investigation	5.3 Workers' Health and Safety	77
403-3	Occupational health services	5.3 Workers' Health and Safety	77
403-4	Worker participation, consultation, and communication on occupational health and safety	5.3 Workers' Health and Safety	77
403-5	Worker training on occupational health and safety	5.3 Workers' Health and Safety	77
403-6	Promotion of worker health	5.3 Workers' Health and Safety	77
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	5.3 Workers' Health and Safety	77
403-8	Workers covered by an occupational health and safety management system	5.3 Workers' Health and Safety	77
403-9	Work-related injuries	5.3 Workers' Health and Safety	77
403-10	Work-related ill health	5.3 Workers' Health and Safety	77
<b>GRI 404 : Training and Education 2016</b>			
3-3	Management approach	4.1 Talent Development	56
404-1	Average hours of training per year per employee	4.1 Talent Development	56
404-3	Percentage of employees receiving regular performance and career development reviews	4.1 Talent Development	56

Indicator	Disclosure Item	Reference Chapter/Description/Ellipsis	Page
<b>GRI 405 : 員工多元化與平等機會 2016</b>			
3-3	Management approach	2.1 Corporate Governance 4.2 Diversity and Inclusivity	31 58
405-1	Diversity of governance bodies and employees	2.1 Corporate Governance 4.2 Diversity and Inclusivity	31 58
405-2	Ratio of basic salary and remuneration of women to men	4.3 Remuneration and Benefits	64
<b>GRI 419 : Socioeconomic Compliance 2016</b>			
3-3	Management approach	2.5 Regulatory Compliance	43
419-1	Non-compliance with laws and regulations in the social and economic area	2.5 Regulatory Compliance	43

# 6.5 Auditor Assurance Report



## INDEPENDENT AUDITORS' LIMITED ASSURANCE REPORT

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

We have undertaken a limited assurance engagement on the disclosed performance indicators in the Sustainability Report ("the Report") of Kuo Toong International Co., Ltd. ("the Company") for the year ended December 31, 2023.

### Subject Matter Information and Applicable Criteria

See Appendix 1 for the Company's disclosed performance indicators ("the Subject Matter Information") and applicable criteria.

### Responsibilities of Management

The management of the Company is responsible for the preparation of the Subject Matter Information in accordance with Taipei Exchange Rules Governing the Preparation and Filing of Sustainability Reports by TPEx Listed Companies, Universal Standards, and Topic Standards published by the Global Reporting Initiative (GRI), and for such internal control as management determines is necessary to enable the preparation of the Subject Matter Information that are free from material misstatement resulted from fraud or error.

### Auditors' Responsibilities

Our responsibility is to plan and conduct our limited assurance engagement in accordance with Standard on Assurance Engagement 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the Accounting Research and Development Foundation of the Republic of China to issue a limited assurance report on whether the Subject Matter Information (see Appendix 1) is free from material misstatement. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and, therefore, a lower assurance level is obtained than a reasonable assurance.

We based on our professional judgment in the planning and conducting 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. Inquiring of management and the personnel responsible for the Subject Matter Information to obtain an understanding of the policies, procedures, internal control, and information system relevant to the Subject Matter Information to identify areas where a material misstatement of the subject matter information is likely to arise.
2. Selecting sample items from the Subject Matter Information and performing procedures such as inspection, re-calculation, re-performance, observation, and analytical procedures to obtain evidence supporting limited assurance.

- 1 -

傳承 / 堅定 / 當責

Legendary & Steadfast Accountancy

### Inherent Limitations

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

### Independence and Quality Control

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 is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Standard on Quality Management 1 "Quality Management for Public Accounting Firms" issued by the Accounting Research and Development Foundation of the Republic of China, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

### Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter Information is not prepared, in all material respects, in accordance with the applicable criteria.

### Other Matters

We shall not be responsible for conducting any further assurance work for any change of the Subject Matter Information or the applicable criteria after the issuance date of this report.

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

Legendary & Steadfast Accountancy  
 Tainan, Taiwan  
 Republic of China  
 August 9, 2024

### Notice to Readers

*For the convenience of readers, the independent auditors' limited assurance report and the accompanying summary of 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 subject matter information shall prevail.*

- 2 -

**SUMMARY OF SUBJECT MATTER INFORMATION**
**APPENDIX 1**

#	Subject Matter Information		Corresponding Section	Applicable Criteria
1.	Kuo Toong and Kuo Yang	2023 Energy consumption	3.3 Energy Management	GRI 302-1 : 2016 Energy consumption within the organization
	Liquefied natural gas (LNG)	25,747.87 GJ		
	Liquefied petroleum gas (LPG)	0 GJ		
	Motor gasoline	1,750.56 GJ		
	Diesel	750.40 GJ		
	Non-renewable electricity	70,584.05 GJ		
Total		98,832.88 GJ		
2.	Kuo Toong and Kuo Yang	2023 Water withdrawal	3.4 Water Resources Management	GRI 303-3 : 2018 Water withdrawal
	By source	Seawater (Others)		376.19 ML
	Third-party (fresh water)			12.60 ML
	Third-party (others)			7,229.45 ML
3.	Kuo Toong and Kuo Yang	2023 Water discharge	3.4 Water Resources Management	GRI 303-4 : 2018 Water discharge
	By destination	Surface water		6,506.51 ML
		Seawater		244.19 ML
		Third-party water		5.70 ML
	By quality	Fresh water		6,512.21 ML
		Others		244.19 ML
By treatment level	Primary treatment			244.19 ML
	Secondary treatment			6,512.21 ML

(Continued)

- 3 -

#	Subject Matter Information		Corresponding Section	Applicable Criteria
4.	Kuo Toong and Kuo Yang	2023 Water consumption	3.4 Water Resources Management	GRI 303-5 : 2018 Water consumption
	By consumption category	Products		132 ML
		Others		729.84 ML
5.	Kuo Toong and Kuo Yang	2023 Total weight of waste generated	3.5 Waste	GRI 306-3 : 2020 Waste generated
		5,574.48 Tons		
6.	Kuo Toong and Kuo Yang	2023 Average hours of training	4.1 Talent Development	GRI 404-1 : 2016 Average hours of training per year per employee
	By gender	Female		19.74
		Male		9.27
	By position	Executives		47.68
		Supervisors		30.55
		Engineers		10.11
		Administration personnel		13.15
		Grassroots personnel		0
7.	Kuo Toong and Kuo Yang	2023	5.3 Workers' Health and Safety	SASB IF-EN-320a.1 Total recordable incident rate (TRIR) and fatality rate for direct employees and contract employees
	Direct employees	Total recordable incident rate		0
		Fatality rate		0
	Contract employees	Total recordable incident rate		0
		Fatality rate		0

(Continued)

- 4 -



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