

Zig Sheng actively tries to **reduce pollution** through its environmental protection policy, and is committed to energy saving, carbon reduction, industrial waste reduction, pollution control, resource recycling and reusing, and continuous improvement through good internal and external communication and interaction.

Since 2013, Zig Sheng has implemented the ISO 14001 environmental management system and established management practices and procedures (such as environmental risk assessment, air pollution, water pollution, noise pollution, waste, drinking water, energy resources, chemicals, etc.). All of our plants have completed and implemented environmental management, and all three plants in Guanyin have been certified by a neutral third party (DNV Business Assurance). Climate change is causing global temperatures to rise, resulting in unusual climates, floods, and heat waves. The frequency of typhoons is also increasing by the year, which poses a risk of damage to our plant and equipment as well as threatens the safety of employees during their commute. Therefore, Zig Sheng continues to conduct energy management to improve the efficiency of its energy use, verify greenhouse gas emissions, and promote energy saving measures.



4.1 Climate Change Risk Management

In 2021, we followed the Financial Stability Board (FSB)'s Task Force on Climate-related Financial Disclosures (TCFD) framework to assess and manage risks associated with climate change.

Task Force on Climate-Related Financial Disclosures (TCFD)		
	Management Policies and Action Plans	Implementation Status
Governance	<p>The Board of Directors regularly reviews the risks and opportunities associated with climate change</p>	<ul style="list-style-type: none"> The Company's Sustainable Development Governance Organization conducts annual discussions and assessments related to climate change, formulating strategies for significant risks and opportunities, and reporting these to the Board of Directors. On May 10, 2024, a report on climate-related risks, opportunities, and the implementation of corresponding strategies was presented to the Board of Directors.
Strategy	<ul style="list-style-type: none"> Discussed and identified short-, medium- and long-term climate change risks through cross-departmental communication Evaluated the business, strategic and financial impacts of significant climate change risks and opportunities to our company Conducted situational analyses and evaluated Science Based Targets (SBT) 	<ul style="list-style-type: none"> Regarding risks and opportunities associated with climate change, 4 major risks and 3 major opportunities were identified Proposed countermeasures to address major risks Using the 2°C global warming scenario (RCP 8.5) from the UN's Intergovernmental Panel on Climate Change (IPCC), climate-related risks to operational processes were analyzed and mitigation measures were developed
Risk Management	<ul style="list-style-type: none"> Established our climate-related risk identification process using the TCFD framework Developed relevant response plans based on the results of the climate-related risk identification and ranking Integrated into the overall risk management system 	<ul style="list-style-type: none"> Identified and ranked climate-related risks and opportunities, and assessed their financial impact Implemented countermeasures based on the assessment results and financial impacts of climate-related risks and opportunities Zig Sheng's Operating Risk Management Process
Indicators and Targets	<ul style="list-style-type: none"> Set climate-related risk management targets Conduct ISO 14064-1 greenhouse gas inventory on a regular basis Set climate change management targets and review performance achievement statuses 	<ul style="list-style-type: none"> Reduce energy consumption per unit of product, accumulate energy savings, and build solar power plants Continuously implement carbon reduction measures

Climate Risks and Opportunities

Transformation Risks

- Increased carbon pricing
- Tightened regulations
- Low-carbon technology transformation
- Change in customer behavior
- Increased costs of raw materials
- Increased stakeholder concerns and negative feedback

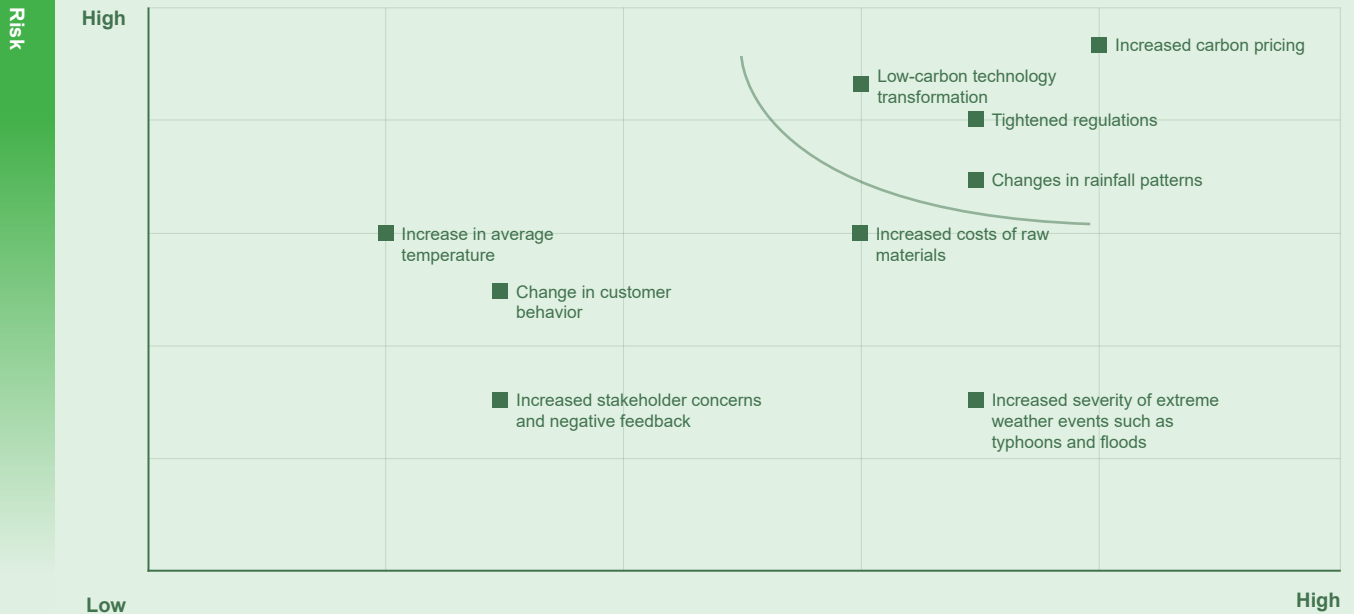
Physical Risks

- Increased severity of extreme weather events such as typhoons and floods
- Changes in rainfall patterns
- Increase in average temperature

Opportunities

- Recycled and reused
- Use of high-efficiency equipment
- Use of low-carbon energy
- Participation in the carbon trading market
- Use of new technology
- Shifting consumer preferences
- Develop climate adaptation and insurance risk solutions
- Participation in renewable energy projects and adoption of energy saving measures
- Energy alternative/diversification

Climate Risk Matrix

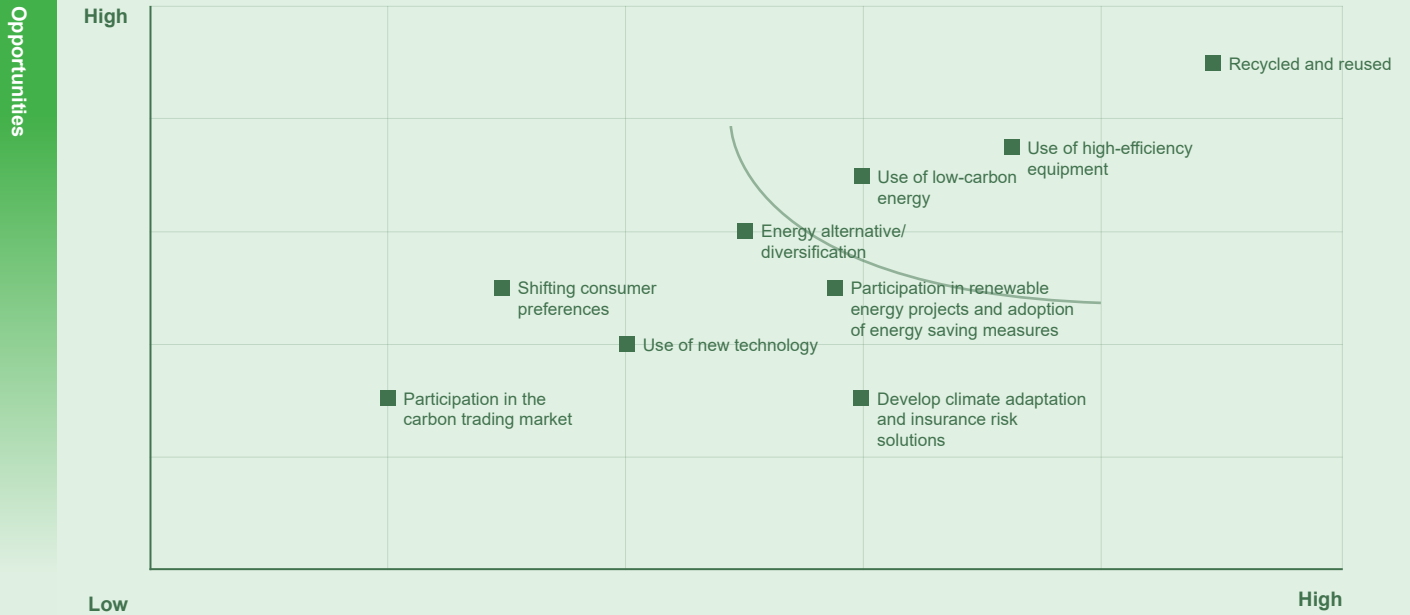


Financial Impacts

Major Risk Assessment and Response Strategies:

Risk Category		Related Risks	Business and Financial Impacts	Responses and Measures
Transformation	Policies and Regulations	Increased carbon pricing	<ol style="list-style-type: none"> If carbon fees increases, then operating costs will increase. Switching to low-carbon equipment, resulting in early write-off and scrapping of assets. 	<ol style="list-style-type: none"> Closely monitor regulatory changes and international trends. Strengthen energy management by replacing high-energy-consuming equipment with low-energy alternatives to reduce carbon emissions.
		Tightened regulations	<ol style="list-style-type: none"> Expanded carbon emission disclosure requirements will increase verification costs. The Renewable Energy Development Act requires the use of a certain percentage of renewable energy, which will raise green energy costs. 	<ol style="list-style-type: none"> Offer relevant training courses to enhance employees' skills and experience in carbon audits to meet increasing demands. Establish solar power plants and apply for green energy certificates to comply with regulatory requirements.
	Technology	Low-carbon technology transformation	The installation of additional equipment and the construction of new facilities will increase costs.	<ol style="list-style-type: none"> Developing polyester recycled products to increase the added value of our products. Continuous energy saving and carbon reduction.
Physical	Long-term	Changes in rainfall patterns	Water shortages can affect equipment cooling, leading to equipment malfunction, disrupted production, and reduced revenue.	<ol style="list-style-type: none"> Monitor water consumption and implement water-saving measures. Increase the water resource recycling rate.

Climate Opportunity Matrix



Financial Impacts

Major Opportunity Assessment and Management Strategies:

Risk Category		Related Opportunities	Business and Financial Impacts	Management Strategies and Goals
Opportunities	Resource Efficiency	Recycled and reused	Increasing Revenue from Green Products	1. Recycle scrap filament into environmentally friendly products, certified by the Global Recycled Standard (GRS). 2. Promote recycled products and increase the sales share of green products.
		Use of high-efficiency equipment	Reduce energy consumption, save energy costs, and reduce carbon emissions.	Replace high-energy consumption equipment with high-efficiency equipment, such as DTY machines, air compressors, and chillers.
	Energy Source	Use of low-carbon energy	Use renewable energy to reduce electricity bills.	Since 2018, solar power plants have been continuously installed, and the goal is to have renewable energy account for 10% of total energy use by 2024.

*In 2023, the climate management costs were approximately NT\$43.82 million.

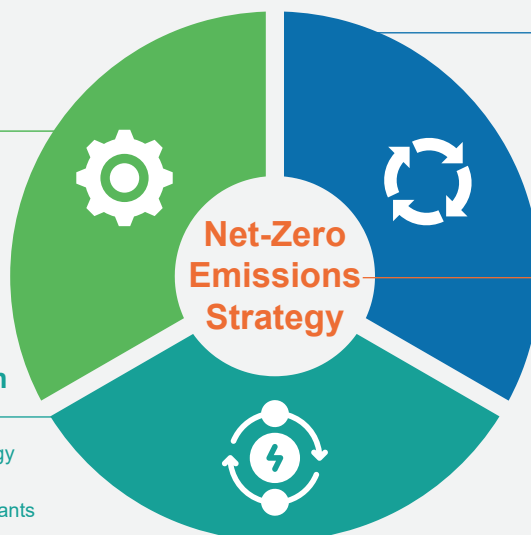
Circular Economy

Process Improvement

- 1 Switch to high-performance equipment
- 2 Continuous energy saving and carbon reduction

Energy Transformation

- 1 Switch to low-polluting energy
- 2 Installation of solar power plants



- 1 Recycled and reused
- 2 Develop green products

In response to the impact of climate change, net-zero emissions has become a global endeavor. Zig Sheng has formulated a net-zero strategy, which consists of process improvement, energy transformation, and circular economy.