

## V Business Overview

### 1. Business activities

#### (1) Scope of Business

##### 1. Primary business content, primary products and revenue ratio.

Business unit	Business activities	Products	Revenue Ratio	
			The Company and its merged subsidiaries	
			Amount (NT\$ million)	%
Wire and cables	Manufacture and sale of bare copper wire, various electrical wires, cables and related connection materials and accessories, as well as the contracting and execution of high-voltage cable engineering.	Bare copper strips, copper stranded wires, copper cables, power cables, high-voltage connectors and their accessories and telecommunication copper/ optical fiber cables and industry power cables.	64,423	41.1
Stainless steel	Forging, processing and selling of stainless steel and nickel pipe.	Billets, slabs, hot-rolled plates/coils, cold-rolled coils, wire rods, hot-rolled bars, cold-finished bars, steel ingot, pierced billets, stainless steel foil and strands	65,297	41.7
Commodity	Production and sales of stainless steel upstream raw material, nickel pig iron, agency sales of stainless steel semi-finished products, procurement and hedging of other metal raw materials required by the Company for production	Nickel pig iron, billets, slabs, and HR coils	8,572	5.5
Commercial real estate business	Real estate	Parking space sales, commercial leasing, residential housing and office buildings sales	1,882	1.2
Others	Solar power engineering etc.		16,491	10.5

##### 2. New products under development

Business unit	New products under development
Wire and cables	(1) Composite cable for large machinery (2) Cables for offshore wind turbines (3) Wire harnesses for new energy vehicles and power supplement systems (4) Energy storage application cables
Stainless steel	(1) Expand the development of high-strength stainless steel supply types, sizes, conditions and product types: Precipitation hardening type, martensite iron series, duplex type (2) High-performance stainless steel for automotive components with high heat resistance, high intensity, free-machining and soft magnetic properties

Business unit	New products under development
	(3) High-strength and wear-resistant Martensitic stainless steel for machinery and equipment
	(4) High-performance stainless steel with free-machining, corrosion resistance and high-definition cleanliness for computer, communications, and consumer-electronics products
	(5) High heat-resistant Austenitic stainless steel for industrial high-temperature conveying equipment

## (2) Industry overview


### 1. The current status and development of the industry

#### (1) Wire and Cable Business

According to forecast report issued by the International Copper Study Group (ICSG), global copper production increased by 2.5% year-on-year from January to November 2021 and is forecast to reach 21.34 million tonnes for the year 2021, mainly due to an 8.5% year-on-year increase in Peru, the second largest copper producer, and a 50% increase in Indonesia, driven by newly commissioned capacity, and 11%, 66% and 9% increases in the Congo, Panama and Mainland China respectively. Refined copper production increased by 1.3% year-on-year from January to November 2021 and is forecast to reach 24.83 million tonnes for the year 2021, while refined copper consumption increased by 0.6% year-on-year from January to November 2021 and is forecast to reach 25.15 million tonnes for the year 2021, leaving a supply/demand gap of 320,000 tonnes. As global demand for copper continues to increase, with particular focus on future copper demand in the renewable energy sector, Chinese copper smelters continue to expand their production capacity. China's refined copper production has exceeded 10 million tonnes for 2 consecutive years, reaching an annual record high of 10.49 million tonnes in 2021, according to the data published by the National Bureau of Statistics of China.

Mainland China is the world's largest copper consumer, and its annual sales of copper rods are increasing year by year. According to the statistical analysis report released by the International Wrought Copper Council (IWCC), the sales volume of copper rods in China reached 8.97 million tonnes in 2021, an annual increase of 4.2%. The annual sales volume of copper rods in Taiwan has increased significantly in the past two years. In 2020, the annual sales volume of copper rods was about 360,000 tonnes, an annual increase of 8.5%, and in 2021, the sales volume of copper rods from January to June increased by 8.3% year-on-year, with the estimated annual sales volume for 2021 about 390,000 tonnes. The largest demand in China's power cable industry came from purchases from The State Grid Corporation of China (State Grid). According to the market information memorandum provided by IWCC, it is likely that the impact of the pandemic has delayed many projects to 2021, and the total amount of purchases by State Grid as of the end of the third quarter of 2021 was close to the total amount of purchases in 2020. State Grid will still place large orders in the fourth quarter 2021. It is estimated that the procurement volume in 2021 will break away from the decline in 2020 and rebound from the trough to the level of 2019.

The market structure of Taiwan's wire and cable industry is mainly domestic sales, supplemented by foreign sales. According to the Department of Statistics of the Ministry of Economic Affairs, Taiwan's wire and cable production in 2021 is estimated as 240,000 tonnes, an increase of 4.6% over the previous year, of which production for domestic sales was approximately 220,000 tonnes, an increase of 3.7% over the previous year. Taiwan market benefits from the regional supply chain integration, part of the industry supply chains back to Taiwan to invest in plant construction, and the government's three major programs for investments in Taiwan; therefore, a total of 1,176 businesses has passed the review process, in the total investment



amount of about NT\$1.65 trillion, with the increasingly popular plant construction projects that have increased the demand for power cables. The Taiwanese government continues to actively promote green energy policies, attracting a large number of solar power and offshore wind power related construction. During the pandemic, countries worldwide provided relaxed fiscal policies to drive consumer demand, resulting in an increase in the number of residential, commercial office and public works cases, and thus the overall market demand rebounded.

## (2) Stainless Steel Business

According to International Stainless Steel Forum (ISSF), global stainless crude steel production is estimated at 57 million tonnes in 2011. Countries around the world are gradually relaxing their epidemic control policies, driving economic recovery and growth in steel supply and demand. The largest steel production region was Mainland China, which produced 31.8 million tonnes of crude stainless steel, up by 5% from 2020, while Asia (excluding Mainland China and Korea) produced 7.7 million tonnes, Europe 7.2 million tonnes and the Americas 2.4 million tonnes, up by 20%, 14% and 14% respectively from 2020.

In terms of the structure of stainless steel products, the output of plate products in 2021 was 43 million tonnes (consisting of HR coil of 8 million tonnes (19%) and CR coil of 3.5 million tonnes (81%)), accounting for 84% of the total output, and the output of long steel products was 8.2 million tonnes, accounting for 16% of the total output. Among the long steel products, the output of HR bars, wire rods and small steel embryos were 3.5, 2.7, and 2 million tonnes respectively, accounting for 43%, 33%, and 24% of the output of the long products respectively.

About 50% of the end-use applications of long steel products are used for industrial production (such as machined parts), 21% for industrial production (e.g. machined parts), 16% for consumer durable goods and 10% for transportation. The top five long-strip stainless steel companies around the world by output are Tsingshan, Jiangsu Delong, Walsin Lihwa, Viraj and Swiss Steel. (The above output figures are based on the data from the research report for 2021 published by SMR, a marketing agency, and the estimates provided by Walsin.)

The increase in production capacity in recent years has been concentrated in China and Indonesia, led by the world's largest steel plant, Tsingshan Group, with an annual production capacity of over 10 million tonnes. In addition, Jiangsu Delong is also expanding its production capacity, and with successive mergers and alliances among Baosteel, Wuhan Iron and Steel, Taiyuan Iron and Steel, Shagang (which will cooperate with Beihai Chengde), more 10 million tonnes steel maker groups will emerge in the future.

Benefiting from its cost advantage thanks to RKEF integration, Tsingshan and Jiangsu Delong's low-cost products marched into the market; Baowu Steel Group entered the Indonesian nickel iron market; Beihai Chengde takes the advantage of its own nickel iron production capacity and cooperates with the Philippine nickel miners; therefore, steel groups in the northern and southern parts of China are working together to compete those in the middle part of China.

## (4) Commodity Business

Global nickel pig iron production capacity is mainly concentrated in Mainland China and Indonesia. In 2020, due to Indonesia's ban on ore exports, the movement of the nickel pig iron industry chains from Mainland China to Indonesia accelerated, and Indonesia has become the world's largest nickel pig iron producer. In 2021, global nickel pig iron production capacity reached 1.98 million tonnes of nickel and the production reached 1.32 million tonnes of nickel, with the production capacity up by 16.2% compared with 2020 and

the production up by 18.9% compared with 2020. Among them, total nickel pig iron production in Mainland China was 435,000 tonnes of nickel, down by 16% from 2020, mainly due to the impact of raw material supply restrictions and the dual control of energy consumption; total nickel pig iron production in Indonesia was 885,000 tonnes of nickel, up by 48.7% from 2020.

In 2022, China's nickel pig iron production will continue to be limited by the decline in imported nickel ore grade and the uneconomic production caused by the dual control of energy consumption. In Indonesia, new capacity is expected to be added at a faster pace as the disruptions from the epidemic are expected to fade and local infrastructure such as power supply is expected to become complete. Global nickel pig iron production capacity is expected to increase to 2.74 million tonnes of nickel this year, with production increasing to 1.56 million tonnes of nickel.

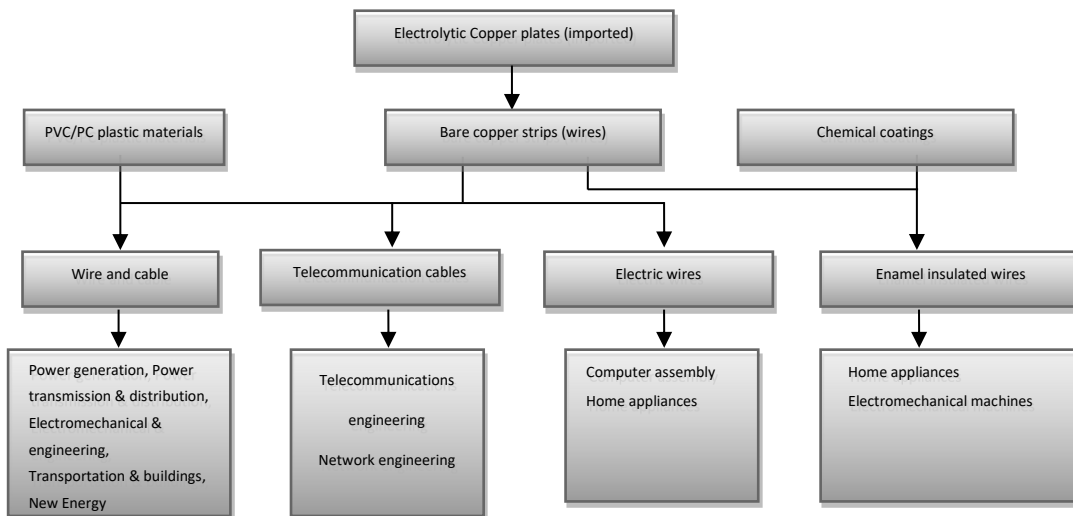
#### (5) Commercial Real Estate Business

In 2021, the total commercial residential sales area in Nanjing exceeded 12.34 million square meters, setting a new 5-year high, up by over 20% from 2020. The average transaction price exceeded RMB 28,400 per square meter, a significant increase of over 10% compared to 2020. The renovation package (not included in price statistics) policy that has been implemented since 2020 became the norm for transactions in the first three quarters of 2021, effectively raising the actual transaction prices of popular properties in the core area and increasing the profits of developers. In the fourth quarter of 2021, the growth momentum and activity of real estate transactions were significantly dampened due to a series of debt defaults by private real estate developers such as Evergrande. This also brings new development opportunities for strong, cash-flow-rich enterprises.

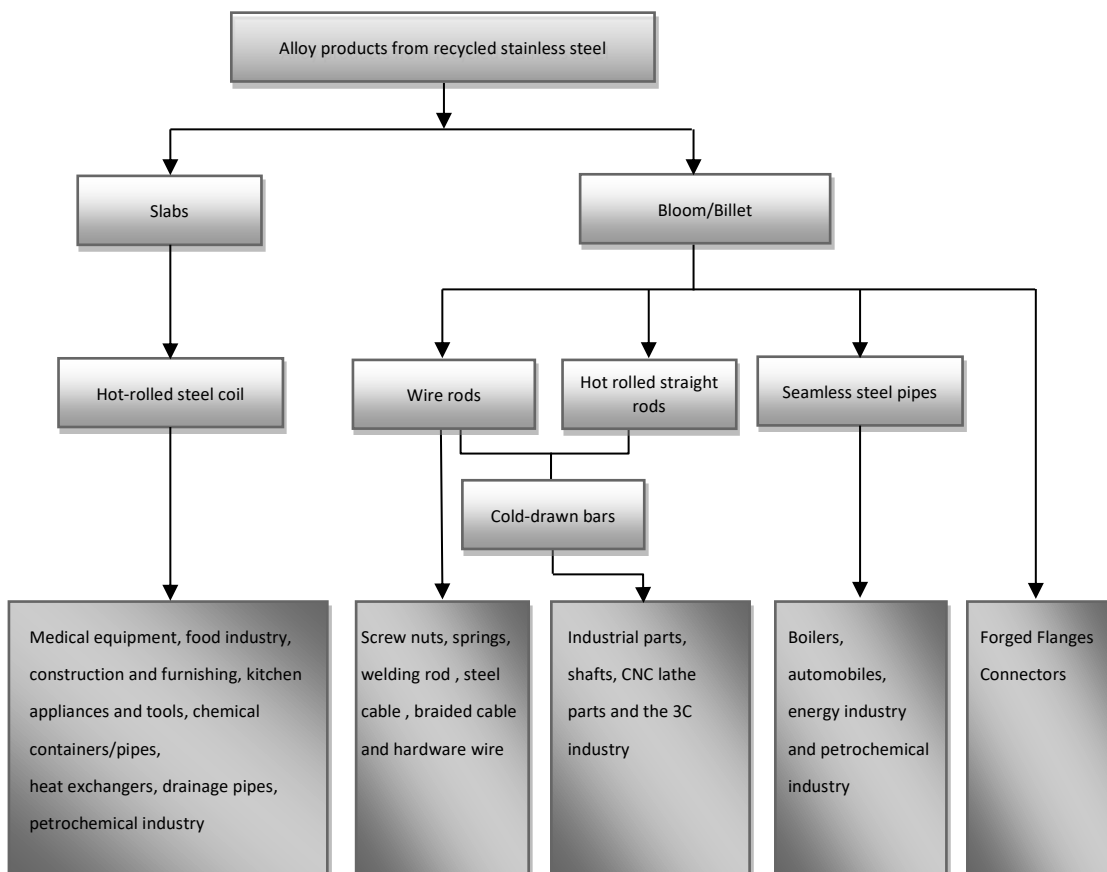


## 2. Relationships with suppliers in the industry's supply chain:

### (1) Wire and Cable Business



### (2) Stainless Steel Business



### 3. Product development trends and competition

#### (1) Wire and Cable Business


Development trend: In response to international net-zero emissions and the current energy policy of the Taiwan government, the pragmatic path for Taiwan's transition to net-zero 2050 is to increase natural gas, reduce coal combustion, and develop renewable energy to meet the increasing demand for green power from domestic industries, while maintaining a stable power supply and taking into account the country's competitiveness, which is so called "low carbon first, and then zero carbon". According to the information provided by the Bureau of Energy, Ministry of Economic Affairs, the installed capacity of renewable energy reached 10.7GW in September 2021, an increase of 128% compared to 2016, among which solar energy has grown significantly, with a 450% increase in power generation in 2021 compared to 2016. In addition, countries around the world, driven by the net zero transformation trend, are committed to the development of new energy vehicles, among which the largest producing and selling and fastest growing regions are Europe and China. Europe is the region with the highest adoption rate of new energy vehicles. According to the report released by Canalys, in 2021, new energy vehicles accounted for 19% of the total vehicle sales, and Europe's cumulative sales of 2.3 million vehicles were the second largest in the world, with an annual growth rate of 61%. According to the latest data from the China Association of Automobile Manufacturers, China sold 3.52 million vehicles in 2021, accounting for about half of the world's sales, with an annual growth rate of 168%. According to the information from the Motor Vehicles Office, the new energy vehicle market in Taiwan has also grown, with the total sales volume of new energy vehicles increasing by 42% in 2021. In addition, countries worldwide also continue to optimize the supporting environment for the development of new energy vehicle industry and accelerate the construction of charging stations, charging piles, power exchange stations, power battery recovery service network and other infrastructure. In this context, the demand for cables is increasing, and the cable industry is following this wave to develop cables, related products and services for the green energy industry.

Competition: From the historical output of Taiwan's power cable market, there is an oversupply of capacity in the overall cable market and competition is relatively fierce. However, benefited from the regional supply chain integration of Taiwan businessmen back to Taiwan to drive the demand for plant expansion, and a large number of residential, commercial office and public works projects, coupled with the government's active promotion of green energy policy, market demand continues to grow.

#### (2) Stainless Steel Business

Development trend: After more than 100 years of development, the nature of the stainless steel industry is not easy to make breakthrough changes. In recent years, we have seen many cases of upstream deployment and process adjustment to reduce costs, such as the Indonesian industry connecting the RKEF production line to the AOD to achieve the lowest cost benefit by hot iron water delivery. In terms of product development, apart from actively developing nickel-free steel grades, major stainless steel makers are also developing the most suitable materials for specific applications. For example, in response to the demand for automation, the demand for wear-resistant, high-precision and zero-defect materials has increased. In the past, key technologies were held in Japan, Europe and other countries, but Asian steel makers have also continued to invest in research and development in recent years, and to refine their own technological capabilities. At the same time, with the rising awareness of environmental protection, stainless steel is more widely used in various fields, and there are many cases of replacing carbon steel with stainless steel in the construction, transportation and other industries. In the renewable energy industry, stainless steel components can also be found in wind turbines and renewable energy vehicles.

Competition: Global stainless steel demand will return to normal growth after a sharp rebound in 2021.



Indonesian steel mills will dominate the Asian market with the advantage of low-cost raw materials; with the promotion of carbon emission control policy in Mainland China, the steel mills have shifted from incremental to value-added and started to consolidate with the strategy of eliminating the weak and leaving the strong; the rest of the steel makers will focus on niche industrial applications with high certification thresholds to add value to their products through end-use differentiation.

### (3) Commodity Business

Development trend: Stainless steel plants in Mainland China and Indonesia are expanding their production capacity, and the demand for nickel pig iron and scrap steel will continue to rise, while nickel pig iron in Indonesia has a cost advantage and is economical for downstream steel plants. In the following years, there will still be new manufacturers entering Indonesia to invest in RKEF production line.

Competition: Indonesia's RKEF production lines have grown significantly since 2021 and will continue to open up significant capacity. In addition to continuing to provide additional stainless steel production capacity in Indonesia, the production lines will also make up for the possible decline in nickel pig iron supply in China. In addition, in response to the continuous growth of the new energy industry chain, some of the RKEF production lines have started to change their processes to make their output more flexible, so that they can flexibly switch between iron pig nickel and ice-nickel and that the market supply and demand can be in dynamic balance.

### (4) Commercial Real Estate Business

Development Trends: Nanjing's real estate industry has shown a trend of comprehensive development in the past five years, with large-scale development around the city and the expansion of the city to the suburbs and suburban counties, bringing a continuous increase in the city's population, industrial development, infrastructure investment and overall economic capacity. The focus of development in the city center area is still on high quality and large volume complexes, the integration of commercial, office and residential multi-styles, and on experiential and interactive products. Children's playground, catering, leisure, entertainment and other experiential consumption become the focus of business revenue. In terms of residential property, high-end and even top-tier blocks continue to be the main development trend, driving the continuous upgrading of urban living quality, while in terms of office property, landmark international Grade A offices lead the development of high-end business areas.

Competition: The central part of the city is the focus of the real estate market, where land supply has always been rare and projects have been launched relatively rarely. After a major reshuffle in the real estate industry in the second half of 2021, a number of enterprises with high gearing and insufficient cash flow will be eliminated, and the industry pattern will further develop in the direction of "stronger is stronger". Stable and strong companies with low gearing and strong cash flow will have more advantages and opportunities in acquiring new development projects.

## (3) Overview of Technology and R&amp;D

## 1. R&amp;D Expenses and Results

R&D Expenses		From Jan. 1, 2021 to March 18, 2022, the R&D expenses were around NT\$ 240 million.
R&D Profile	Wire and cables	<ol style="list-style-type: none"> <li>(1) Wires used in large-machinery and renewable-energy industries: continue technical development and innovation.</li> <li>(2) Accelerate the development of key cable materials and environmentally friendly cable materials.</li> <li>(3) Continue to create core technologies in flexible cable and rubber, move toward light weighting, and co-develop related products and global markets with our international strategic partners.</li> <li>(4) Co-develop advanced material technologies and harness units of ultra-high power electric energy supplement system.</li> <li>(5) Develop waste cross-linked PE recycling technology.</li> </ol>
	Stainless steel	<ol style="list-style-type: none"> <li>(1) Expand the development of high-strength stainless steel materials, size, condition and product type: <ul style="list-style-type: none"> <li>- improvement of product sizes and specifications, high-intensity martensite iron series</li> <li>- precipitation hardening type; duplex type</li> </ul> </li> <li>(2) Accelerate the development of high performance stainless steel for automotive parts and components.</li> <li>(3) Actively invest in the development of high-strength and wear-resistant stainless steel for machinery and equipment</li> <li>(4) Continue to develop high-performance stainless steel for computer, communications, and consumer electronics products</li> <li>(5) Combine the middle and downstream industrial chains to enhance industrial value and provide service programs: <ul style="list-style-type: none"> <li>- Development of stainless steel with high heat resistance for high temperature transmission network cables</li> </ul> </li> </ol>



2. Present and future R&D projects, as well as the estimated R&D investment expenditure

Business unit	Plan for the most recent year	Current progress	Mass production completion time	Main reasons that future development will succeed
Wire and cables	We plan to invest NT\$50,000,000 for R&D, including:			
	Wire Harness for Renewable Energy Vehicle and Power Replenishment System	(1) Cable development and design (2) Material development and certification	2022	(1) It is the only one with complete development and testing capacity of dynamic cable in Taiwan. (2) Having the ability of independent development and verification of materials.
	Energy Storage Application Cables	Certified development of materials	2023	(1) Having the ability of independent development and verification of materials.
	Development of waste cross-linked PE recycling technology	Development of cross-linked material extraction method development	2023	(1) Having the ability to analyze and detect materials (2) Conduct research with academia and research units
Stainless steel	We plan to invest NT\$94,000,000 in R&D, including:			
	High strength and wear resistant stainless steel	Mass production improvement stage	2022	Hot rolling process parameter setting, heat treatment parameter setting
	High strength and high corrosion resistant stainless steel	Mass production improvement stage	2022	Component design, hot rolling process parameter setting
	Highly weldable stainless steel	Development stage	2022	Component design, hot rolling process parameter setting, heat treatment parameter setting
	High strength and high heat resistant stainless steel	Trial production stage	2022	Component design, hot rolling process parameter setting, heat treatment parameter setting
	Highly machinable soft magnetic stainless steel	Development stage	2022	Component design, hot rolling process parameter setting, heat treatment parameter setting

#### (4) Business Plan – Long-term and Short-term

##### 1. Wire and Cable Business

**Short-Term:** Fully grasping customer demand, improving our standards for our products and services to gain market presence, and enhancing customer satisfaction with product prices, quality, delivery schedule and services in order to become a leader in the industry in Taiwan. In view of the construction of solar power plants, the high market share of solar cables is expected to be maintained. In response to the government's requirements for the domestic production of core components for offshore wind power plants, the Company aims to become a qualified supplier in the international offshore wind turbine industry chain. Large machinery cable is actively developed through after-sales markets and import substitution. In response to the government's Renewable Energy Technology Industry Innovation Promotion Program, we are developing wiring harnesses for new energy vehicle cables and power replenishment systems.

**Long-Term:** We will seize the development opportunities brought by the global smart grid, smart manufacturing, smart building and new energy industries. We will also strengthen our cable production, sales, and research capabilities, and use them to develop overseas markets by grasping and exploring the opportunity of solar energy and offshore wind power construction demand driven by the government's active renewable energy nationalization policy, while expanding into electric vehicle charging piles, offshore wind power land-based substation turnkey projects, and solar energy and storage projects. In addition to developing the market in Japan, we are also expanding our market presence in less developed countries in ASEAN, actively developing industrial wires, seeking strategic partners, and expanding our market presence in order to maintain our leadership in the industry.


##### 2. Stainless Steel Business

**Short-Term: Taiwan:** As low price competition continues to erode our profits, with Walsin's current customer demand being diversified, Walsin will adjust its direction to meet the demand of different customer segments, strengthen the services for our existing customers, and reach out to direct customers. For the wire rod, we will actively expand niche steel sales portfolio in line with market conditions to expand the volume of orders of favorable steel grades, while continuing the research and development and the capital expenditure to increase the application of new steel types and new industries and stabilize product quality. For cold finished bars, we will focus on the development of direct customer channels and the expansion of available specifications in order to expand our market share; for plate products, we will use digital analysis to assist in material preparation and production scheduling, so that the delivery time can be close to customer expectations.

**Mainland China:** For steel billets and seamless pipes, we will develop high value-added steel types, for the purpose of increasing the sales of high-value steel types. For the cold refined rods, we will increase the volume of orders from direct customers and strengthen the collaboration between marketing/technology/business for serving customers, to ensure the completion of the integrated material application supply chain, so that the upstream and downstream can work more closely together.

**Long-term: Taiwan:** We will grasp upstream raw materials to enhance the competitiveness of Walsin's stainless steel products. For bar materials, in addition to maintaining the major customers with high demand, the Company will actively develop new customer bases and expand suitable markets for export. For cold finished bars, in addition to continuing to strengthen the advantages in our integrated production lines, we will increase the quality and output of deep-processed products. For wire rods, the long-term goal is to increase the proportion of niche steel grades in our sales mix. In terms of operations, we are strengthening our competitiveness by accelerating internal process improvement and Industry 4.0 automation projects.

**Mainland China:** We will solve capacity bottlenecks through capital expenditures, improve integrated, highly-efficient manufacturing processes, improve the precision of our products, enrich the product mix and focus on certification application markets, such as transportation, petrochemical, boiler, nuclear power, and food, as key development industries, in cooperation with the national policy and industry development potential; we will



also deepen the technical service capacity and market management, hoping to enhance the added value of our products and brands.

### 3. Commodity Business

Short-term: The Company's RKEF production line was completed after mid-2021 and the power plant was started up at the end of 2021, and all production lines have been in full production in 2022. We will continue to ensure stable activation and full production operation, strengthen the stability of upstream raw materials for stainless steel, and enhance our competitiveness. Regarding our agency services, considering the impact of the epidemic and the uncertainty of the supply chain, we actively negotiate with Indonesian suppliers through our agency platform in order to reduce the cost of raw materials and improve the accuracy of delivery to meet the needs of our customers, and to strengthen the cooperative relationship between the Taiwanese industry and upstream suppliers, in order to enhance the international competitiveness of Taiwan stainless steel products and further increase the volume of orders received by our agency services.

Long-term: In response to the trend of climate change and sustainable development, we will continue to pay attention to the development of environmental protection policies and the trend of the industry, and study the most suitable green energy and carbon reduction projects to create a win-win situation for both the economy and the environment. Our agency service will continue to take advantage of the agency advantage to stabilize the market supply and demand, provide a stable source of materials with competitive costs, avoid the risk of price fluctuations and reduce the pressure on inventory capital (i.e., value-added services) to promote the overall effectiveness of the value chain of the stainless steel industry in Taiwan, and strive to achieve the long-term goal of simultaneous growth in the volume of orders received by the agency and the price of the stainless steel industry in Taiwan.

### 4. Commercial Real Estate Business

Short-Term: The second phase of the Company's real estate business, Phase II Lot AB, Building No. 6, was officially completed. The leasing of office space on the 5th-12th floors has been completed, and the leasing and opening of high-end restaurants on the 1st-4th floors has been completed, generating stable rental income. No.1 Office Tower, Phase II of Lot AB will soon begin to open for official visits and tours from customers, and will then be combined with the completion and delivery schedule to expand its customer base. At the same time, the design and development of the third phase of Lot AB will be steadily advanced in line with international Grade A office standards and the most advanced green building standards, in order to further enhance the added value of the product.

Long-term: Walsin Centro integrates various residential, commercial and office properties with a complementary relationships and we will increase overall brand value and create economies of scale through integrated marketing. High-end residential will bring brand reputation and market influence to the commercial, while high-quality commercial will bring support and services to the office. The landmark Grade A office will further enhance the brand status of the commercial and residential sectors, bringing abundant traffic and consumption to the commercial sector and better services to the residential customers. The maturation of each new industry is consolidating the competitive advantage of the existing industry and enhancing the value of the existing industry. After more than ten years of continuous development, Walsin Centro has become a new urban landmark in Nanjing and the Walsin Centro project has become a successful model for commercial development in Nanjing, with its market influence and brand reputation continuing to expand and its commercial and business value continuing to rise. For long-term business development, we will continue to strengthen the operational capacity and management efficiency of large urban complexes, creating brand value with efficient, quality and reliable management and services. We will also make full use of our existing brand influence and leverage our years of accumulated development experience and industry product advantages to actively seek new development projects with low risk and high profitability.

## 2. Market Analysis and Sales Overview

### (1) Market Analysis

#### 1. Sales region(s) and market share of main products

##### (1) Wire and Cable Business

The Company is focused the development of the wire and cable business and offers a one-stop comprehensive production line from the upstream bare copper wire, copper rod production, to the research and production of all types of cables such as power cables, communication copper cables and fiber optic cables. The main sales regions include Taiwan and Mainland China. The 2021 sales of the Company's power cable products was approximately NT\$18.4 billion, and that of bare copper wire was about NT\$44.5 billion. According to the Department of Statistics of the Ministry of Economic Affairs, the domestic sales of power cable products in Taiwan in 2021 was estimated to reach NT\$53.8 billion. Therefore, the Company consistently maintains a market share of 20% or more and of 30% or more in Taiwan's power cable and copper bar markets, respectively.

##### (2) Stainless Steel Business

The Company is a major global stainless steel material company, with stainless steel products such as stainless steel billet, cold- and hot-rolled steel coils, wire rods, cold finished bars, seamless steel pipe and precision roll bonding steel. The main sales regions include Taiwan, Mainland China, Korea, Southeast Asia, Australia, Europe and North America, etc. Our stainless steel wire rod and cold finished bars occupy a significant position on the global market and we offer customers optimal lead times and services with sales offices distributed across the Taiwan Strait, a vertically integrated supply chain and a standardized production process.

Sales of stainless steel products made by the Company in Taiwan amounted to 643,000 tonnes in 2021. The Company's domestic market shares reach 70% (wire rods), 30% (hot-rolled steel coils), 35% (cold-rolled steel coils) and 30% (cold finished bars); the Company's global market shares are 9% (wire rods), 8% (hot-rolled steel coils) and 3% (cold finished bars).

Note: The foreign market shares are estimated only in respect of the territories to which we sell products and the available specifications.


##### (3) Commodity Business

Our RKEF production lines will be completed and started in 2021. We produce nickel pig iron, the upstream raw material for stainless steel manufacturing, which is mainly supplied to local steel mills in Indonesia for smelting stainless steel. Sales of nickel pig iron in 2021 were 114,000 tonnes, with full production and sales. According to SMM's research report, the Company's 2021 nickel pig iron production accounted for approximately 1.6% of Indonesia's total production.

In terms of agency service, the Company has been acting as an agent for the sales of Indonesia Tsingshan since May 2020, and the products we sell as an agent are mainly stainless steel products such as stainless steel billets, slabs and hot rolled steel coils. The main sales targets are Taiwan and Taiwan-invested overseas enterprises, with the aim of maintaining the international competitiveness of Taiwan's stainless steel plate products and promoting the overall efficiency of the value chain of the stainless steel industry. The Company received about 680,000 tonnes of orders in 2020 and about 980,000 tonnes in 2021, mainly because the recent geopolitical and supply chain instability have caused the switching effect, forcing Taiwan manufacturers' sales to further increase the demand for raw materials.

##### (4) Real Estate Business

In 2021, the area of business land transactions in Nanjing was 8.226 million square meters, down by 21.6% year-on-year. However, the total transaction amount of RMB207.4 billion was a record high, up by 2% over 2020. The development scale of Walsin Centro in Nanjing Hexi is 1 million square meters, and the finished



residential units have been sold out. The commercial shopping center has been successfully opened and operated. Currently, the main products are the opening and operation of Office Building No. 1 and the design and planning of Office Building No. 2.

## 2. Overview of supply and demand and projected growth

### (1) Wire and Cable Business

According to the global copper production forecast by the International Copper Study Group (ICSG), global copper supply will grow by about 3.9% in 2022. In terms of refined copper production, ICSG expects refined copper production to grow by 3.9% in 2022. In terms of the refined copper sales, the expected continued recovery of the world economy will benefit the copper end-use sector and help sustain growth in copper demand, with refined copper consumption forecast to grow by 2.4% in 2022.

With The strong demand for infrastructure in China after the pandemic of COVID 19, total power cable purchases from the national grid are recovering, and demand for copper and cable construction in the green energy, electrical appliance, and electronic semiconductor industries remains strong, which supports copper prices at a high level, meaning demand for cable-related products is expected to be strong. In Taiwan, in view of the global supply chain shift and changes in the international situation, the government considers that there is still a demand for Taiwanese businesses to return to Taiwan for investment, and in order to maintain the strength of private investment and encourage manufacturers to upgrade and transform intelligently, and in line with the government's goal of net zero carbon emissions by 2050, the Executive Yuan has approved to extend the period of acceptance of the Action Plan for Welcoming Taiwan Businesses to Invest in Taiwan to 2024 for those businesses that are gradually implementing carbon emission reduction. The government is actively promoting green energy policies such as offshore wind power and solar photovoltaic, and Taipower is scheduled to issue corporate bonds of over NT\$100 billion in 2022 for the construction of offshore wind power and green power facilities. The overall bond issuance amount will be a record high compared to the actual issuance of NT\$62.1 billion in 2021. Taipower will start four major projects in 2022, including the first phase of transmission and substation project in the Southern District, the renovation of the Dahlin Power Plant, the first phase of Green Energy (160MW of renewable energy will be added by 2025), and the new construction of the Baoshan ultra-high voltage substation, as well as the current plan to add many new units, which will boost the demand for cable and lead to good visibility of future orders.

### (2) Stainless Steel Business

It is estimated that the global stainless steel production will reach 57 million tons in 2021, an increase of 12% compared to 2020. The low base period led to a relatively high increase due to the decline in steel production in the early stage affected by the epidemic control measures. However, with the epidemic slowing down and the market demand growth returning to normal, it is estimated that the global stainless steel production will grow by about 3% to 4% in 2022.

In addition, Mainland China is still the world's largest supplier, producing over 31.78 million tons in 2021, accounting for 56% of global production. However, production growth is expected to slow down in the future due to the impact of the carbon emission control policy in Mainland China. The main growth will be found in Indonesia, which will grow from the current 5 million tons to 10 million tons.

### (3) Commodity Business

According to SMM's research report, Indonesia's nickel pig iron production will increase by 280,000 tons of nickel in 2022, which will compensate for the reduction of nickel pig iron production in Mainland China due to the dual control of energy consumption. Local stainless steel production in Indonesia continues to expand, with an estimated 2 million tons of new production, which will also consume new nickel pig iron output. The proportion of stainless steel production using nickel pig iron is expected to continue to rise despite the continued opening of nickel production lines in Indonesia. In addition, the demand for nickel for batteries

continues to rise, and the production process of nickel pig iron to high ice nickel may shift part of the nickel pig iron production capacity to high ice nickel, and the supply and demand of nickel pig iron is expected to be in the process of dynamic balance. In terms of agency services, it is estimated that the supply chain anomalies will ease in 2022, and the volume of stainless steel imports from Taiwan is expected to decrease by 10% and return to normal. The cost advantage of Indonesia, the cancellation of export tax rebates and tax increases in Mainland China, and other uncertain factors are expected to lead to a high dependence on Indonesian stainless steel imports in the future.

(4) Real Estate Business

Nanjing Jiangyou District is building a Yuantong shopping district centered on the Yuantong subway station to create a "demonstration area of international consumer center city". With the completion of nine super-high-rise buildings around the central park of Hexi, Yuantong is becoming the business office center with the highest standard of construction and the largest number of new projects in Nanjing, and the position of the Jiangyou District and the business center of Hexi in the urban structure of Nanjing has become more solid. After becoming a financial center, the core area of Yuantong will also become the center of business offices and commercial consumption in Nanjing.

Looking ahead to the development of Walsin Centro, the opening of No. One Office Building will bring new opportunities for Walsin Centro projects and establish Walsin's position as the first tier and leading brand in Nanjing's quality business office industry. The arrival of many headquarters-type office enterprises in the future will provide stable rental income and bring sufficient customer flow and stable consumption to the shopping center of One Mall, thus promoting the steady development of the real estate sector.

3. Competitive niche, favorable and unfavorable factors for long-term growth and response measures

Wire and Cable Business	
Competitive Niche	(1) We have the advantage of stable internal supply of important raw materials of copper metal and can give full play to the benefits from the upstream and downstream integration. (2) Long-term supply of products and services related to demand for project engineering, accumulating rich supplier experience and having brand advantages. (3) Advantages such as local supply and branding will help to enter the industrial cable field such as solar energy, offshore wind power and port infrastructure.
Favorable Factors	(1) The performance of quality, service and delivery is highly satisfactory to customers and we have brand power in the Taiwanese engineering market. (2) The high-voltage cable demand in the public sector sees signs of recovery, benefiting from the renewable energy policy. (3) The increase in private investment is driving cable demand for factory expansion, housing and commercial office.
Unfavorable Factors	(1) The uncertainties in real estate investments remain. Due to labor shortage and low birth rate, the growth of market demand will be weakened, while the fluctuations of demand are hard to predict. (2) The private sector faces oversupply and price competition.
Response Measures	(1) Through Industry 4.0 and production and sales intelligence to improve efficiency and service capacity. (2) We will actively respond to the government's energy policy and grasp and deepen the infrastructure business opportunities such as renewable energy, power plant and grid renewal and expansion.

Stainless Steel Business	
Competitive Niche	(1) The long strips are produced and sold by a single plant, with resource integration, economies of scale and rapid and stable delivery in cooperation with rolling schedules. (2) Plate materials have the advantage of short delivery period.

Stainless Steel Business	
	(3) The production by the new equipment in Taichung Plant and Yanshui Plant will be beneficial to adjustments to the product mix and improvement of product quality.
Favorable Factors	(1) Taiwan's cold-rolled steel coils are protected by anti-dumping duties. (2) China's environmental protection policies have increased their momentum, gradually improving the overcapacity of crude steel. (3) Environmental awareness arises, increasing the cost of operation and reducing profit margins for competitors.
Unfavorable Factors	(1) Tsingshan set up a nickel iron plant and stainless steel plant in Indonesia, which integrate production processes from raw materials to final products, thus significantly reducing production costs and bringing us strong low-cost competition. (2) Global trade protectionism, frequent anti-dumping cases, EU steel defense measures and China's increase in exports affect global steel liquidity and reduce the Company's export volume. (3) The Company lacks hot rolling production line in mainland China, making its delivery and quality stability insufficient.
Response Measures	(1) Investing in upstream raw materials by building a nickel iron plant in Indonesia to improve the international competitiveness of our stainless steel and increase the hedging position at the raw material end. (2) In addition to continuing to strengthen the advantages in our integrated production lines, we will gradually develop product specifications and high value-added steel grades, as well as actively expand the sales volume of niche steel and increase the quality of processed products. (3) Maintaining major customers, actively developing new customer bases and expanding suitable markets for export (4) Solving capacity bottlenecks through capital expenditures, improving integrated manufacturing processes and enriching the product mix; internally, continuing to improve processes and carrying out industrial 4.0 automation projects to improve the product precision.

Commodity Business	
Competitive Niche	(1) RKEF production line is located in Indonesia, which is a major producer of nickel ore in the world and has advantages in raw material prices and production costs. (2) The RKEF production line is equipped with its own power plant, which can supply electricity for full production without any issue.
Favorable Factors	(1) With Mainland China's dual control of energy consumption, Indonesia nickel pig iron is expected to make up for the possible production reduction gap in Mainland China. (2) The Indonesian government continues to ban the export of nickel ore, and the local raw material has a cost advantage.
Unfavorable Factors	(1) As environmental awareness is increasing, carbon reduction has become a common issue worldwide, and governments around the world continue to strengthen environmental controls. Future related fees or taxes will be unavoidable.
Response Measures	(1) We will continue to research on and promote the development of the most suitable green energy and carbon reduction projects.

Real Estate Business	
Competitive Niche	(1) Location advantages: Walsin Centro is located in the core area of Nanjing Hexi New City, at the intersection of Metro Lines 2 and 10 and trams, and is the center of the New City. (2) Business advantage: Huaxin City is positioned as an international city complex, including office buildings, commercial centers, quality houses and other types of products. The functions of various industries complement and promote each other, which is the most competitive product in the real estate industry. (3) Scale advantage: The floors under development reaches more than 1 million square meters, and the Walsin Centro has become a landmark project in Nanjing. The headquarters of four

Real Estate Business	
	<p>large national financial institutions have been moved into the office buildings, while the official opening of One Mall has changed the commercial landscape of Hexi New Town and raised the expectation of the value of office buildings, thereby having a spillover effect on rental and sales of office buildings of later phases.</p> <p>(4) Quality advantage: In line with the new trend of market demand, energy-saving and environmentally-friendly new materials and new technologies are widely used, attention is paid to the humanization of design and the durability and maintainability of products from the details, so that the products gain a competitive edge, thus making the Company quickly occupy the market and shape the brand.</p> <p>(5) Corporate advantages: As a diversified corporate group with large asset size, abundant cash flow and good brand reputation, the Company has more opportunities and competitiveness in acquiring new development projects.</p>
Favorable Factors	<p>(1) Due to the scarcity of land and the important role of real estate in economic proportion, financial investment and currency valuation, real estate has a long-term role in maintaining and increasing asset value.</p> <p>(2) The economy promoted by the Chinese government has continued to develop for many years. The central city has great ability to promote and control the economy, which makes the high-end office building market stable for a long time, and demand growth can be expected.</p> <p>(3) The establishment of National Jiangbei New District will drive Nanjing into a new round of sustainable development, bringing stable growth and prosperity to the real estate market. The project is located in Hexi, and we will be able to fully enjoy the resulting growth benefits.</p> <p>(4) With the delivery of residential housing in the project, the resident population is growing rapidly; transportation facilities and public ancillary services have been completed, the market is fully mature, and business demand continues to grow steadily.</p> <p>(5) The development of CBD is close to completion, and the further concentrated demand for high-end office buildings in the central area of Hexi will lead that in Nanjing.</p>
Unfavorable Factors	<p>(1) Land prices and construction costs keep rising, which increases the risks inherent in the real estate market. There are many challenges in the expectations of profits from new deliveries of land.</p> <p>(2) The city continues to expand, showing a multi-centered situation, diverting some of the customers, while the scale and number of commercial shopping centers in the region are both increasing, thus intensifying the competition.</p> <p>(3) The office buildings under construction in the science park nearby the project, which benefit from a large volume and low land costs, which has an indirect impact on the overall office building markets.</p>
Response Measures	<p>(1) Optimizing the development process and improving the accuracy of drawings, outsourcing and procurement through the improvement of internal processes to save the development cost of the project.</p> <p>(2) Doing product planning and design. On the basis of accurately understanding customer needs, focusing on product differentiation and personalization, and meet market expectations with featured products and services.</p> <p>(3) Making full use of the opportunities to continuously introduce products into the market, establishing differentiated brands through the spread of brand products, and enabling us to achieve brand premium.</p> <p>(4) Tracking and responding in advance the policy trends of government departments governing relevant industries in a timely manner, and timely seizing the best timing for lease and sales according to market changes.</p> <p>(5) Taking advantage of the real estate industry adjustment to actively seek new development projects with low cost and high profit expectations.</p>

(2) Key applications and production processes of main products

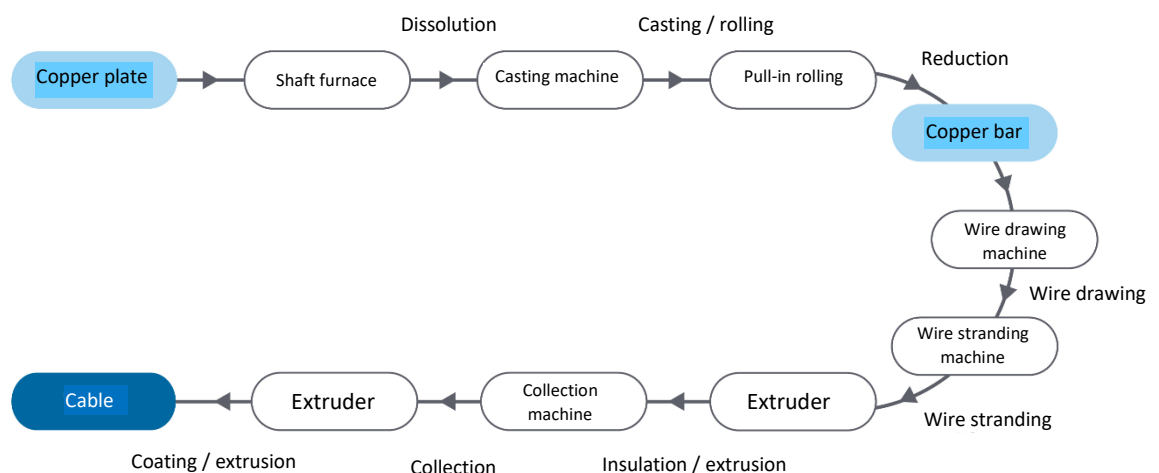
1. Key Applications of Main Products



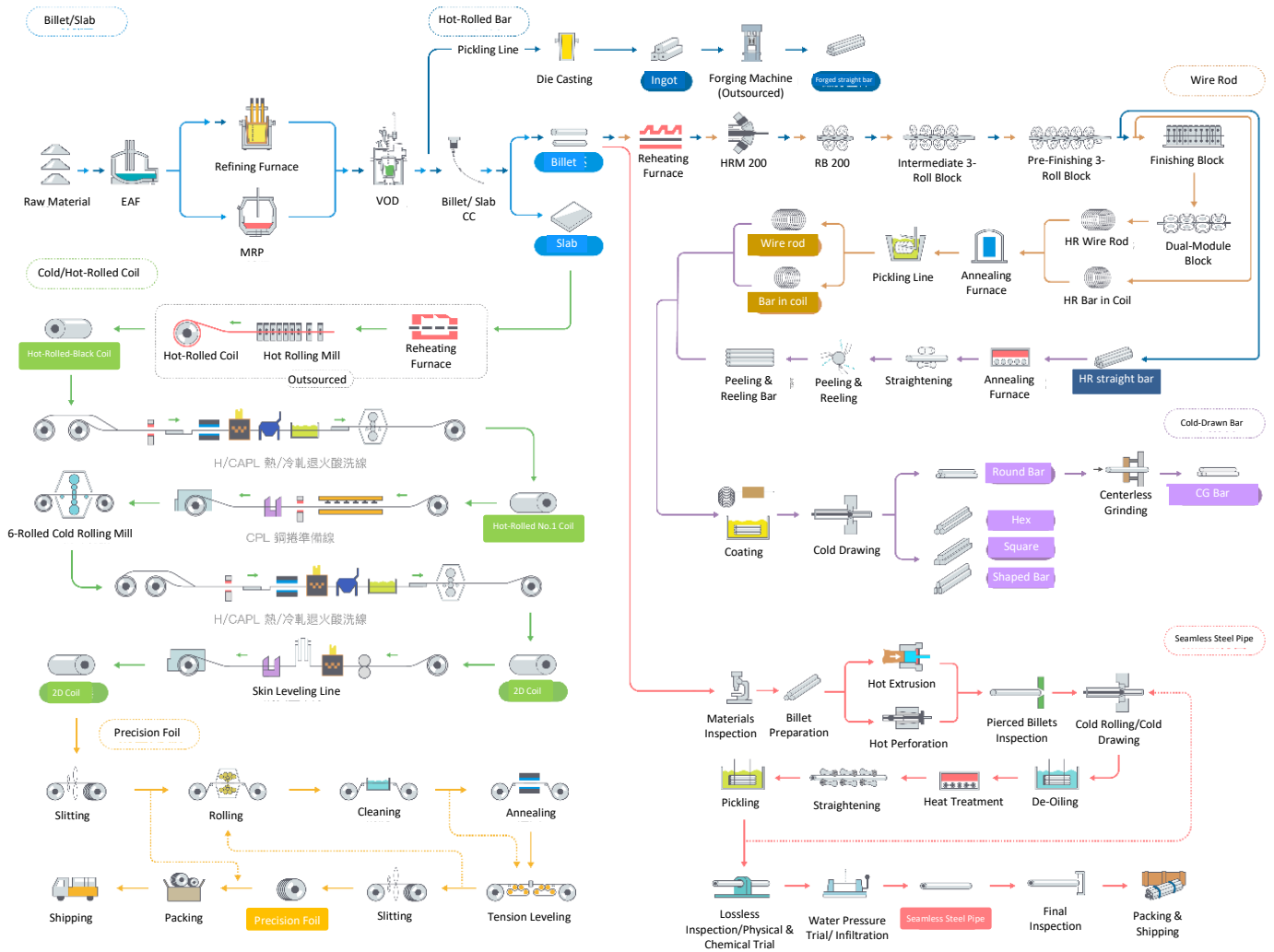
Main Products	Key Applications
Copper material	Wire and cable conductor, home appliances, electrical and electronic devices, transformers, etc.
Power cables	Primarily used for power plants, power transmission and distribution, plant facilities, transportation construction, construction of power transmission lines, etc.
Steel billets	Hot-rolled wire rods, hot-rolled straight rods, flanges, seamless steel pipes, etc.
Flat billet	Hot-rolled steel coils, hot-rolled plates, heavy forgings, etc.
Wire rods	Screws and nuts, springs, welding rods, steel wires, braids and hardware wires, etc.
Hot-rolled coil (flat panel category)	Chemical tanks, pipes for industry and building and pipes for petrochemical industry
Cold rolled coil (flat panel category)	Building decoration, kitchen utensils, appliances, medical equipment, electronic communications, chemical tanks and steel tubes
Peeled straight rods	Forging materials, turning parts, electric machine accessories, etc.
Cold finish straight rods	Shafts, medical equipment, furniture decoration items, turning parts, electric machine accessories, etc.
Stainless steel seamless pipe	Petrochemical heat exchanger; fluid pipe and instrument pipe boiler station pipe; nuclear power station pipe; shipboard fluid pipe and instrument pipe; turning pipe.
Nickle pig iron	Our products are mainly supplied to and used by steel mills to smelt stainless steel, and processed into semi-finished stainless steel products such as billets, slabs, HR coils and HR straight bars.
Real estate	Housing, office buildings and shopping malls

## 2. Production Process

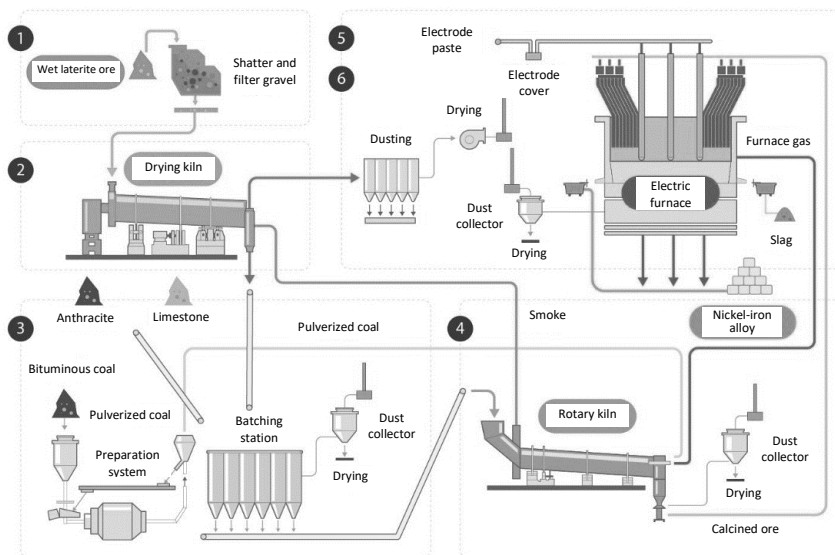
### (1) Wire and Cable Business



(2) Stainless Steel Business



(3) Commodity Business



### (3) Supply Status of Main Raw Materials

Business Unit	Main Raw Materials	Description of Supply Status
Wire and cables	Copper plates	Primarily based on long-term annual contracts and supplemented by spot purchases. Procurement must be coordinated with the finished product sales volume.
	Polyethylene	Adopts monthly/quarterly quantity bargaining method and includes imported and local supplies.
	Other chemical materials	Adopts monthly/quarterly quantity bargaining method and raw materials should mainly be locally sourced.
Stainless Steel	Pure nickel, high carbon nickel iron, high carbon ferrochrome, stainless steel scraps, grade 1 steel scraps, molybdenum iron, etc.	In addition to being sourced from Taiwan, raw materials are also from Japan, Australia, New Caledonia, South Africa, Europe, United States and China.
Commodity	Laterite nickel ore	Laterite nickel ore used for nickel pig iron is sourced from local suppliers in Indonesia, and the supply is stable.
Commercial Real Estate	Land	Implement land reserves pursuant to the Company's real estate development strategy and participate in government land auction tenders.
	Construction Projects and Materials	The Company further reduces costs and enhances effectiveness by selecting good quality construction companies and as well as material and equipment suppliers through tenders.
	Retailers	Integrating resources and doing a good job of gathering high-end enterprises and small but beautiful, refined quality customers office demand and signing contract with merchants according to the Company's project positioning, business objectives and development ideas for the phase 2 of the office building on Plot AB.

(4) The names, procurement (sales) amounts and ratio for suppliers whose total procurement (sales) for any year in the last two years reached 10%.

#### 1. Major supplier information for the last two years

Unit: NT\$ thousands

Year	2020				2021			
Item	Name	Amount	Percentage of Total Purchases (%)	Relationship with Issuer	Name	Amount	Percentage of Total Purchases (%)	Relationship with Issuer
	-	-	-	-	Supplier A	21,718,879	16.4	-
	Other (Note)	96,999,993	100.0	-	Other (Note)	110,511,261	83.6	-
	Net Purchases	96,999,993	100.0	-	Net Purchases	132,230,140	100.0	-

Note: There is no supplier accounting for more than 10% of total amount of purchases.

#### 2. Major customer information for the last two years

Unit: NT\$ thousands

Year	2020				2021			
Item	Name	Amount	Percentage of Net Sales (%)	Relationship with Issuer	Name	Amount	Percentage of Net Sales (%)	Relationship with Issuer
	Net Sales	112,546,603	100.0	-	Net Sales	156,664,766	100.0	-

Note: There is no customer accounting for more than 10% of the total sales amount.

## (5) Output volume and value for the last two years

Currency Unit: NT\$1,000  
Volume Unit: Tonne

Year	2020			2021		
	Production capacity	Production volume	Value	Production capacity	Production volume	Value
Bare copper wire	252,000	179,540	26,181,718	252,000	201,646	44,078,147
Wire and cables	49,414	37,176	8,373,610	52,920	48,143	14,445,559
Steel strands	110,000	73,254	1,727,335	140,000	75,911	2,094,465
Stainless steel strips and bars	555,720	465,909	25,822,376	562,200	454,596	33,907,526
Stainless steel coils	336,000	293,378	17,120,951	311,000	355,397	24,810,636
Seamless steel pipes	14,400	13,869	2,365,798	27,308	16,229	2,403,736
Nickle pig iron	-	-	-	36,000	14,258	4,397,473
Total			81,591,788			126,137,542

Note: Product capacity means the quantity that can be produced under normal operation with the existing production equipment while taking into account factors such as work stoppage and holidays.

## (6) Sales volume and value for the last two years

Currency Unit: NT\$ 1,000  
Volume Unit: Tonne

Year	2020				2021			
	Domestic Sales		Exports		Domestic Sales		Exports	
Value of Main Products/ Sales volume and value	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value
Main Products								
Bare copper wire	107,301	14,032,750	76,782	14,355,105	124,428	24,434,199	73,114	19,390,778
Wire and cables	38,126	9,993,726	1,309	338,225	46,484	15,739,654	2,942	781,564
Steel strands	77,094	1,817,662	1,922	41,465	74,081	2,038,377	2,984	80,171
Stainless steel strips and bars	324,350	19,148,761	106,619	7,517,159	316,417	23,423,375	122,845	11,195,453
Stainless steel coils	247,348	13,858,213	53,539	3,057,936	279,445	21,658,072	73,332	5,802,001
Seamless steel pipes	6,496	1,036,023	7,067	1,313,758	7,567	1,247,585	8,429	1,294,987
Nickel pig iron	-	-	-	-	14,258	7,201,148	-	-
Others (Note)	-	25,528,265	-	507,555	-	21,828,321	-	549,081
Total		85,415,400		27,131,203		117,570,731		39,094,035

Note: "Others" include sales of non-core business products as well as real estate business, rental and product income revenues.

### 3. Employee Data

(1) Employees of Walsin Lihwa Holdings Limited:

As of March 18, 2022

Year		2020	2021	Current Year as of March 18, 2022
Number of employees		4,931	6,995	7,070
Average age		38.9	36.5	36.6
Average years of service		9.5	6.0	6.0
Education background (%)	Ph.D.	0.5	0.4	0.4
	Master's	9.7	7.7	7.8
	University/College	43.0	39.2	39.3
	High school	28.3	38.3	38.1
	Below high school	18.5	14.4	14.4

Note: Walsin Lihwa Holdings Limited includes its subsidiaries

(2) Employees of Walsin Lihwa Corp.:

As of March 18, 2022

Year		2020	2021	Current Year as of March 18, 2022
Number of employees		2,676	2,805	2,838
Average age		39.2	39.0	39.1
Average years of service		10.0	9.9	9.9
Education background (%)	Ph.D.	0.9	0.9	1.0
	Master's	16.3	18.2	18.4
	University/College	43.3	43.0	42.5
	High school	27.1	25.5	25.4
	Below high school	12.4	12.4	12.7

#### 4. Environmental Protection Expenditure Information

- (1) For the most recent year and up to the date of publication of the annual report, the losses suffered by the Company as a result of environmental pollution (including compensations and violations of environmental protection laws and regulations found in environmental protection inspections; the punishment date, the letter number, the legal basis for the punishment, the legal provision and the content of the punishment shall be specified), and the estimated amount of such losses that may occur now and in the future and the countermeasures against them; if they are not reasonably possible to estimate, the facts that they cannot be reasonably estimated should be stated.

Offshore Plants: Changshu Plant	
Punishment Date	July 13, 2021
Punishment Letter No.	Su-Huan-Sing-Fa-Zi-(2021)-81-No. 56 Hai-Zong-Fa-Huan-Zi-(2021)-No. 6 Hai-Zong-Fa-Huan-Zi-(2021)-No. 8
Punishing Unit	Changshu Ecological Environment Bureau, Suzhou City
Reason for Punishment	Improper disposal of hazardous waste and three cleaning line equipment without EIA permit application
Countermeasures	We immediately appointed a qualified third party to conduct the EIA supplemental procedures for the cleaning line and appointed an environmental custodian to visit the factory to investigate environmental non-conformities and make immediate improvements.
Legal Basis for Punishment	Paragraph 2 of Article 81 of the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste Article 79 of the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste Article 15 of the Regulations on the Administration of Construction Project Environmental Protection
Violations	Paragraph 2 of Article 81 of the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes: "Hazardous wastes shall be stored with protective measures that comply with national environmental protection standards. It is prohibited to mix hazardous wastes with non-hazardous wastes for storage. Article 79 of the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes: "Entities that generate hazardous wastes shall store, utilize and dispose of hazardous wastes in accordance with relevant state regulations and environmental protection standards, and shall not dump or pile them up without authorization. Article 15 of the Regulations on the Administration of Construction Project Environmental Protection stipulates that the environmental protection facilities that need to be built for construction projects must be designed, constructed and put into operation at the same time as the main project. In addition, the provisions of paragraph 1 of Article 19 states that: A construction project for which an environmental impact report and an environmental impact report form are prepared can only be put into production or use if the supporting environmental protection facilities have passed the acceptance inspection; otherwise, it shall not be put into production or use.
Amount of Penalty	RMB 793,000
Offshore Plants: Jiangying Walsin Steel Cable	
Punishment Date	August 13, 2021
Punishment Letter No.	Xi-Cheng-Huan-Fa-Gao-Zi-No. 2021-No. 07048

Punishing Unit	Wuxi Ecological Environment Bureau
Reason for Punishment	1. The spray pump of the acid mist tower of the pickling tank of the Company was out of service. The spray liquid was tested by pH test paper to be neutral. 2.1# galvanizing line dust removal facility pipeline is disconnected, and the dust removal equipment did not operate normally.
Countermeasures	1. The lower limit of the pH value of the spray liquid for automatic alkaline addition has been set. 2. Strengthen the preventive maintenance of equipment, and replace the spray liquid every two weeks. 3. Establish a maintenance management account for the acid mist tower equipment, and make emergency inventory for the commonly used spare parts of the equipment for timely maintenance. 4. Increase the sound and light alarm device for overload stoppage, strengthen the daily inspection of equipment operation on duty and keep records, and make a good management of equipment failure by "machine prevention + human prevention".
Legal Basis for Punishment	Article 20 of the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution
Violations	Enterprises, institutions and other producers and operators that discharge pollutants into the atmosphere shall set up air pollutant discharge outlets in accordance with laws and regulations and the provisions of the State Council's competent department of ecology and environment. It is forbidden to discharge air pollutants by evading supervision by means of stealing, tampering with or falsifying monitoring data, temporarily suspending production for the purpose of evading on-site inspection, opening emergency discharge channels in non-emergency situations, and abnormally operating air pollution prevention and control facilities.
Amount of Penalty	RMB 200,000

The above-mentioned defects have been corrected and improved and have been reviewed and documented by regulatory authorities. The Company will continue to enhance its environmental management around its factories. We also plan to prevent the recurrence of violation via internal control, environmental education & training, as well as our annual KPI evaluation system.

(2) Future response measures (including improvement measures) and possible expenses:

Despite the large amount of manpower, materials and funding invested in environmental protection to comply with international benchmarks over the years, Walsin Holdings was still fined for pollution. To keep pollution under adequate control, the Company requires factories in Taiwan and overseas to step up self-regulation to avoid human errors and to implement economically feasible environmental management projects. Internal audit and environmental education & training (including regulatory identification) will also be applied to assist in reinforcing self-regulation and horizontal development at various factories. Environmental investment plans and management measures are as follows:

1. Obtained ISO-14001 certification for system management:

In line with international environmental conventions, factories in both Taiwan (Hsinchuang plant 1, Hsinchuang plant 2, Yangmei plant, Taichung plant and Yanshui plant) and mainland China (Shanghai Walsin Lihwa Power Wire & Cable plant, Nanjing plant, Jiangyin plant, Yantai plant and Changshu plant) have all obtained "Environmental Management System" certification. In order to ensure the operational effectiveness of Walsin's environmental management system, the Company hired a professional consulting team in 2017 to instruct 10 domestic and overseas factories to transition to ISO 14001:2015. Basic operation for ISO 45001 was also introduced as a pilot program, as environmental protection and vocational safety & health management system are integrated into a universal operating model across the entire group while on-site guidance is also provided. Consistency in documentation and stability in system operation are required of these factories. Through educational training at various factories, the spirit of the management system is deeply ingrained in actual factory operation after multiple training sessions focusing on topics ranging from regulatory interpretation to actual operation. Furthermore, with a proactive attitude, we will continue to improve our overall environmental

protection efforts and vocational safety & health condition. We will strive to enhance environmental performance, reduce environmental loss, improve corporate image and boost our international competitiveness. Walsin has completed the integration and version conversion of its management system at all of its factories at home and abroad in 2018, with the certificates being valid for three years. The relevant certificate documents are placed in the document management section of Walsin Lihwua website

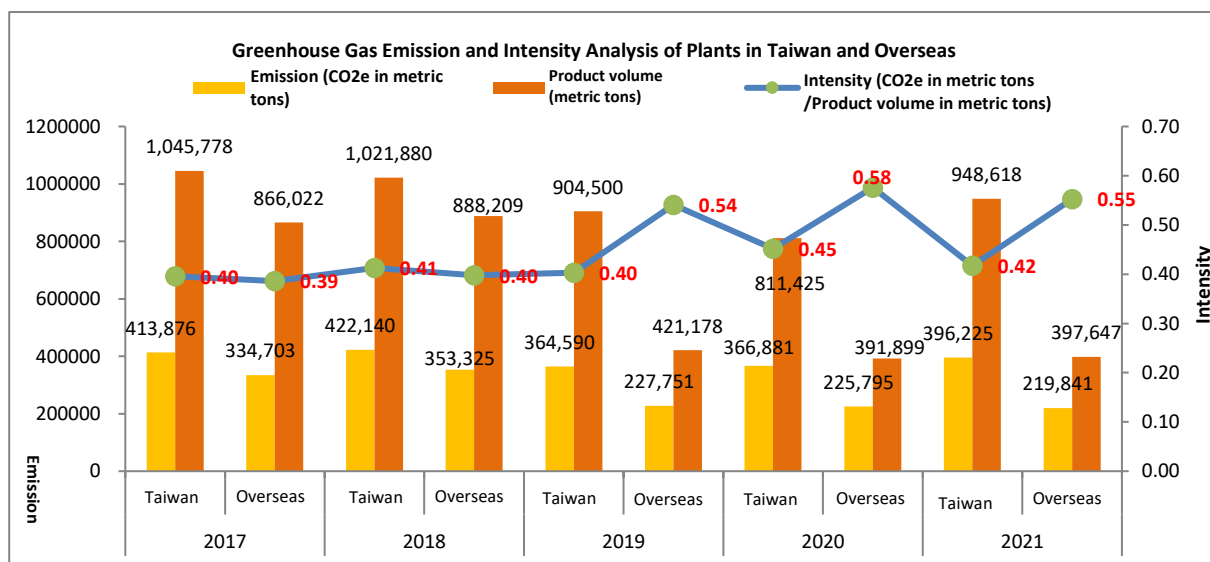
2. Air pollution management:

Comply with the air pollution control laws in Taiwan and in China and apply for permits for fixed (atmospheric) pollution source ranges that are progressively announced. The various plants in Taiwan and in China have obtained operating (emission of pollutants) permits for various manufacturing processes and facilities, reducing atmospheric emissions.

3. Greenhouse gas emission and campaign for reduction:

To counter climate change and global warming, reduction in greenhouse gas emission is a necessary measure. GHGs inventories provide compliance basis for efforts to reduce greenhouse gas emission.

Since 2015, the Company has established the "Safe Environment Information Platform--the ability to conduct GHGs inventories and to calculate carbon emission for products" to collect greenhouse gas emissions at home and abroad. Through continuous review every year and smart system management, the Company keeps optimizing its greenhouse gas emissions. Through the electronic system, we can grasp the current year's quarterly emissions and compare them with the same period last year, and further produce the trend graph for the quarterly meeting of the Environmental, Safety and Health Management Committee to review the carbon emissions regularly, so as to effectively review and manage the Company's carbon emissions. In addition, in order to improve the company-wise operation of the greenhouse gas control system, we also plan to promote the implementation of ISO 14064-1 in each plant. In 2015, our Taichung and Yanshui plants in Taiwan have obtained ISO 14064-1 certification, and the latest certificates and expiration dates are regularly posted on our CSR website every August. Hsinchuang, Yangmei, Taichung, and Yanshui Plants have also obtained the new version of ISO 14064:2018 certification in 2021, and at the same time, we plan to promote the introduction of ISO 14064-1 in overseas plants and obtain such certification in 2022. At the same time, we are also actively participating in overseas carbon emission trading to integrate into China's carbon trading market, which can not only ensure that the Company has sufficient carbon allowance in the future, but also promote measures such as energy conservation through advanced technology, thereby laying a good foundation for the Company's long-term operation and development.





#### 4. Wastewater treatment:

The wastewater from each of Walsin Lihwa's plants has been properly treated and discharged through wastewater treatment facilities in the plant site and the wastewater quality testing has been regularly conducted to avoid the impact of wastewater discharge on the environment. Management at source is most important in water conservation. Based on water quality characteristics, the treatment procedures were designed and recycling units were installed, so the wastewater has been discharged to nearby rivers according to regulations or piped to recycling units in order to effectively use limited water resources. Each plant site has adjusted equipment and process to reduce water consumption and improve wastewater recycling system, so as to enhance the recycling ratio of the process water.

The average pollutant concentration in wastewater discharged by the factories in 2021 met the effluent criteria. The recycling ratio of Taiwan plants reached as high as 94%.

#### 5. Strict control of industrial waste:

Walsin Lihwa upholds the idea of circular economy; therefore, the 4Rs (reduce, reuse, recycle and recovery) have constituted the foundation for our company's waste production and control. The overall waste recycling rate of Walsin copper wire, wire and cable and stainless steel reached 96.84%, of which the non-hazardous waste recycling rate was 98.10% to 99.03%; hazardous waste was 77.77% to 99.48%. Except for some of the waste produced by self-recycling and reuse, the rest are entrusted to qualified manufacturers for removal, treatment or reuse. In 2021, the output of waste in Taiwan and overseas factories decreased by 19% compared with 2020; in 2021, for the Taiwan plants, the waste recycling rate of harmful waste increased by 0.1% compared with 2020, mainly because all the waste acid from Yanshui Plant was transported to the Taichung Plant for waste acid treatment and reuse and process improvement and adjustment, thereby reducing the output of dust collection ash and sludge, and the landfill rate in Taiwan and overseas regions is maintained at <1% target. For its stainless steel ballast, the Company is committed to the basic research and innovative application of diversified resources. From the beginning to the present, a total of about 210,000 tonnes of oxide ballast and nearly 60,000 tonnes of reduced ballast have been resourced. The potential products developed through the above means include engineering aggregate, cement raw material admixtures, fiber reinforced cement boards, and indoor high-pressure bricks. Aside from continuing to promote source reduction of waste and recycling of waste in the plant, the Company will, in conjunction with the strength of the overall supply chain, reduce the amount of raw materials and reduce the harm that production may bring to the environment. The Company will implement the circular economy concept by innovating the environmental protection technology. In addition to continuously strengthening the sustainable growth, the Company has established strict control and auditing mechanisms for waste flow and screening of qualified vendors to ensure that waste flows are proper and legal.

Waste output and disposal by Taiwan and overseas plants in 2021 (Unit: Tonne):

Plant	Taiwan			Overseas		
	Non-hazardous	Hazardous	Total	Non-hazardous	Hazardous	Total
Recycling (for reuse)	92,408.71	64,024.41	156,433.12	33,086.98	5,706.02	38,793.00
Incineration	745.58	-	745.58	183.55	3.50	187.05
Burial	60.49	327.36	387.85	407.75	-	407.75
Other treatment (e.g., physical treatment)	95.45	7.28	102.73	49.50	1,627.30	1,676.80
Total	93,310.23	64,359.05	157,669.28	33,727.78	7,336.82	41,064.59
Recycling rate	99.03%	99.48%	99.22%	98.10%	77.77%	94.47%
Incineration rate	0.80%	0.00%	0.47%	0.54%	0.05%	0.46%
Burial rate	0.07%	0.51%	0.25%	1.21%	0.00%	0.99%
Other treatment (e.g., physical treatment)	0.10%	0.01%	0.06%	0.15%	22.18%	4.08%

Note: Except for the hazardous waste from dust collection by Yanshui Plant and Yantai Plant, which are recycled in the plant, and the waste acid from Taichung Plant, which is disposed of and recycled in the

plant (27,067.75 tonnes in total), all hazardous and non-hazardous waste generated is disposed of outside of the plant.

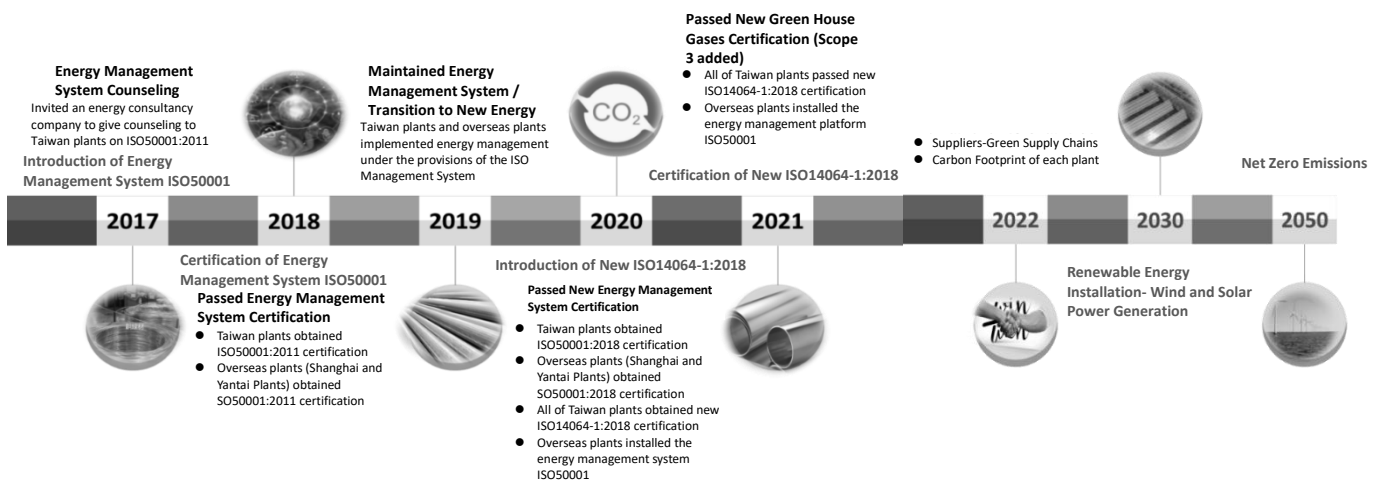
6. Improving energy use efficiency:

Walsin Lihwa upholds the business philosophy of "Green Manufacturing, Happy Enterprise and Sustainable Management". In addition to committing to quality management, pollution prevention, environmental protection, safety and health, our company adopts "Enhancing energy efficiency and promoting clean energy" as its energy management guidelines to fulfill its social responsibility in energy conservation and carbon reduction. We aggressively incorporate energy-saving equipment, efficient technologies, environment-friendly facilities and environmental protection designs and green process into promoting improvement of energy efficiency at source. In response to the governments' energy policies and measures, we educate our employees about energy conservation and inventory the energy consumed by equipment and facilities to seek opportunities for improving our energy performance and to also effectively implement our energy saving plans.

7. Energy conservation and carbon reduction:

Energy saving and carbon reduction has become the most concerned issue in the international community. To reduce energy consumption and greenhouse gas emissions and to improve production efficiency and competitiveness have been the objectives that the Company are striving for. Since 2015, Walsin Lihwa has set up an energy saving and carbon reduction management organization in each plant, set annual targets and various energy saving and carbon reduction measures, and held regular meetings to review and set up an energy management E-system for real-time management. There are four plants in Taiwan that are required to file annual energy returns, and all of them have met the 1% requirement of the competent authorities, with an average electricity saving rate of 2.71%, higher than the 1% target value set by the Energy Bureau. In 2021, the total energy saving rate of Taiwan and China plants reached 1.76%, and a total of 82 carbon reduction plans were proposed, with a total carbon reduction of 8,086.13 metric tons of CO<sub>2</sub>e/year. Taiwan plant saved approximately NT\$33,785,571 and the overseas plants saved approximately RMB547,777 and MYR44,097

In addition, in order to effectively manage the efficiency of energy use, the Environmental Safety and Health Management Committee has developed a five-year energy management plan, the goal of continuous annual energy savings and carbon reduction of 1% since 2020, and is expected to effectively reduce environmental pollution and reduce greenhouse gas emissions, so that energy can be used reasonably and most efficiently to meet the challenges of climate change.



2021 Energy Saving Plans for our plants in various regions

Plant site	Project type	Energy-saving type	Quantities planned	Energy conserved	Energy-saving calorific value	Carbon reduction (t)	Amounts saved for carbon reduction
Taiwan Plant	Manufacturing process / Offices	Electricity (1000 kWh)	56	11,879.23	102,921.68	6,438.54	NTD 33,785,571
		Natural gas (1000 m <sup>3</sup> )	4	349.83	13,178.22	725.82	
		Total	60	-	116,099.90	7,164.36	
Overseas	Manufacturing process	Electricity (1000 kWh)	19	1,205.80	10,447.08	873.00	RMB 547,77716, MYR 44,097
		Natural gas (1000 m <sup>3</sup> )	3	29.27	1,102.42	48.82	
		Total	22		11,549.50	921.82	

8. Primary pollution control facilities purchased in the most recent year as well as their applications and benefits possible: (Listing only those valued at NT\$100,000/RMB20,000 and above)

In 2021, our plants' investment in environmental protection equipment totaled NT\$90,884,000:

2021 Environmental protection accounting expenses		Taiwan plants (NT\$1,000)		Mainland China plants (RMB1,000)		Malaysian plant (MYR1,000)	
Environment protection cost Category	Environment protection cost item	Expenses	Capital expenditures	Expenses	Capital expenditures	Expenses	Capital expenditures
Environment Equipment cost	E01-01 Pollution prevention expenses	0	87,566	0	3,317	0	0
Environment protection related management fee	E02-01 Resource circulation fee	344,403	0	9,363	0	20	0
	E02-02 Natural resources fee	0	0	25	0	0	0
	E02-03 Green procurement	17	0	0	0	0	0
	E02-04 Educational training fee	33	0	2	0	0	0
	E02-05 Test-derived fee	677	0	114	0	0	0
	E02-06 Monitoring fee	869	0	665	0	35	0
Other environment protection related fees	E02-07 R&D cost	2,081	0	18	0	0	0
	E02-08 Social activities cost	0	0	35	0	0	0
	E02-09 Damage compensation cost	0	0	993	0	0	0
	E02-10 Fees charged by governments	12,705	0	99	0	5	0
Sum	Subtotal	360,785	87,566	11,314	3,317	60	0
	Total		448,351		14,631		60

When Walsin Lihwa sets up (expands) its plants, it always considers the types and quantities of pollutants that may be generated and assesses and sets up relevant pollution prevention equipment to avoid environmental pollution. In 2021, for sake of the process improvements, all of its plants invested in pollution prevention for a total of capital expenditure of NT\$686,856,000 (Taiwanese plants) and RMB 148,843,000 (overseas plants). They include the pollution prevention equipment valued at NT\$100,000/RMB20,000 and above and are listed as follows:

## (1) Taiwanese plants

Plant area	Equipment name	Quantity	Investment cost (Currency: NT\$1,000)	Anticipated benefits
Yanshui	Fixed radiation pollution detector	1	2,500	Prevention of the failure of radiation detection of materials entering the factory
Yanshui	Upgrade of Continuous Opacity Monitoring System	1	1,550	Compliance with the regulations on continuous monitoring of stationary pollution sources
Yanshui	Mixed acid recycling equipment	1	500,000	Recycling
Yanshui	Change of water measures and addition of flowmeter for industrial water consumption control	1	4,535	Compliance with regulatory requirements
Yanshui	Domestic sewage improvement	1	46,338	Compliance with regulatory requirements
Yanshui	Construction of solar power generation system in Stainless Steel Business Group	1	110,233	Compliance with renewable energy laws and regulations
Yanshui	Improvement of LHF dust collection and addition of air blowing dust collection on the roof of electric furnace trolley	1	15,000	Reduction of dust escape
Yanshui	Added a payloader	1	1,800	Prevention of dust from escaping
Taichung	Added molybdenum removal system	1	4,900	The concentration of molybdenum in the discharged water will be less than 0.6ppm

## (2) Plants in Mainland China

Plant area	Equipment name	Quantity	Investment cost (Currency: RMB 1,000)	Anticipated benefits
Jiangying Walsin	Domestic sewage diversion project	1	350	In order to solve the problem of domestic sewage discharge in the Company's factory and avoid the sewage discharge exceeding the standards.
Jiangying Walsin	Oil tray in storage area of alloy scrap shavings	1	278	Alloy waste shavings have residual cutting fluid, and the original storage area with epoxy flooring cannot meet the environmental safety system standard of leak-proof area. Now, we use steel plate full welding to make oil tray to prevent leakage, and groove the floor to make oil collection pit for cutting fluid collection to ensure that the environmental safety system is qualified.
Changshu Walsin	Reconstruction of steam pipes in the production area	1	1,100	New steam piping is used to ensure legal compliance
Changshu Walsin	Improvement of power supply system in the factory working area	1	2,000	Improve the power supply system in the plant
Changshu Walsin	Quartz sand automatic sandblasting machine	1	500	Improve production efficiency
Changshu Walsin	Pickling production line equipment	1	143,000	Improve the working environment of the pickling working area and increase production efficiency

Plant area	Equipment name	Quantity	Investment cost (Currency: RMB 1,000)	Anticipated benefits
Yantai Walsin	Repair works across the north side of the plant	1	250	1. Hardened area of approximately 2378 m', costing approximately RMB 250,000. 2. No additional maintenance cost and manpower. 3. Environmental protection requirements for hardening, resulting in less dust.
Yantai Walsin	9 cubic meters water sprinkler	1	195	1. Annual depreciation = 195,000RMB*0.95/5 years = 37,050 (RMB/year) 2. Necessity of investment: To meet the requirements of environmental protection ultra-low energy emission.
Yantai Walsin	Tunnel cleaning truck	1	120	1. It is an environmental protection type of expenditure, with no obvious benefit. 2. It can relieve the pressure of environmental protection of the Company. 3. No maintenance cost in the future, 4. For the purchase of a cleaning truck, its unit price was RMB 120,000, with a duration of 5 years; annual depreciation of 12,000 * 95% / 5 = RMB 22,800
Yantai Walsin	Phase II of ground hardening on the east side of the open-air area	1	450	1. Annual depreciation = 450,000RMB*0.95/7 years = 61,071 (RMB/year) 2. Necessity of investment: In order to protect the social environment, establish a good image of the Company, cooperate with government entities, and ensure the Company's smooth production operations, we plan to harden the ground in the open-air cross-storage area to meet the environmental protection requirements of the Environmental Protection Bureau.
Yantai Walsin	Ground hardening in the waste carbon steel storage area of the scrap steel plant	1	300	The ground is hardened to prevent and control dust pollution, which meets the requirements of the "Regulations on the Prevention and Control of Air Pollution in Shandong Province"
Yantai Walsin	Repair of storage and transportation finished product storage area	1	300	Prevention and control of dust pollution, in line with the requirements of the "Regulations on the Prevention and Control of Air Pollution in Shandong Province"

## 5. Employees-employer relations

### (1) Worker-Management Relations and Welfare

The pursuit of excellence, innovation and learning and friendly environment form the basis of sustainable development at Walsin Lihwa. Its respect and attention to "people" is reflected in its human resources management systems and various worker-management relations mechanisms, which are described as follows:

#### 1. Smooth worker-management communication channels

- (1) In 1976 the Company established an industry union to advocate suitable policies and the voice and proposals of workers are communicated using an employer and employee dual-channel communication method.
- (2) Union representatives employer-employee negotiation meetings are held each quarter. Union representative conferences are held every year to establish a good bridge of communication between employers and employees.
- (3) The Company publishes the "Walsin People Digital Newsletter" to share information on critical business operations and management. The company has also established an international communication platform to hold online events and opinion surveys.

2. The Company's remuneration is established on the principle of being able to attract and retain talent as follows:

(1) Salary: The Company ensures that its overall remuneration is competitive in the market through regular market salary surveys every year. The Company's remuneration policy is based on the following principles:

- A reasonable and competitive overall remuneration based on the market value of each professional function and the employee's contribution to their responsibilities.
- Bonus payments are made in accordance with the Company's operational performance, the achievement of team objectives and the employee's personal contribution and performance.
- Employees are paid and compensated on the basis of their academic experience, technical expertise, professional seniority and personal performance, without discrimination based on gender, race, religion, political affiliation, marital status or union affiliation.
- The starting salary standards for fresh graduates and foreign workers comply with local laws and regulations.
- We create harmonious labor relations within the scope of the law, in accordance with the relevant local laws and regulations.

(2) Bonuses and Rewards: The reward and compensation system offered by the Company is designed to motivate employees who perform well in their work. Performance bonuses and production bonuses are granted based on the Company's operational performance, achievement of team goals and individual performance, and employees are remunerated according to the Company's profitability.

3. We also provide a diverse welfare system that includes the following:

Insurance & Protection	Subsidies	Other Benefits
<ul style="list-style-type: none"> <li>• Labor insurance</li> <li>• Health insurance</li> <li>• Group insurance (life insurance, accidental injury insurance, hospitalization insurance, cancer insurance, etc.)</li> <li>• Overseas Travel and Expatriate Insurance</li> <li>• Regular health checks for all staff</li> <li>• Monthly pension payment</li> <li>• Severance payments, pensions</li> </ul>	<ul style="list-style-type: none"> <li>• Travel Subsidies</li> <li>• Subsidies for club activities</li> <li>• Wedding and Funeral Grant</li> <li>• Maternity benefit</li> <li>• Supervisor's Health Benefits</li> <li>• Hospitalization condolences</li> <li>• Scholarship for Staff and Children</li> <li>• Various interest-free loans (emergency loans, education loans for employees' children, home purchase loans)</li> </ul>	<ul style="list-style-type: none"> <li>• Birthday Gift Vouchers</li> <li>• 3 Festival Gift Money (Voucher)</li> <li>• Labor's Day Souvenirs</li> <li>• Staff dorms (for some factories)</li> <li>• Commuter Bus (Factories)</li> <li>• Annual leave of absence on a pro rata basis upon onboarding, which is better than what is provided by law</li> <li>• We invite experts and scholars to give lectures on quality of life, mindfulness, financial management, and travel to colleagues</li> <li>• Discount for employees by signing contracts with vendors</li> <li>• Gold medal for senior staff</li> <li>• Corner of Massage by the Visually Impaired</li> </ul>

4. Under the "Walsin Lihwa Employee Learning and Development System," each employee is incorporated into the Company's operating strategies, policies and target objectives based on his/her capabilities, job performance and career development. This enables employees, job performance and the organization to be fully integrated and to achieve synergies in employee learning and development. The content of the system includes the following:

- (1) Professional talent training in all levels
- (2) Management talent training
- (3) New employee orientation
- (4) Employee general education courses
- (5) Self-motivation course
- (6) Quality and safety awareness course

In 2021, the Company spent a total of NT\$10,622,000 on employee education and training. Details are as follows:

Total training participation	Total training hours	Average training hours per employee
40,558	122,026	24.99

Training statistics above include data from Taiwan and the subsidiaries in China.

#### 5. Retirement system:

To provide job security to employees, the Company has established a retirement system pursuant to regulatory requirements with specific measures as follow:

- (1) Established a "Pension Oversight Committee" in 1986, whereby workers' pension funds are deposited monthly into a pension account at the Bank of Taiwan.
- (2) The Company has commissioned external consultants to prepare a pension fund actuarial report annually since 1994 and set aside a pension reserve fund each month based on the actuarial report in order to satisfy pension applications made by employees eligible for retirement.
- (3) In line with the implementation of the new pension system in 2005, the company has continued the issuance of the pension fund to retired employees who have elected to receive the pension under the old system. As for employees adopting the new system, 6% of their salary will be monthly withdrawn as retirement pension and deposited into each employee's personal account at Labor Insurance Bureau. Employees may voluntarily contribute within the 6% to satisfy personal demand in retirement preparation based on personal needs.
- (4) According to the revisions of the Labor Standards Act in 2015, the Company assesses the balance in the designated labor pension reserve funds account, calculate required labor pension funds for the laborers who meet the legal retire criteria in the follow following year and make up the difference before the end of March the following year.
- (5) In addition to compliance with the aforementioned retirement regulations and in recognition of the contributions made by retired employees, the company also issues commemorative medals and awards to retired employees. Meanwhile, the Employee Welfare Committee as well as the industry union has also issued retirement souvenirs to fully reflect the company's gratitude towards retired employees.
- (6) For employees in China, the subsidiaries enroll their employees in pension plans as required by law and make monthly contributions to the pension plans according to the local regulations in order to provide adequate retirement protection for the employees.

#### 6. Employee Code of Conduct:

To ensure that employees comply with obligations to the Company, customers, competitors and suppliers during business operations, the Company has established an Employee Code of Conduct in order to regulate employee behavior. The highlights of this Code are as follows:

- (1) Obligation to the Company: All Company employees must be dedicated, studious, conform to all rules of the Company and ensure confidentiality.

- (2) Obligation to customers: When conducting business dealings in representation of this Company, the employee's attitude must be humble and without any arrogance or pride lest damaging the Company's image.
- (3) Obligation to competitors: The Company's employees should gather competitor information to serve as a reference for Company strategy in a legal and open manner.
- (4) Obligation to suppliers: Negotiations and transactions with suppliers by employees must uphold the principles of fairness, reasonableness and reciprocity in order to achieve a win-win result.

As a guide for employees to follow ethical standards and corporate governance, the Company has established additionally an Employee Code of Ethical Conduct. The highlights of this Code are as follows:

- (1) Prevention of conflicts of interests
  - (2) Prevention of opportunities to obtain personal gains
  - (3) Duty of confidentiality
  - (4) Fair trade
  - (5) Protection and appropriate use of Company assets
  - (6) Legal compliance
  - (7) Prohibition of gifts, bribes or any improper benefits
  - (8) Prohibition of external communication of information against the Company
  - (9) Equal employment opportunity and prohibition of discrimination
  - (10) Health and safety in workplace
  - (11) Correctly prepared documents and duty to maintain records
  - (12) Respect for intellectual property
- (2) Protective measures taken to ensure a safe working environment and maintain employees' personal safety

Walsin Lihwa's ESH and energy policy is "Green Manufacturing, Happy Enterprise and Sustainable Management".

The health and safety system and administrative measures are as follows:

1. We comprehensively implemented ISO45001 international certification for occupational safety and health management system and safety management system (based on Taiwan Occupational Safety and Health Management System (TOSHMS) in Taiwan and work safety standardization in China). Each plant makes good use of the PDCA method and continues to carry out internal auditing drills to plan and implement according to the current year's occupational safety and health performance indicators and in compliance with the law. The performance indicators are categorized into two types: active (promotion of key systems, support from the top management of each plant, and disclosure of management systems, etc.) and passive (work-related accidents and penalties from the competent authorities). In addition, through the frequency of general (special) health checkups and testing items for employees, we have implemented measures that are better than those stipulated by the regulations to enhance employee work safety and promote health care, and to establish and move toward an all-around safe and friendly Walsin Lihwa workplace through the management mechanism.

2. Designated health and safety and environmental management units or staff

Each of Walsin Lihwa's domestic and overseas plants also has its own Occupational Safety and Health Committee (in Taiwan)/Safety Production Committee (in China). Those committees include certain labor representatives to participate in and discuss matters relating to occupational safety and health. The number of labor representatives in the safety and health committees set up in Taiwan factories in accordance with the law are in line with the regulatory requirements. These committees hold meetings every quarter. In addition to the passing down of practical experience and the dissemination of ethical principles in occupational safety, we provide a platform for the exclusive Environmental Safety and Health Committee meeting minutes system and an electronic signature system for quarterly meeting results, and send internal newsletters through the intranet with work-safety-related emails to share our experiences.



Plants	General Members	Labor Representatives	Meetings Times
Plants in Taiwan	57	36	28
Plants in China	95	13	22
Plants in Malaysia	13	10	4

### 3. Optimization and upgrade of Safe Job Procedure (SJP) and Risk Assessment Database Management System

In 2021, in line with the Group's policy and organizational changes, the risk assessment system was revised for high-risk plants ("SJP Project"), and a total of 890 Safety Job Procedures ("SJPs") were reviewed for plants with higher risks and similar operating nature (5 plants in total: Yanshui, Yantai, Jiangying Alloy, Jiangying Walsin, and Hsinchuang Plant), and the total SJP operation reduction ratio (retention ratio) was 69.33%. For the original lengthy operations, we focus on high-risk operations review, and for the original disaster-frequent operations, we definite unclear operations, so as to give a clear definition (or increase the steps and cases), so that each participant in the formulation of SJPs such as low-level supervisors and local safety managers may participate together, analyze the risks, and further achieve the objective of work safety.

In addition, in 2021, there were 80 incidents (including minor injuries; Note 1) and 236 near miss incidents (the near miss frequency rate was 415.93%; Note 2), all of which were included in the start-up risk assessment, and safety operation standards were revised to prevent disasters from happening again.

At the beginning of the implementation of this system, a large number of documents were managed electronically, and inconsistencies in the document versions were quite frequent. In 2020's revision, the staff has been retrained, and in 2021, we implemented one-stop management: implementing equipment risk control → daily point inspection and maintenance list → responsible person immediately grasps the risk information. In addition, considering the dual system in Mainland China, it is scheduled to increase the LECD risk control conversion in 2022 and, in addition to the review of the workflow risk of the original workers, we will add a special item for "machinery/equipment" risk assessment, so that each plant can use it boldly to facilitate verification.

Note 1: Minor injury: refers to the non-temporarily incapacitated state: unable to work on the day of injury, but can resume normal operation the next day.

Note 2: Work-related near miss frequency rate (NMFR) = number of near miss events \* 200,000/total hours experienced.

### 4. Training on occupational safety and health for workers

In order to protect the health and safety of employees, Walsin Lihwa Group has identified four important training needs in each business division according to important indicators such as process type and operating environment: "New Recruits", "In-Service Personnel (including re-training with licenses)", "Project Type", and "Pre-site Training for Outsourcing Contractors". Training is arranged based on the degree of impact on the company's operation and the serious rate and proportion of disasters. In 2021, 19,256 attendees took part in physical occupational safety and health courses for employees, and a total of 2,951 attendees from our contractors participated in the training.

Occupational Safety and Health Educational Training	New Recruit Training	In-Service Personnel Training (including re-training for licenses)		Project Type (including emergency response)		Pre-Site Training for Contractors	
		Number of Persons	Number of Times	Number of Times	Number of Persons	Number of Times	Number of Persons
Plants in Taiwan	408	1,316	2,961	39	2,965	193	1,850
Plants in China	408	197	9,861	62	2,427	170	1,101
Plants in Malaysia	12	18	166	4	48	-	-

### 5. Emergency response: Integrated escape and fire drills implemented by the head office

In addition to annual escape drills, we encourage all employees to go through fire-fighting operations and strengthen fire-fighting drills at the beginning of a building fire. In 2021, a total of 167 personnel at the

headquarters took escape drills, accounting for 74% of the employee who were at work on that day, and each department escaped to the safety assembly point within the average time of escape drills of about 8.5 minutes, and it is expected that in 2021, the first aid energy at the headquarters will be strengthened to reduce the severity of injuries.

#### 6. Optimization of Contractor Management Information System

In 2021, the Company has completed a number of constructions of contractor management systems in various factories in Mainland China. At the same time, it has also upgraded the "Standardization of Contractor Management Regulations", "Contractor Insurance Specifications" and "Non-Engineering (including Transportation) Hazard Notifications" to strengthen and implement procedures, key steps and guidelines and incorporate contractor management into all factories through contractor project planning, including resident manufacturers and engineering contractors, so that Walsin Lihwa's corporate culture and ethical principles and all workers are correct in terms of occupational safety may be spread through actions, resulting in a safer and healthier fitness environment for all employees and workers; besides, collective priority safety rules must be strictly followed.

#### 7. Safe Job Procedure (SJP) and Risk Assessment

In 2021, the risk assessment system was revised for high-risk plants, and a total of 890 Safety Job Procedures ("SJPs") were reviewed for plants with higher risks and similar operating nature (5 plants in total: Yanshui, Yantai, Jiangying Alloy, Jiangying Walsin, and Hsinchuang Plant), and the total SJP operation reduction ratio (retention ratio) was 69.33%. For the original lengthy operations, we focus on high-risk operations review, and for the original disaster-frequent operations, we definite unclear operations, so as to give a clear definition or increase the steps and cases, so that each participant in the formulation of SJPs such as low-level supervisors and local safety managers may participate together, analyze the risks, and further achieve the objective of work safety.

#### 8. Continue to strengthen safety and health control intensity

We will review each accident and penalty event, as well as high-risk hazardous operations, high-frequency near miss events by focusing on hidden dangers based on project types, and we will, through information systematization methods, gradually improve personnel safety awareness, real-time control of machinery and equipment, (raw) materials and chemical control, construction of a regulatory cloud information system, and continuous improvement of the overall operating environment. In 2021, the Company did not have any chemical leakage.

#### 9. Establish friendly, safe and healthy workplace through health promotion

##### (1) **Strengthen epidemic prevention rules, weave a health care protection network, and promote both epidemic prevention and operation**

In 2021, Walsin Lihwa has cooperated with the government to prevent the spread of the COVID-19 pandemic. While taking into account the goals of epidemic prevention and operation, Walsin Lihwa actively cooperated with the government's epidemic prevention regulations, strengthened various epidemic prevention measures, and always prepared sufficient epidemic prevention materials (such as medical masks, medicinal alcohol, disinfectant, and forehead thermometers), formulated work guidelines and plans related to epidemic prevention, such as guidelines for staggering employee shifts, regulations on epidemic prevention management for migrant workers, key points of notification and emergency response management, epidemic prevention regulations for business trips or returning to the station, entry quarantine measures, etc. At the same time, the Company regularly strengthened environmental disinfection, mandatory wearing of masks, and control of people entering and leaving the factory and office premises. All employees should take their body temperature before going to work every day, and the Company collected information and educated employees about the development of the epidemic every day, and tracked the health of employees every day, and work from home drills. We will continue to encourage and increase the COVID-19 vaccination rate of employees to 93% and implement epidemic prevention upgrades. As a corporate social citizen, Walsin Lihwa has a duty to make arrangements ahead of time, put all our efforts into the epidemic prevention, and work with our partners to get through the

pandemic period together.

Employees are the most precious assets of an enterprise, and Walsin Lihwa upholds the concept of mutual benefit and care. Through the health management system, employees can use the platform to inquire about historical health examination trends, click on relevant health or health education information, make appointments for health promotion activities/seminars, and consult with physicians; thus, the Company may enhance employees' autonomy in health promotion and provide them with the care and resources they need. As a result of its commitment to employee health care and health promotion, Walsin Lihwa has been actively promoting and guiding employees to change their health behaviors and habits, increase their knowledge of proper hygiene, the concept of self-efficacy and health belief patterns. A total of 57 health-related seminars were held, with a total of 2,069 attendees.

(2) **Results of Health Promotion Activities**

Health Promotion	Number of Times	Number of Attendees
Health Promotion - Dynamic Activities	32	924
Health Issues - Static Lectures	57	2,069
Safety First Aid Education and Training	24	1,121
Blood donation for charity	5	379 (658 bags of blood)

(3) **2021 Promotion of Healthy Workplaces**

Hsinchuang Plant won 2021 CHR Healthy Corporate Citizenship Bronze Award

Taichung Plant won 2021 National Excellent Healthy Workplace-Health Model Award

Yanshui Plant won 2021 Tainan City Five Hearts Workplace Certification and Healthy Workplace Certification-Health Promotion Badge (3) As of December 31, 2021 and the date of publication of this Annual Report, the Company has not suffered any significant losses due to labor-management disputes.

## 6. Information Security Management

- (1) Describe the risk management framework for information and communications security, information and communications security policies, specific management plans, and resources devoted to information and communications security management.

1. Risk management framework for information and communications security

The Company has established the IT Steering Committee, which is the information security management and decision-making body for the head office and business units, and is responsible for reviewing and deciding on matters related to information security management. In addition, we have established a special information security organization under the Information Center: Big Data and Information Security Division, which is responsible for formulating information security policies, planning, coordinating and implementing information security measures, and promoting information security management and solutions year by year in accordance with the information security plan.

2. Information Security Policy

The "Information Security Management Charter" is established to govern all employees, internal and external information service users and third-party outsourced service providers to work together to achieve the following objectives:

- (1) To protect the Company's confidential information in accordance with domestic and foreign laws and regulations, to handle and protect personal information and intellectual property rights carefully, and to ensure the confidentiality of information assets.
- (2) To establish a complete business continuity plan and information security incident management procedures, enhance information security incident response capabilities, and conduct regular drills to strengthen the continuous operation of information services to ensure the availability of information assets.

(3) To establish information security requirements for system development and maintenance, implement information security testing and monitoring, and avoid unauthorized access, unauthorized modification, and destruction to ensure the integrity of information assets.

### 3. Information security specific management plan

The proposed information security plan is to promote information security policy year by year, to introduce information security system and process specification, and to continuously establish complete information security technical protection measures.

The specific management plan is based on five objectives: "Internal and External Segregation", "Physical Fitness", "Insight", "Smart Security", and "Behavior Analysis", and four components: "IT Governance", "Data and Device Protection", "Network and System Control", and "Boundary Defense", to achieve them step by step.

The specific management plan includes

- (1) Implement appropriate access authorization and protection according to the confidentiality level of information assets.
  - (2) Regularly organize educational training to promote new information security knowledge and conduct employee social engineering drills to raise employees' awareness of information security.
  - (3) Regularly conduct disaster preparedness drills for important systems so that in the event of a disaster, operations can be quickly resumed to ensure the company's operational sustainability.
  - (4) Establish an information security operations center (SOC) to detect and prevent malicious attacks at an early stage through big data analysis, and build the ability to respond quickly to information security incidents.
  - (5) Continuously introduce advanced information security solutions to effectively manage and protect application systems, hosts, network security, and high-authority personnel.
  - (6) Future information security efforts will focus on protecting intellectual property, production line equipment and remote offices from hacker attacks.
- (2) Any losses, possible impacts and responses to major information security incidents suffered in the most recent year and up to the date of printing of the annual report: None.

## 7. Material Contracts

### (1) Walsin Lihwa Corporation

Nature of Contract	Contracting Parties	Contract Term Dates	Main Content	Restrictive Clauses
Loan Agreement	DBS Bank	The agreement was signed on March 23, 2020, with the maturity of the loan falling on April 15, 2023	The loan is a three-year in the total amount of USD 300 million.	1. Current ratio $\geq 100\%$ 2. Debt ratio $\leq 120\%$ (Net indebtedness/Tangible Net Worth) 3. Interest coverage ratio $\geq 150\%$ 4. Net tangible assets $\geq$ NT\$55 billion
Construction Agreement	Chung-Lu Construction Co., Ltd.	2021/07/05-2023/05/15	3,249,750,000	None
Share Purchase Agreement	Perlux Limited, Ever Rising Limited and Plenty Limited	2021/07/30	Acquired 42,000,000 shares of New Hono Investment Pte. Ltd. for US\$178,500,000.	None

## (2) Walsin (Nanjing) Development Co., LTD.

Nature of Contract	Contracting Parties	Contract Term Dates	Main Content	Restrictive Clauses
Construction Agreement	45 companies including Shanghai Construction No.1 (Group) Co., Ltd.	2020/07/21 - 2026/09/30	Walsin Centro AB area phase two design, consultancy, construction, power distribution, etc., in a total of RMB191,545,000.	None

## (3) Yantai Walsin Stainless Steel Co., Ltd.

Nature of Contract	Contracting Parties	Contract Term Dates	Main Content	Restrictive Clauses
Construction Agreement	5 companies, including China Construction Eighth Engineering Division. Corp. LTD	2020/12/28 - 2022/09/30	Civil construction for Yantai Plant, in a total of RMB262,895,000.	None

## (3) Walsin Nickel Industrial Indonesia

Nature of Contract	Contracting Parties	Contract Term Dates	Main Content	Restrictive Clauses
Engineering Agreement	PT. Plenty Bumi International and ETERNAL TSINGSHAN GROUP LIMITED	2020/04/22 - 2022/01/31	Design and construction of a self-built plant including ferro-nickel smelting and thermal power generation projects. The total contract price is approximately US\$93 million.	None
Equipment Purchase and Sale Agreement	ETERNAL TSINGSHAN GROUP LIMITED	2020/04/ - present	Nickel-iron rotary kiln - ore-heater production line equipment and thermal power generation unit procurement. The contract price is US\$250 million.	None