# 2023 ESG INSIGHT

CSC

Sustainability CHAMPION worldsteel ASSOCIATION 2024

ESG INSIGHT

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# Environmental

## Achievements and Targets

| | Unit | 2023 Goals | 2023 Achievement | Short-term 2024 | Mid-term 2025~2029 | Long-term 2030~ |
|---|---|---|---|---|---|---|
| **GHG Management** | | | | | | |
| Carbon Neutrality | Taking 2018 as the base year, our goal is to reduce emissions by 7% in 2025, to reduce emissions by 25% in 2030, and to achieve carbon neutrality in 2050. | | | | | |
| GHG Reduction (Scope1+2) | $tCO_2e$ | Reduce by 5%, cumulative reduction of 1,105 thousand | ✓ Cumulative reduction of about 1,702 thousand | Reduce by 6%, cumulative reduction of 1,326 thousand | 2025 Target: Reduce by 7%, cumulative reduction of 1,547 thousand | 2030 Target: Reduce by 25%, cumulative reduction of 5,525 thousand |
| GHG Intensity | $tCO_2e$/tCS | ≦ 2.23 | ✗ 2.326 [1] | ≦ 2.20 | | |
| **Energy Management** | | | | | | |
| Annual Power Savings | % | 2015-2023 annual average power saving rate > 1 | ✓ 2015-2023 1.95 | 2015-2024 annual average power saving rate > 1 | 2025 Target: 2015-2025 annual average power saving rate > 1.05 | 2030 Target: 2015-2030 annual average power saving rate > 1.1 |
| Energy Intensity | GJ/tCS | ≦ 22.76 | ✗ 23.04 [2] | ≦ 22.92 | | |
| Energy Savings | GJ | 2021-2025 Save 2.64 million | ✓ Achieved earlier (206% achievement) Accumulated saving of 5.44 million | | 2025 Target: Accumulated saving of 2.64 million | |
| **Air Pollutants Management** | | | | | | |
| Particulates Intensity | kg/tCS | 0.370 | ✓ 0.229 | ≦ 0.292 | | |
| SOx Intensity | kg/tCS | 0.530 | ✗ 0.536 [3] | ≦ 0.530 | | |
| NOx Intensity | kg/tCS | 0.690 | ✓ 0.671 | ≦ 0.690 | | |
| **Water Management** | Taking 2017 as the base year. | | | | | |
| New Water Consumption Reduction | % | 46.9 | ✓ 60.6 | 54.4 | 2027 Target: 58.4 | 2030 Target: 60.4 |
| **Waste Management** | | | | | | |
| Waste Recycling Ratio | % | ≧ 90 | ✓ 94.9 | ≧ 90 | 2025 Target: ≧ 92 | 2030 Target: ≧ 94 |
| Solidification Landfill | tonnes | 0 | ✓ 0 | 0 | 2025 Target: 0 | 2030 Target: 0 |
| By-product Circulation | tonnes | 360 thousand | ✓ 431 thousand | 366 thousand | 2025 Target: 412 thousand | 2030 Target: 412 thousand |

Note
1. Due to unfavorable market conditions, the production of billet/slab decreased, resulting in low utilization of equipment.
2. The target of energy intensity is set pragmatically according to the annual production capacity and equipment maintenance status. The actual crude steel production in 2023 was lower than the planned one in the operating budget, resulting in failure to achieve the target.
3. The sulfur oxide emissions of the entire plant in 2023 was lower than those in 2022. However, the crude steel production in 2023 fell by 12.8% compared to the original estimated production.

## Environmental Metrics

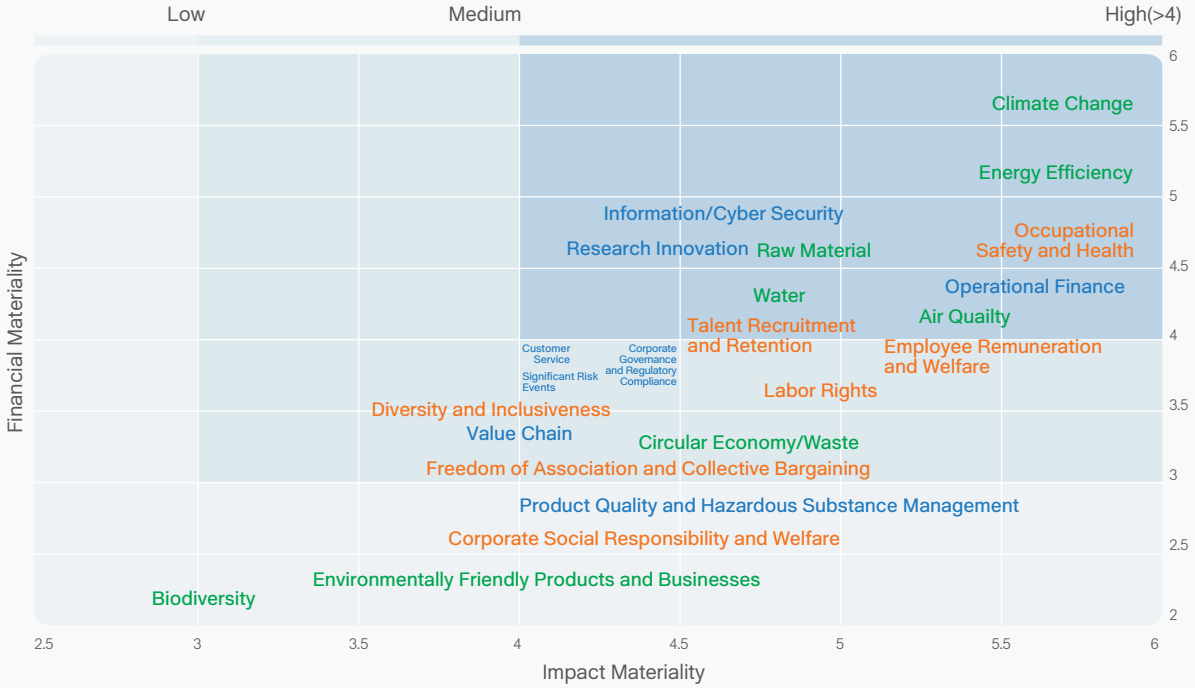
| Item | Unit | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Production | 10,000 tCS | 969.09 | 843.78 | 776.52 |
| Productivity per employee | tCS/year | 989.47 | 872.76 | 807.11 |
| Investment on Energy and Environment | 100 million TWD | 28.9 | 39.1 | 80.4 |
| **GHG Management[1]** | | | | |
| GHG Emissions Scope 1 | $tCO_2e$ | 20,939,573 | 18,248,901 | 16,809,455 |
| GHG Emissions Scope 2[2] | $tCO_2e$ | 1,357,456 | 1,373,673 | 1,249,102 |
| GHG Intensity[2] | $tCO_2e$ /tCS | 2.301 | 2.326 | 2.326 |
| GHG Emissions Scope 3 – indirect emissions[3] | $tCO_2e$ | 12,055,837 | 11,216,225 | 11,317,609 |
| **Energy Management** | | | | |
| Primary Energy | GJ | 224,683,778 | 201,934,363 | 183,523,715 |
| Coal | GJ | 219,340,668 | 191,854,995 | 172,104,025 |
| NG | GJ | 5,107,395 | 9,556,139 | 11,159,359 |
| Diesel Oil | GJ | 111,916 | 104,779 | 94,302 |
| Gasoline | GJ | 5,368 | 4,997 | 4,776 |
| Low-sulfur Oil | GJ | 79,477 | 373,631 | 134,060 |
| Other (Creosote etc) | GJ | 38,954 | 39,822 | 27,193 |
| Purchased Electricity (Excluding renewable energy) | GJ | 9,600,438 | 9,991,953 | 9,104,411 |
| Self-generated Electricity | % | 49.7 | 43.7 | 46.95 |
| Energy Intensity | GJ/tCS | 22.25 | 22.96 | 23.04 |
| **Air Pollutants Management** | | | | |
| NOx | tonnes | 6,593 | 5,603 | 5,209 |
| SOx | tonnes | 5,579 | 4,257 | 4,163 |
| Volatile Organic Compounds (VOCs) | tonnes | 409 | 356 | 306 |
| Particulates | tonnes | 2,164 | 1,921 | 1,776 |
| **Water Management** | | | | |
| Processing Water Recycling Rate[4] | % | 98.4 | 98.5 | 98.5 |
| Production Process Water Recirculation | million liters | 2,849,595 | 2,821,318 | 2,802,252 |
| New Water Withdrawal | million liters | 27,842 | 21,562 | 18,623 |
| Urban Reclaimed Water Usage[5] | million liters | 16,205 | 21,514 | 22,339 |
| Water Discharge | million liters | 14,202 | 16,234 | 14,527 |
| Water Consumption | million liters | 29,845 | 26,842 | 26,435 |
| Water Intensity[6] | t/tCS | 4.32 | 4.86 | 5.04 |
| New Water Intensity[6] (after introduction of reclaimed water) | t/tCS | 2.65 | 2.31 | 2.16 |

| Item | Unit | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| **Waste Management** | | | | |
| General Industrial Waste | tonnes | 567,880.8 | 559,748.4 | 517,130.7 |
| Incineration (with energy recovery) Amount | tonnes | 28,936.8 | 29,416.1 | 26,523.8 |
| Incineration (with energy recovery) Rate [7] | % | 5.1 | 5.3 | 5.1 |
| Recycling Rate | % | 94.9 | 94.7 | 94.9 |
| Hazardous Industrial Waste | tonnes | 46.3 | 58.3 | 33.5 |
| Recycling Rate | % | 100 | 100 | 100 |
| Waste Production Intensity | kg/tCS | 58.6 | 66.35 | 66.6 |
| Waste Treated In-plant [2] | % | 85.8 | 97.9 | 95.5 |

Note
1. From 2021, data of GHG emissions is based on revised standard ISO 14064-1:2018. The boundary refers to the Operation Control Approach, including important operating sites such as Head Office (Hsiao Kang, Kaohsiung Plant) and China Steel Building.
2. Data for previous year is revised due to calculation or coverage scale revision.
3. Scope 3 includes 15 categories, in which fuel and energy-related activities, waste generated in operations, upstream transportation and distribution, and business travel had been verified by third party, DNV.
4. Processing water recycling rate = production process water recirculation ÷ total water use in process x 100%, total water use in process do not include admin area raw water.
   Total water use in process = production process water recirculation + (new water withdrawal + urban reclaimed water usage - admin area raw water)
5. The Fengshan Creek Reclaimed Water has been implemented since Aug 2018, and the Linhai Sewage Treatment Reclaimed Water has been implemented since Dec 2021.
6. Water intensity = (new water + reclaimed water - sold steam) ÷ annual output of crude steel.
   New water intensity = (new water - sold steam) ÷ annual output of crude steel. New calculation adopted since the introduction of reclaimed water in 2018.
7. Includes in-plant and off-site.

## Material Topics

CSC continues to conduct routine communications with stakeholders. Through the collection and research of World Steel Association's Sustainability Charter and the international sustainability rating (Dow Jones Sustainability indices, DJSI), we examined topics that are highly correlated with the steel industry, identified the nature of the impact of each topic and invited external experts to provide opinions. Subsequently, we adopted the double materiality principle outlined in the European Union's Corporate Sustainability Reporting Directive (CSRD). The significance of external impacts is evaluated through stakeholder questionnaire survey, and the financial impact of sustainability issues on CSC's operations is analyzed by internal senior executives. For material topics with high impact, CSC discloses its management approach and performance in its sustainability report and ESG website, and the content is summarized in ESG Insight to help all stakeholders understand the company's key ESG information.



## Certifications

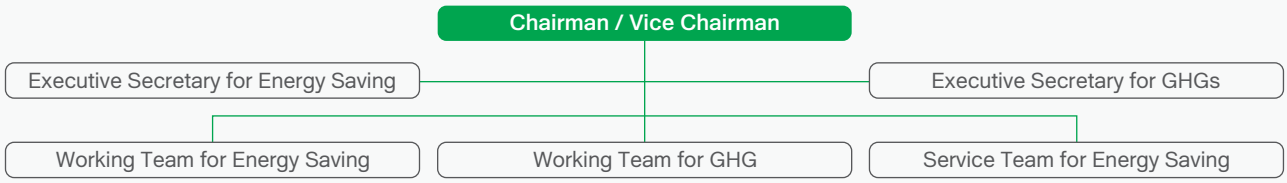
| | Certification | Location | Coverage of Employees | Verification Authority | Validity Period |
|---|---|---|---|---|---|
| Environmental Management System | ISO 14001:2015 | Hsiao Kang, Kaohsiung Plant | 100% | BSI | 2022/07/21~ 2025/07/20 |
| Energy Management System | ISO 50001:2018 | Hsiao Kang, Kaohsiung Plant | 100% | BSI | 2022/07/08~ 2025/07/07 |
| Hazardous Substance Process Management | IECQ QC 080000:2017 | Hsiao Kang, Kaohsiung Plant | NA | BSI | 2021/01/21~ 2024/07/25<br>2024/07/16~ 2027/07/25 |

## Energy Management

CSC mainly implements energy management through the Energy Conservation Committee and control of the energy management system (ISO 50001).

### Energy Conservation Committee

The Committee is chaired by the Vice President of Production Division. The energy policies are approved by the Chairman of the Board and updated when necessary. The latest version of the Energy Policy is committed to continuous improvement, compliance with regulations, performance management, energy conservation and carbon reduction, and knowledge advancement.




### Energy Consumption

The coking coal in the steelmaking process transforms to by-product gases which can be used as heat source in steelmaking and in cogeneration power plants to generate steam and power. Oil and natural gas can also be used in cogeneration power plants as auxiliary fuel to produce required steam and electricity, while the excess power demand is met by purchased electricity.

### District Energy Integration

CSC has utilized steam produced from combined heat and power (CHP) and waste heat recovery as well as industrial gases produced from oxygen plant to share excess energy with neighboring petrochemical plants, chemical plants and downstream steel mills in Kaohsiung LinHai Industrial Park.

At present, a total of 14 manufacturers, including CSC, have joined the District Energy Integration. The energy that CSC sells include steam and oxygen, nitrogen and argon produced by the Oxygen Plant. Among them, steam is the main item.

| | Unit | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Steam Sold [Notes] | million tonnes | 1.588 | 1.480 | 1.325 |
| Energy Savings | million GJ | 4.82 | 4.51 | 3.94 |
| Equivalent to GHG Reduction | tonnes | 381,000 | 355,000 | 318,000 |
| SOx Reduction | tonnes | 1,161 | 1,082 | 968 |
| NOx Reduction | tonnes | 805 | 750 | 672 |
| Particulates Reduction | tonnes | 114 | 107 | 96 |

Note 1. With an estimated efficiency of 94% of newly installed boilers, 1 kL fuel oil can produce 13 tonnes of steam. Thus, the 1.325 million tonnes of steam sold in 2023 saved energy equivalent to the use of 102,000 kL low-sulfur oil.

2. The calculation of environmental benefits:

- Energy saving: The heat value of low-sulfur oil conversion is cited from the average detected heat value of CSC in 2023, which was 9,440 Mcal/kL.
- Air pollutant reduction: The calculation and coefficients were in accordance with the calculation of emission amount for the air pollution control fee of stationary sources by the Ministry of Environment.
- GHG emission reduction: The reduction only covered $CO_2$ emission before 2018, with the factors cited from the IPCC 2006 National Greenhouse Gas Inventory Guide-$CO_2$ emission coefficient of fuel oil. From 2019, $N_2O$ and $CH_4$ were also involved in the calculation coverage, using the factors cited from the GHG emission coefficient list (version 6.0.4) announced by the Ministry of Environment.

# Climate Change

## Climate Governance Framework

The Board of Directors is the highest level climate governance unit. Under the Board, the Corporate Governance and Sustainability Committee was established to assist the Board of Directors in overseeing the Company's management of climate issues, which consists of the Sustainable Environment Development Team and Risk Management Team for climate change issues. Each team is responsible for dealing with the climate change issues faced by CSC, and periodically reports to the Corporate Governance and Sustainability Committee based on its implementation results.

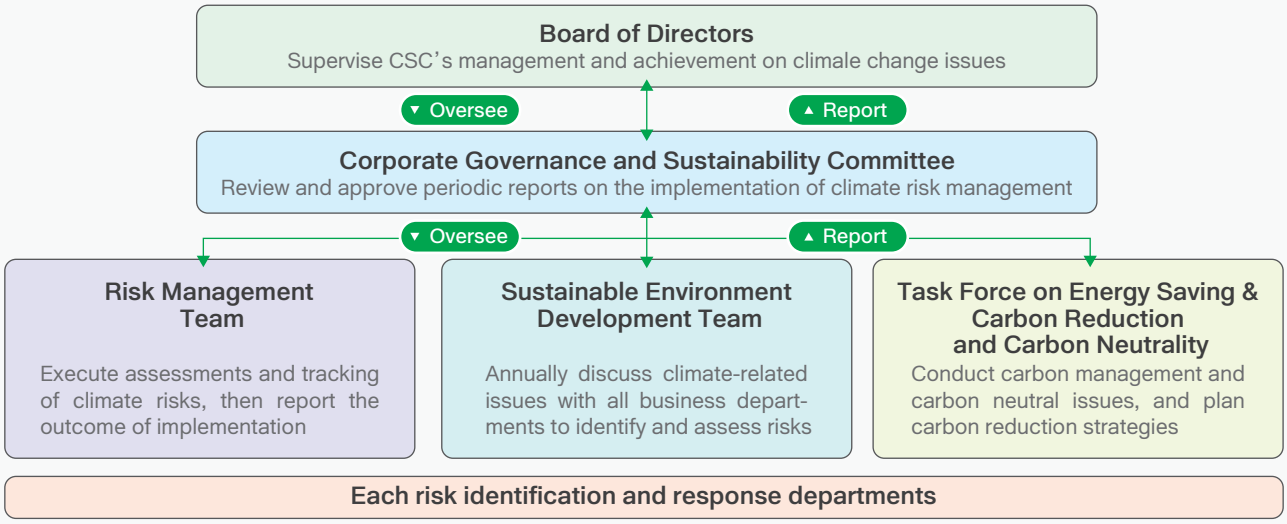
Furthermore, in response to carbon neutrality issue, CSC established the Task Force on Energy Saving & Carbon Reduction and Carbon Neutrality, which is responsible for carbon management and carbon neutrality issues. The Chairman is the head of the Task Force, who also oversees climate change issues. The Task Force reports its implementation plans and results to the Corporate Governance and Sustainability Committee and the Board of Directors on a regular basis.

**Board of Directors**
The highest level climate governance unit.

**Corporate Governance and Sustainability Committee**
Assists the Board of Directors in overseeing the Company's management of climate issues.

**Task Force on Energy Saving & Carbon Reduction and Carbon Neutrality**
Responsible for carbon management and carbon neutrality issues.

**Chairman**
Head of the Task Force on Energy Saving & Carbon Reduction and Carbon Neutrality, who also oversees climate change issues.




CDP

**CSC participated in CDP climate change questionnaire**

and received score of **"A- "** (Leadership level) on Climate Change , better than

- **Steel industry average (B-)**
- **Asia average (C)**
- **Global average (C)**

## Task Force on Climate related Financial Disclosures

CSC adopted Task Force on Climate related Financial Disclosures (TCFD) framework in 2020.

### Mitigate low-carbon transition risk and seize corresponding opportunities

| Transition Risks | Scenario Analysis | Impact on CSC Operations | Response Strategies | Metrics and Targets |
|---|---|---|---|---|
| Scenario | Temperature rises 1.7℃ (IEA APS) | | | |
| Transition of raw materials | In the low-carbon emission scenario, scraps and reduced iron may become critical sources of raw materials. Furthermore, the demand for high quality iron ore is expected to increase, causing the prices of raw materials to fluctuate. | • The increase of demand from the industry would stimulate the prices of emerging raw materials, leading to the rise of operating costs. | • Continues to expand sources of alternative materials.<br>• Secures new raw materials and resources. | • Continues to develop new raw materials or materials in line with CSC's carbon neutral roadmap. |
| Implementation of carbon fee mechanism | Given that domestic carbon fees remain unclear, CSC has considered carbon pricing, international carbon tax and carbon trades to assess the impact. | • Additional cost of carbon emissions results in the increase of operating costs. | • Conducts research on international carbon pricing mechanisms to advocate for alignment with international standards and reasonable carbon fee systems, thereby mitigating the impact of carbon pricing systems.<br>• Continues the development of emerging steelmaking technologies to reduce CSC' s carbon emissions and the carbon cost of its product.<br>• Improves efficiency of processes and power plants through smart scheduling and the implementation of best available technologies. | **Carbon emission targets of CSC**<br>• Reduce carbon emissions by 7% in 2025<br>• Reduce carbon emissions by 25% in 2030<br>• Achieve carbon neutral in 2050<br>Note The base year is 2018 |

| Transition Risks | Scenario Analysis | Impact on CSC Operations | Response Strategies | Metrics and Targets |
|---|---|---|---|---|
| Scenario | Temperature rises 1.4℃ (IEA NZE, in line with the Paris Agreement) | | | |
| Planning of low-carbon energy policy | In the low-carbon emission scenario, the demand for renewable energy may continue to grow in response to the long-term development of net-zero technologies in the steel industry. | • If CSC continued to reduce purchased electricity through low-carbon energy, operational costs would increase. | • Invests in solar photovoltaic energy to meet short to medium term internal renewable energy demand as much as possible.<br>• Long-term assessment of low-carbon energy demand is conducted; investment and procurement are planned accordingly. | **Carbon emission targets of CSC**<br>• Reduce carbon emissions by 7% in 2025<br>• Reduce carbon emissions by 25% in 2030<br>• Achieve carbon neutral in 2050<br>Note The base year is 2018 |
| R&D of carbon neutral technology of the steel industry | In the low-carbon emission scenario, the steel industry may continue to invest in the research and application of low-carbon steelmaking technologies. | • Investment in the R&D of new steelmaking technologies would lead to the increase of R&D cost. | • Actively engages in industry-academia collaboration projects and focus on emerging low-carbon steelmaking technologies, including: replacing a portion of iron ores with reduced iron, replacing coal injection with hydrogen injection, as well as implementing carbon capture and other applications. | **Carbon emission targets of CSC**<br>• Reduce carbon emissions by 7% in 2025<br>• Reduce carbon emissions by 25% in 2030<br>• Achieve carbon neutral in 2050<br>Note The base year is 2018 |

Note Each scenario considers the maximum rise of temperature with 50% confidence level in 2100.

| Opportunities | Scenario Analysis | Impact on CSC Operations | Response Strategies | Metrics and Targets |
|---|---|---|---|---|
| Scenario | Temperature rises 1.7℃ (IEA APS) | | | |
| Entry to renewable energy/ automotive related supply chains | The installed capacity of global wind power generation is expected to increase by 220% by 2030, and electric vehicles are projected to constitute 40% of the automobile market in 2030. | • The renewable energy and electric vehicle markets are flourishing, and if CSC developed products that are aligned with market trends, the revenue may increase. | • Continues to promote the supply of high quality ES for electric vehicles to major EV manufacturers, develops corresponding technical thresholds, and actively conducts product-related tests and verifications.<br>• Assists domestic vehicle manufacturers in accelerating the application of ES for electric vehicle motors, and enhances their competitiveness in the domestic EV market.<br>• Participates in the construction of domestic renewable energy projects and provides wind power steel plates needed for substructures and wind turbine towers, assisting in achieving the localization of domestic wind power facilities. | • Sales ratio of high-end steel ≧ 50.3% in 2025<br>• Sales ratio of high-end steel ≧ 52.0% in 2030 |
| Supply of high-strength steel to enhance climate resilience | In order to adapt to recurring climate hazards, governments worldwide would continue to strengthen the resilience of public infrastructure. | • Strengthens public infrastructure and national resilience projects in line with policies, leading to the increase of steel demand and CSC' s revenue. | • Provides high-strength structural steel to meet the demand of collaborated projects with governments, thereby increases the opportunities of CSC' s products being applied in governmental infrastructure projects in the future. | |

Note Each scenario considers the maximum rise of temperature with 50% confidence level in 2100.

## Climate change adaptation strategies

| Physical Risks | Scenario Analysis | Impact on CSC Operations | Response Strategies | Metrics and Targets |
|---|---|---|---|---|
| Scenario | Temperature rises 2.7℃ (SSP 2-4.5) / Temperature rises 4.4℃ (SSP5-8.5) | | | |
| Extreme weather events such as typhoons and floods (Raw materials) | IPCC AR6 Note II pointed out that the place of origin for certain raw materials (i.e Australia) will see an increase in the frequency and intensity of typhoons and the extreme heavy rainfall. | • Issues regarding the supply of raw materials caused by extreme weather events may result in interrupted supply chains or affect production. | • Weather monitoring and supply chain relationship management are conducted regularly based on the concept of business continuity, in order to immediately respond to any potential risks of meteorological changes and raw material production and transportation; evaluates the climate of the origins of raw material and conducts material preparation and scheduling beforehand.<br>• Considering the transportation risks of the supply chain, locations that are less vulnerable to the weather are selected as the transhipment base of raw materials. | • Maintain raw materials supply capacity and stability to ensure the balance between transportation and cost in the supply chain. |
| Water shortages caused by changes in climate patterns | According to the Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP), from medium to long-term period, it is projected that the maximum consecutive days without rainfall in the watershed area of CSC's main industrial water sources will increase by 19.5% to 27.1%. | • Extreme weather increases the risk of water shortage, therefore affects production processes of factories. | • Continues to increase the recycling percentage of process water, strives to diversify water sources, and increases the percentage of reclaimed water used.<br>• Assesses the feasibility of seawater desalination in the long run to further avoid the risk of water shortages. | • In 2027, CSC plans to increase the recovery rate of the wastewater purification plant, and reduce new water consumption by 58.4%.<br>• Progressing towards diversifying water sources by 2030, continuously evaluating the recycling and reuse of wastewater within the plant, and anticipating a reduction of 60.4% in new water consumption. |

Note 1：Each scenario considers the rise of temperature in the middle of the 21st century.
2：The Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC)

For more details [TCFD framework and event records of the Task Force on Energy Saving & Carbon Reduction and Carbon Neutrality] https://www.csc.com.tw/csc/esg/env/env1.html

## • GHG Management

CSC performed the first GHG inventory operation in accordance with international standards (ISO 14064) in 2006, the scope of which includes Scope 1 and Scope 2 emission within the boundary that the Company owns or controls. The GHG inventory data are verified by the third-party verification agency, DNV, every year. CSC then reports to the national GHG Registry. Also, the scope 3 GHG emissions have been estimated annually from 2015. We have also entrusted the third-party verification agency, DNV, to verify the three items of "business travel," "waste generated in operations," and "fuel- and energy-related activities" from 2016, and "upstream transportation and distribution" has also been added as an external verification item from 2021. In the future, we will continue to improve external verification projects depending on the strength of supporting materials.

## • Carbon Credits Management and GHG Offset Project

CSC has formulated the "Carbon Trading and Management Regulations" with reference to the relevant regulations of the Ministry of Environment and international practices, and incorporated related operations into the environmental management system (ISO 14001). By the end of 2023, CSC’ s GHG offset credit balance totaled 4.5021 million tonnes of $CO_2e$.

## Internal Carbon Pricing

In response to the era of carbon pricing, CSC has implemented an internal carbon pricing mechanism that considers carbon market prices, carbon fee expectations and carbon reduction costs, and dynamically adjusts it in line with the carbon neutral path and global carbon issues.

The mechanism is used to calculate carbon emission costs, conduct sensitivity analysis, and evaluate the benefits of carbon reduction capital expenditures and R&D investments. It helps control overall carbon emissions and promote the research and development of low-carbon production processes and technologies.

## Product Carbon Emission Inventory

1. CSC has implemented the carbon footprint inventory of 23 product categories, which was externally verified by BSI. The assurance statement was obtained on November 23, 2022.
2. In the face of countries starting to plan carbon control mechanisms and customers' future demand for low-carbon products, CSC established the "Product Carbon Emission Intensity System" under the structure and data of the existing system framework. CSC is able to calculate the carbon emission of each process, each product, each steel coil, and each purchase order based on the process path of each product, raw materials and fuel input, product output, and the corresponding carbon emission factor.
3. Carbon Border Adjustment Mechanism (CBAM) declarations are based on CN code. Following CBAM guidelines, CSC derives the process overview, average composition, and carbon emissions of the product categories to be reported for each CN code through calculating the weighted average of each product by weight using the system described above.

### 2030 Low carbon BF

**Charging reduced iron into the blast furnaces**

Progress

(1) Complete the test of adding 6,000 tonnes of reduced iron to the blast furnace in 2023. It has been confirmed that adding 1 tonne of reduced iron can reduce the carbon emission of the blast furnace by 1.5 tonnes.

(2) Plan to invest and set up factories in suitable locations such as Australia or the Middle East.

**Injection of hydrogen-rich gas in the blast furnaces**

Progress

Equipment installed and tested in 2023. Test conducted in a tuyere to inject Coke Oven Gas/Natural Gas in 2024, in order to evaluate lance performance and injection safety design.

**Co-production of steel and chemicals | Convert CO and $CO_2$ from steel production process into chemicals**

Progress

Completed verification of 1,000-hour continuous production of the pilot plant and used the Industrial Technology Research Institute's catalytic conversion technology to produce methanol from CO in 2023. The quality of the captured and purified CO meets the specifications of acetic acid plants.

Targets 2029 Demonstration line ▸▸ 2040 Commercialization

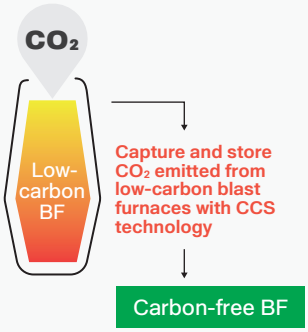
**reduce emissions by 240,000 tonnes per year** | **reduce emissions by 2.9 million tonnes per year**

**Increasing the use of scrap**

Progress

In response to downstream customers' demand for recycled steel materials, CSC obtained certification of hot dip galvanized product SGCC RC12 (scrap ratio of 12% or above), SGCC RC20 (scrap ratio of 20% or above) and SGCC RC40 (scrap ratio of 40% or above), and electrogalvanized product SECD RC12 (scrap ratio of 12% or above) and SECC RC20 (scrap ratio of 20% or above).

### 2050 Carbon Neutrality




Capture and store $CO_2$ emitted from low-carbon blast furnaces with CCS technology, and transform low-carbon blast furnaces into carbon-free blast furnaces.

**Adopt DRI/EAF route with hydrogen metallurgy**

Iron ore ▸ DRI ▸ EAF ▸ Steel

## Carbon Neutrality Target

Base year: 2018 (Scope 1+2)

**2025** — Reduction 7%

**2030** — Reduction 25%

**2050** — CARBON NEUTRAL

## Carbon Neutral Capital Expenditure and Progress

**2023**

The total capital expenditure related to carbon reduction was approximately

NT$ **3.827** billion

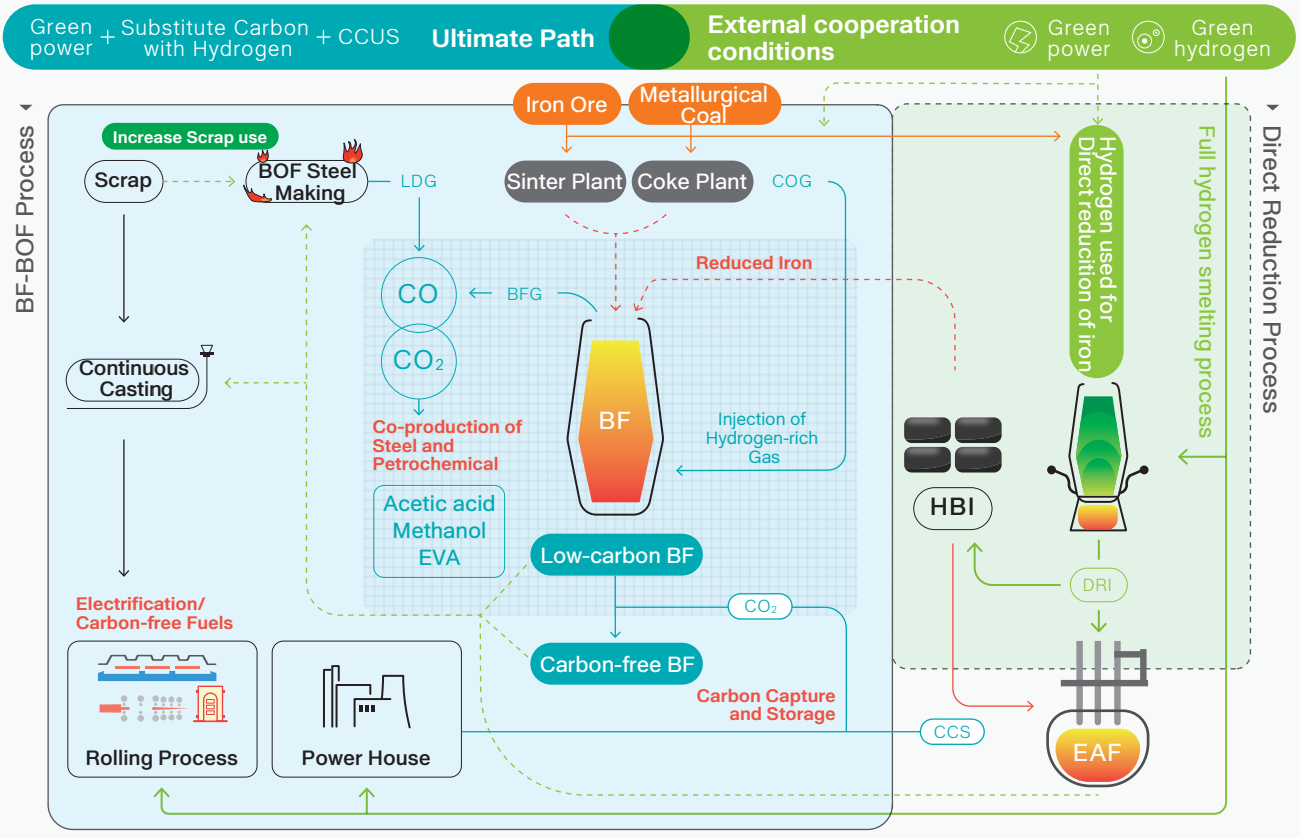
The preliminary estimate of capital expenditures for the four medium-term carbon reduction paths approximately

Company Plan

**2025 | 2030**

NT$ **40.8** billion

**The amount will be modified in accordance with future technological advancements** and will be submit to the Board of Directors based on progress of each project.



## Air Pollutants Management

| | Unit | 2021 | 2022 | 2023 target | 2023 |
|---|---|---|---|---|---|
| SOx Intensity | Kg/tCS | 0.58 | 0.50 | 0.53 | 0.536 |
| NOx Intensity | Kg/tCS | 0.68 | 0.66 | 0.69 | 0.671 |
| Particulates Intensity | Kg/tCS | 0.22 | 0.23 | 0.37 | 0.229 |

- In order to actively improve air quality, CSC have planned an air pollution improvement plan for 2020-2026 with a total investment amount of NT$44.709 billion.
- CSC Environmental Monitoring Center oversees 6 air quality monitoring stations and is equipped with 2 real-time digital boards publicly displaying air quality data. For stationary emission sources, 32 continuous emission monitoring systems (CEMS) are set to monitor traditional pollutants emission intensity and quantity. The current average monthly effective monitoring rate of each instrument is greater than 95%. The public can directly reach CSC by phone during or outside business hours for any abnormalities.

## Water Management

CSC confirmed the water use strategy of diversifying its water resources in 2012, and is working hard towards the development of new water resources aimed at mitigating the risk of water cuts or water rationing.

CSC established a Utilities Department under the Production Division to effectively carry out water resource management and risk response, and the formulation and implementation of strategies are mainly supervised by the Vice President of the Production Division. Water risk management is part of the Company's risk management procedures and will be reported to the Board of Directors every six months.


Reclaimed water usage reaches **57%** of the total water usage after the vicarious performance of reclaimed water for Hefa industrial parks in May 2024.

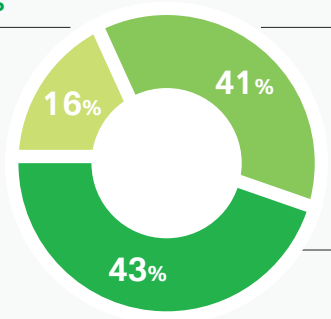
CSC has 4 original water pools with a total water storage capacity of 177 million liters, which has been maintained at a high water level throughout the year. Together with the implementation of reclaimed water, the flexibility of the water supply in the plant can be improved to reduce the risk of water limitation / stoppage during the Taiwan Water Corporation's water outage.

### Water Diversification Strategies

**Linhai**

**Reclaimed Water Demonstration Project**

Officially operating since Dec 2021
Accounts for around 16% of CSC' s daily water consumption




**Fengshan Creek**

**Reclaimed Water Demonstration Project**

Officially operating since Aug 2018
Accounts for around 41% of CSC' s daily water consumption with the vicarious performance for Hefa started from 2024

**Tap Water**

### Vicarious performance of reclaimed water for Hefa Industrial Park

Implementing the "Vicarious Performance of Reclaimed Water for Hefa Industrial Park" lead by the Economic Development Bureau of Kaohsiung City Government, CSC further introduced the reclaimed water through the main pipe of Fengshan Creek Reclaimed Water to the water pool at CSC plants. From the second quarter of 2024, the Company has increased the use of approximately 9,700 tonnes of reclaimed water per day and the daily usage of recycled water in the plant has been further increased to 70.2 thousand tonnes. CSC has continued to strengthen the dispatch of reclaimed water sources.

### Development of low-cost seawater desalination

CSC began exploring seawater desalination technology with the Industrial Technology Research Institute (ITRI) in 2019, and aimed to develop an integrated process that could lower the cost of water by NT$10/ton compared with the traditional seawater desalination process.

## Waste Management

CSC manages the disposal of industrial waste in accordance with Waste Disposal Act and relevant regulations by the Ministry of Environment. CSC screens qualifications of waste disposal companies beforehand, and requires entrusted company to provide proof of proper waste disposal once the waste disposal is completed.

To ensure the quality of the waste source and strengthen the management system, CSC has entrusted a third-party organization to conduct the inspection of the source of industrial waste from companies of CSC group. Considering the significant impact of classification management and flow tracking on the promotion of waste recycling, CSC has developed a computerized management system with functions such as "record control," "reporting statistics," and "production, use, and storage tracking."

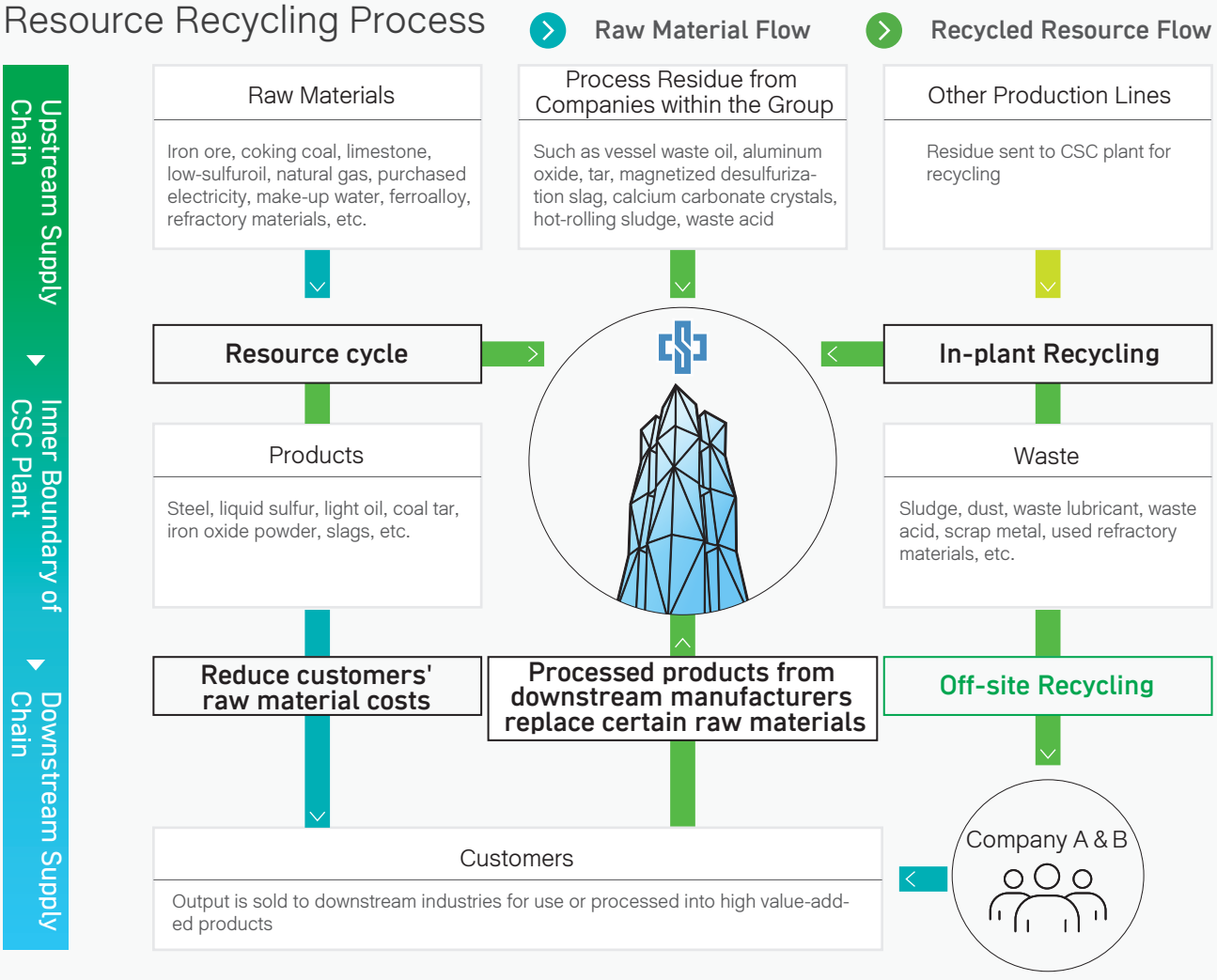
## Hazardous Substance Management

CSC promotes the "Hazardous Substance Process Management System IECQ HSPM QC 080000" to establish its management system for products with hazardous substances. Regular internal and external audits and management reviews on the IECQ HSPM QC 080000 are conducted every year. CSC passed BSI's annual follow-up evaluation in 2023 and passed BSI's three-year certificate renewal review in 2024 to maintain the validity of the certificate.

## By-product Management

By-products from CSC productions, including coal tar, light oil, BF slag, BOF slag, iron oxide powder, desulfurization slag, sludge-coal fly ash mixture, rusted steel, liquid sulfur, and burnt lime, are all recycled and processed by affiliate companies then provided to chemical, construction, civil engineering, electrical, commodity and other industries.

### Resource Recycling Process



# Green Revenues

**The Green Revenues of the CSC Group** From January 1 to December 31, 2023 Unit: NT$ Thousand

| Segment | | Items | Descriptions of revenues | Revenue (after elimination of intra-group transactions) | Percentage |
|---|---|---|---|---|---|
| Group Total | Green revenues of CSC Group | | | 68,088,991 | 18.74% |
| | Non-green revenues of CSC Group | | | 295,237,507 | 81.26% |
| | Consolidated operating revenues of CSC | | | 363,326,498 | 100.00% |
| Steel | CSC;<br>CSCI Steel Corporation India Pvt. Ltd. (CSCI) | Green steel products (with external energy saving and carbon reduction benefits) | (1) High-strength or High-function steel:<br>(1-1) Steel for electric vehicles or scooters. Electrical sheets for electric vehicle motors or other key materials for electric vehicles. | 4,993,382 | 1.37% |
| | CSC | | (1-2) The others, such as motor vehicles, boats, and buildings. | 14,551,862 | 4.00% |
| | CSC | | (2) Steel with fewer reprocessing procedures, such as steel requiring no further quenching, non-lead patenting steel, and wire requiring no further drawing annealing. | 10,591,855 | 2.92% |
| | CSC | | (3) Steel with higher endurance:<br>(3-1) Steels with higher endurance and a high recycled content. Galvanized steel products that had been granted the SGCC RC12, SGCC RC20, SGCC RC40, SECD RC12 and SECC RC20 certification. | 532,806 | 0.15% |
| | | | (3-2) The others, such as steel with high-temperature endurance, anti-corrosion steel, wear resistance steel, and plating steel. | 23,930,404 | 6.59% |
| | CSC | Tracks/Light Rails | Construction, design, maintenance, and operations of light rails, MRT, or railways. | 1,498,364 | 0.41% |
| | Green revenues of the Steel Department | | | 56,098,673 | 15.44% |
| | Non-green revenues of the Steel Department | | | 229,886,754 | 63.27% |
| | Operating revenues of the Steel Department | | | 285,985,427 | 78.71% |
| Others | Kaohsiung Rapid Transit Corp. (KRTC);<br>InfoChamp Systems Corp. (InfoChamp);<br>China Steel Machinery Corp. (CSMC);<br>United Steel Engineering & Construction Corp. (USEC) | Tracks/ Light Rails | (1) Construction, design, maintenance, and operations of MRT or light rails.<br>(2) Other track transportation equipment. | 2,273,572 | 0.63% |
| | CSC Solar Corp. (CSC SOLAR) | Solar Power | Installation of solar PV systems and electricity generation. | 250,282 | 0.07% |
| | Sing Da Marine Structure Corp. (SDMS);<br>China Steel Machinery Corp. (CSMC) | Wind Power | (1) Substructure manufacturing.<br>(2) Components manufacturing for wind power. | 88,086 | 0.02% |
| | InfoChamp Systems Corp. (InfoChamp) | Environment monitoring systems | Environment quality monitoring equipment and systems. | 218 | 0.00% |
| | HIMAG Magnetic Corp. (HIMAG) | Catalyst products | Catalyst products, such as SCR and ammonia decomposition catalysts. | 26,711 | 0.01% |
| | China Steel Chemical Corp. (CSCC) | Energy storage products | Design, development, manufacturing, installation, or operations of energy storage products, including lithium ion and other advanced batteries and their materials. | 705,248 | 0.19% |

**The Green Revenues of the CSC Group** From January 1 to December 31, 2023 Unit: NT$ Thousand

| Segment | | Items | Descriptions of revenues | Revenue (after elimination of intra-group transactions) | Percentage |
|---|---|---|---|---|---|
| Others | China Ecotek Corp. (CEC) | Environmental Engineering | (1) Water treatment engineering and facilities.<br>(2) Air pollution control.<br>(3) Construction of resource recycling equipment.<br>(4) Other pollution control and improvements to environmental protection facilities. | 1,707,015 | 0.47% |
| | CHC Resources Corp. (CHC); CHC Resources Vietnam Co., Ltd (CHCV) | Waste recycling | (1) Equipment and services related to waste collection, management, and disposal.<br>(2) Slag powder processing and trading, air-cooled BOF slag and BF slag recycling, and soil and groundwater pollution remediation. | 6,849,442 | 1.89% |
| | Gains Investment Corp. (GIC) | Green financial investment | Investments in environment improvement related financial tools. | 89,744 | 0.02% |
| | Green revenues of the other departments | | | 11,990,318 | 3.30% |
| | Non-green revenues of the other departments | | | 65,350,753 | 17.99% |
| | Operating revenues of the other departments | | | 77,341,071 | 21.29% |

For more details [Green Revenue] https://www.csc.com.tw/csc/esg/env/env9.html

## Green Bond

The Company issued its first green bond in May 2024, with an amount of NT$1.57 billion. The funds raised will be used to invest in the construction of Zhong Neng Offshore Wind Farm. Zhong Neng Wind Farm is expected to supply green power by the end of 2024 and contribute to Taiwan's journey towards net-zero emissions.

## Offshore Wind Power Development

### China Steel Power Corporation (CSPC) – Development of Zhong Neng Offshore Wind Farm

1. Shareholding: CSC 51%, Copenhagen Infrastructure Partners 49%.
2. Total investment around NTD 55 billion.
3. Obtained 300 MW grid connection capacity, which is estimated to be connected to grid in 2024 with annual power generation of 1.1 billion kWh.
4. The installation of the substructures has been completed in March 2024, and the first wind turbine was installed in May 2024. All the installation of wind turbines was completed in August. After the wind farm is tested and administrative procedures are completed, electricity can be officially sold according to the power purchase agreement (PPA) with Taipower.

### Sing Da Marine Structure Corporation (SDMS) – Jacket Substructure Supply Chain

1. CSC Shareholding 46.71%.
2. Capital NTD 2.627 billion.
3. The first contract of 6 substructures for Orsted - Greater Changhua Offshore Wind Farm Project was delivered in August, 2022.
4. 31 substructures for Zhong Neng Offshore Wind Farm Project has been accepted by the owner, and the delivery completed in February 2024.

## Solar Photovoltaics Development

| | Unit | 2017-2021 | 2022 | 2023 | 2024 1H |
|---|---|---|---|---|---|
| Solar Power Generation Capacity for CSC Group | MW | 87.3 | 92.4 | 97.9 | 100.1 Continual installation |
| Power generation during period | million kWh | 3.30 | 1.05 | 1.05 | 0.57 |

In October 2016, CSC and several subsidiaries established the CSC Solar Corp., which is responsible for promoting the development of CSC group's solar power generation business. Except for applying for the green energy certificate to conduct green energy trade, the development results until the first half of 2024 and future plans are as follows:

### Solar Power System Established in 16 Companies of CSC Group

**100.1MW**
Accumulated solar power generation capacity established within CSC group (of which 62MW is at CSC)

**110 million kWh**
Expected generation per year

**2-3MW**
Future installation per year
100MW capacity target has been achieved earlier in 2024, and a total installation scale of 120MW is aimed to be achieved by 2032

| | | | | | |
|---|---|---|---|---|---|
| Accumulated power generation since installation | **597 million kWh** | Reduction per year | **54 thousand $tCO_2e$** | Future installation per year | **2~3 MW** |

## Countermeasures for the "Major Power User Clause"

In order to plan the business for sales of green energy and certificates, CSC Solar Corp. obtained the first electricity business license in August 2022. As of the first half of 2024, a total of 63.5MW of electricity business license has been obtained, accounting for 63.4% of the installed capacity, which can meet the demand for renewable energy to achieve 10% of contract capacity among companies of CSC Group that are major power users, i.e. China Steel Corporation, Dragon Steel Corporation, Chung Hung Steel Corporation, C.S. Aluminium Corporation, China Steel Machinery Corporation, CHC Resources Corporation, and China Steel Chemical Corporation. CSC Solar Corp. has supplied green electricity to the group' s "Major Power Users" since March 2023. As of the first half of 2024, a total of 36.085 million kWh of green energy was supplied to CSC group.

# Biodiversity

**Commitment**

### Biodiversity Commitment and No Deforestation Policy

CSC is committed to complying with regional and national legal requirements and avoiding development activities near globally or nationally important biodiversity areas. By 2050, CSC will strive to achieve the goals of no net deforestation, net positive impact (NPI), and no net loss (NNL) on biodiversity. We also encourage our suppliers and partners to support this policy.

## Biodiversity Assessment

| | Number of sites | Area (Unit: Hectare) |
|---|---|---|
| Operational sites except for offices | 2 | 560.87 |
| Scope of assessment | 2 | 560.87 |
| Sites proximity to critical biodiversity | 0 | 0 |
| Coverage of management plans | 0 | 0 |

CSC commissioned the National Sun Yat-sen University to help plan ecological investigation for plant areas and establish the baseline for species. The period is 2 years (November 2022 to October 2024), during which an investigation is conducted every quarter. Investigations are conducted on a monthly basis in the period when migrant birds pass through, and the contents include land animals (mammals, birds, amphibians, reptiles, and butterflies) and plants. As of February 2024, 6 seasons of ecological investigations have been completed. The survey results from this project will serve as a reference for identifying indicator species and will be utilized by the research team to provide subsequent ecological assessment items and guidance on implementing environmentally friendly measures. The aim is to maintain ecological balance and achieve the goal of no net loss (NNL) on biodiversity.

## Biodiversity Risk Assessment

CSC conducted a biodiversity risk assessment using Biodiversity Risk Filter provided by the World Wide Fund For Nature (WWF). Incorporating the location-specific approach, CSC assessed the impact- and dependency-related biodiversity risks of its operational activities. The scope of the assessment covered the Head Office (Hsiao Kang Plant), China Steel Building, Hualien Stone Handling Site, CSC Steel Sdn. Bhd., China Steel and Nippon Steel Vietnam Joint Stock Company, as well as Kaohsiung Park that located adjacent to CSC' s operations.

## Biodiversity Mitigating Actions

To reduce our dependency on and impacts to biodiversity, the following mitigating measures and action plans have been implemented:

| Mitigating Measures | CSC Actions |
|---|---|
| Avoid | 1. Avoid development activities near World Heritage Sites and IUCN I-IV protected areas.<br>2. Since 2021, fully cease the use of coal combustion boilers in power plants to reduce air pollution emissions. |
| Reduce | 1. Install shore power systems at docks to allow ships to switch to electric power upon docking, reducing air pollution from fuel combustion.<br>2. Proactively schedule production cut and equipment maintenance during the autumn and winter seasons to improve the air quality.<br>3. Implement a diversified water resource policy by introducing the urban reclaimed water and promoting wastewater recycling to reduce reliance on a single water source.<br>4. Promote circular economy to minimize environmental impacts of waste generated from production. |
| Regenerate | 1. CSC has established the "Environmental Greening Management Operation Standard" to regulate the application process for new tree planting or transplantation in the surrounding areas when conducting various engineering projects within the plant. After approval by the Vice President of the supervising division, professional contractors are entrusted to carry out tree transplantation operations to ensure tree survival rates.<br>2. Create habitats contributing to biodiversity by planting vegetation that attracts butterflies and birds. |
| Restore | 1. Adopt and maintain plantings in Kaohsiung Park.<br>2. CSC Group organizes irregular beach cleaning activities to protect marine environments. |
| Transform | 1. Organize the "Green Life Proposal" competition to encourage the low-carbon and green lifestyles within the Group.<br>2. Promote green procurement and green consumption.<br>3. Participate in government-led Water Environment Patrol Team to safeguard water resources.<br>4. Organize various activities related to ecological conservation and environmental issues (e.g., summer ecology camps, environmental classrooms) through the Public Affairs Department and the CSC Group Education Foundation to raise public awareness of the importance of ecological conservation. |

For more details [Biodiversity] https://www.csc.com.tw/csc/esg/env/env4.html

# Legal Compliance

CSC received no environmental violation notice in 2023. The Company has not only required on-site units to reinforce operation control and maintenance management, but also installed monitors in areas prone to abnormalities to strengthen monitoring. Besides, we implement equipment inspection from time to time, and promote "self-management" in on-site units to reduce violations related to pollution.

### Environmental Violation Notices

Count/$

| Pollution | 2021 | 2022 | 2023 |
|---|---|---|---|
| Air Pollution | 1 count/ NT$1,350,000 | 0 | 0 |
| Water Pollution | 0 | 0 | 0 |

# Social

## Occupational Safety and Health (OSH)

### Certifications

| Certification | Location | Coverage of employees | Verification Authority | Valid Till |
|---|---|---|---|---|
| CNS 45001:2018 | Hsiao Kang, Kaohsiung Plant | 100% (covering contractors) | BSI | 2023/07/11~2025/07/20 |
| ISO 45001:2018 | Hsiao Kang, Kaohsiung Plant | 100% (covering contractors) | BSI | 2022/07/21~2025/07/20 |

**The scope of Safety and Health Management System** applies to all employees and workers in CSC, including contractors. Relevant regulations for contractors are separately stipulated in the contracts and attachments.

The OSH management in CSC is mainly based on the OSH management system (ISO 45001 & CNS 45001). CSC obtained the OHSAS 18001 certification in 2002 and the Taiwan Occupational Safety and Health Management Systems (TOSHMS), which was announced as national standard CNS 15506 in 2011, in 2008.

CSC has established the Occupational Safety & Hygiene Committee, in which the President and the Executive Vice President serve as the Chairman and the Vice Chairman. 15 representatives from Labor Union of CSC accounts for 34% of committee members. The Committee holds bimonthly meetings and discloses OSH management performances in the annual report for public review.

### Injuries

| Year | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---|---|---|---|---|---|---|
| | Actual | | | Target | | |
| Employee LTIFR[1] | 0.14 | 0.05 | 0.10 | | NA | |
| Contractor LTIFR[1] | 0.35 | 0.20 | 0.05 | | NA | |
| Total (Employee+Contractor) : LTIFR | 0.25 | 0.12 | 0.08 | | NA | |
| Employee FR[2] | 0.14 | 0.05 | 0.10 | ≤0.18 | ≤0.16 | ≤0.14 |
| Contractor FR[2] | 0.40 | 0.20 | 0.05 | ≤0.30 | ≤0.26 | ≤0.22 |
| Total (Employee+Contractor) : FR | 0.28 | 0.12 | 0.08 | | NA | |
| Fatalities[3] | 1 | 0 | 0 | 0 | 0 | 0 |
| Employee TRIFR[4] | 1.10 | 1.00 | 0.39 | | NA | |
| Contractor TRIFR[4] | 1.50 | 1.28 | 1.30 | | NA | |
| Total (Employee+Contractor) : TRFR | 1.31 | 1.14 | 0.82 | | NA | |

Note
1. Lost Time Injury Frequency Rate (LTIFR), also known as the serious injury rate, means the number of lost time injuries (disabling, excluding deaths) per million working hours.
2. Disabling Frequency Rate (F.R.) means the number of disabling (including deaths) per million working hours.
3. 1 contractor fatal accident occurred on 2021/04/19.
4. Total Recordable Injury Frequency Rate (TRIFR) means the number of total recordable injuries (including deaths, disabling, minor injuries and medical treatments) per million working hours.

### Legal compliance

Kaohsiung Labor Standards Inspection Office (KLSIO) made 53 inspections in 2023, no negligence was found during the routine inspections.

| OHS Violation notices | 2021 | 2022 | 2023 |
|---|---|---|---|
| Counts/Fine (NT$) | 3/ 510,000[1] | 3/ 360,000[2] | 0 |

Note
1. In 2021, CSC was punished by the Labor Standards Inspection Office for a total of NT$510,000, of which NT$300,000 and NT$150,000 were fined for the death of the contractor on April 19, 2021; NT$60,000 was fined for the joint inspection by the Occupational Safety and Health Administration on September 16~17, 2021.
2. In 2022, CSC was punished by the Labor Standards Inspection Office for a total of NT$360,000, of which NT$210,000 was fined due to the Labor Standards Inspection Office's investigation on December 13, 2021 for a disabling injury incident of the contractor on January 24, 2019; NT$150,000 was fined due to the Labor Standards Inspection Office's investigation on December 28, 2021 for a disabling injury incident of the contractor.

| Improvement focus | | |
|---|---|---|
| Inspection Guidance Project | Forklift safety warning system test plan | Guidance project to improve the effectiveness of hazard notification |
| To improve contractor management of the CSC Group, CSC selected 13 factories and 17 subsidiaries of the CSC Group to implement the inspection guidance project. The project is implemented in six stages, including preliminary planning to diagnose the current status of contractor management. Each unit conducts a self-inspection, reviews, makes improvements and adjustments, and makes on-site visit to provide guidance and understand the actual implementation of the affiliates. Examples of improvements completed are used by each unit as a template to inspect the compliance of other construction projects, and effective methods for improving contractor management are implemented. | In order to avoid collisions between forklifts and personnel, CSC has set up isolated operating areas and monitoring personnel, and strengthened planning of systems to actively monitor people in surrounding areas, assisting and reminding drivers that someone is approaching the forklift to effectively reduce the risk of personnel collision. | To assist factories in improving the effectiveness of hazard notifications, the project was implemented in 2023 to raise personnel' s awareness of hazards in operations, and take specific safety precautions to effectively prevent occupational accidents. |

# Lobbying and Initiatives

## CSC position on climate change

CSC has set a target to achieve carbon neutrality by 2050, aligning with the objective of the Paris Agreement. In this context, we actively collaborate with domestic and international organizations we participated in, with a particular focus on organizations taking climate action, and are committed to ensuring that all our indirect climate advocacy actions remain consistent with the Paris Agreement. We will continue to work with these organizations to further align their targets with the Paris Agreement.

Action

"Sustainable Evaluation and Management Guidelines of Organizations" .

For organizations taking a public climate stance that is misaligned with the international or domestic sustainable development goals, the Company, in compliance with relevant laws and regulations, will take the following actions:

1. Reiterate the Company' s stance on climate change or sustainable development goals to the organization.
2. Request the organization to adjust its climate change stance within six months of our reiteration to align with international or domestic sustainable development goals. If the organization fails to do so within the specified period, the Company will terminate our cooperation with the organization.

## Survey of Climate Policy Preferences

In order to understand the extent to which the organizations we participated in align with climate goals, CSC conducts the Survey of Climate Policy Preferences every two years.

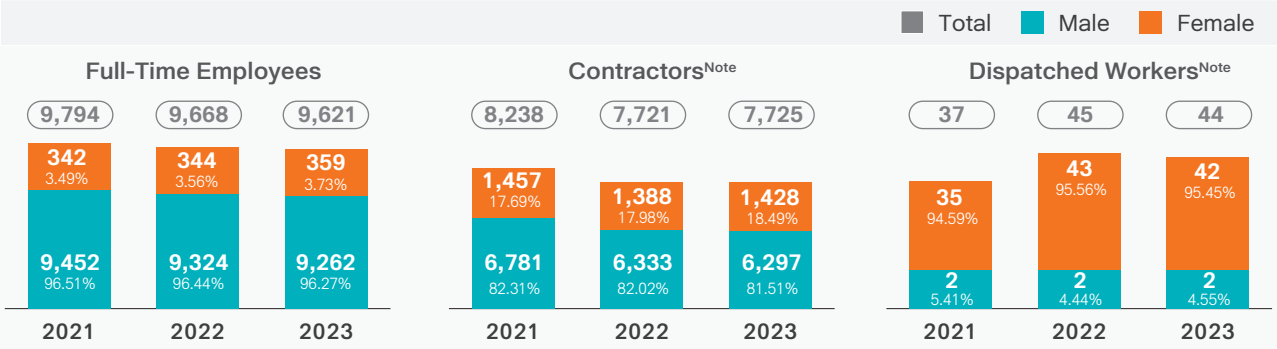
Results of the latest (2022) survey of Climate Policy Preferences: The majority of the organizations have made progress in promoting and adapting to climate policies. In the future, they will actively and pragmatically promote countermeasures to climate change and carbon neutrality. Still, organizations will contribute more to carbon neutrality activities if their risk management and guidance measures to members can be strengthened.

| | |
|---|---|
| ≥85% | of the organizations have shown concern for climate change and carbon neutrality issues. |
| ≥87% | of the executive/management/board members have the ability to understand and address climate-related issues. However, currently only 50% of the organizations are supervising and managing climate-related issues. |
| ≥85% | of the organizations have been promoting climate change adaptation and the trend towards achieving net-zero emissions among their members. |
| <20% | of the organizations have applied for government assistance in low carbon transition issues or have established processes to address climate-related risks. |

For more details [Climate Position and Advocacy] https://www.csc.com.tw/csc/esg/env/env10.html

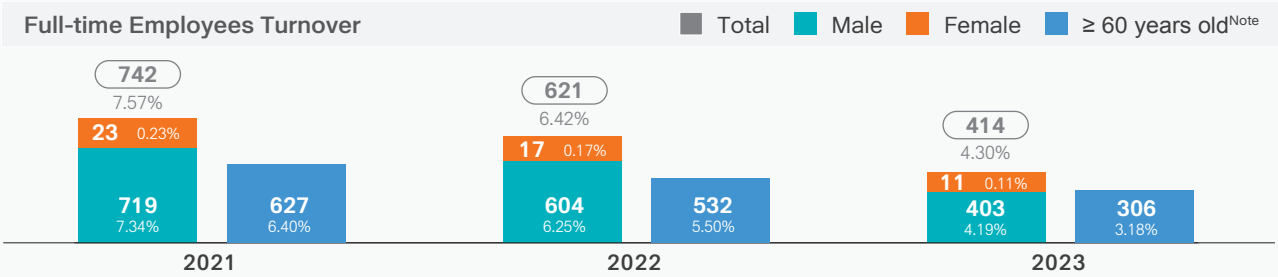
## Workforce

Targeted to have 4.10% of female employees in 2030




Note Contractors are hired by contracting companies for in-plant engineering projects and labor work. CSC' s industrial characteristics with many short-term outstanding projects contributed to the higher proportion of contractors in workforce. Dispatched workers are hired through human resource firms for administrative affairs.

## Turnover




Note The main reason for turnover is retirement.

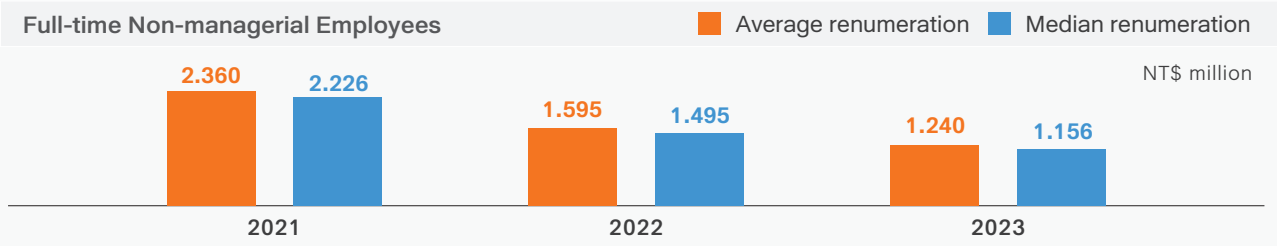
### Parental Leave

CSC' s policies regarding parental leave comply with government regulations. The rates of employees returning to work after parental leave were 100%, 100% and 90.5% from 2021 to 2023, which demonstrated the workplace' s friendliness and the adaptability of employees when they returned to duty.

For more details [Parental Leave] https://www.csc.com.tw/csc/esg/soc/soc2_ge.html

## Remuneration

1:1 Pay regardless of gender for employees of the same position and level





Note The main reason for the higher pay ratio of male employees than female employees in each category is because the average length of service for male employees (13.6 years) is longer than that of female employees (9.6 years).

## Education and Training

### Succession Plan of Significant Managements

The Company reviews its succession plan every year. When planning for successors, the Company considers whether the successors are well equipped with professional and management skills, and whether the successors share the same operation concepts as the Company and possess personality traits such as integrity, honesty, and meets the four values of CSC. In order to comprehensively develop decision-making skill in the role of senior management, training for management successors includes not only internal training related to management competencies but also job rotation and assignment to subsidiaries. For training programs, the Company has cooperated with top universities in Taiwan to conduct the business management program, which were attended by 80% of senior management successors until 2023.

### Employee Education and Training

Training courses in 2023 mainly include AI training, management, language, professional studies (technology, quality management), computer, EHS, new employee training, management training, and general training. Training expenses reached NT$46.16 million and the training hours per employee were 27.6 in 2023.

### Professional Skills Handover

In response to the tide of retirement, CSC has continued to recruit new employees in recent years. In order to integrate new recruits into CSC, we adopt the mentorship program and knowledge management system for new employees to have a better understanding of CSC, arrange various training programs to develop their professional capabilities, and promote exchanges through activities. With the knowledge management system, the Company systematically conducts inventory, storage, inheritance and innovation of talents and documents for the core capabilities of the organization.

## Employee Stock Ownership Trust System

CSC has implemented the Employee Stock Ownership Trust (ESOT) since July 1998. Eligible participants cover 100% of the full-time employees, and are free to participate according to their personal wishes.

Each participant can freely choose the monthly contribution amount within the 10% limit of his/her basic salary. Meanwhile, the Company contributes additional 20% of participating employees' monthly deposit amount as incentives. The Company has commissioned a financial institution to manage this trust and to purchase shares of the Company using all deposits in the name of a special account. From 2024, the Company introduced a new allocation rate of 30% scheme while maintaining the current allocation rate of 20% scheme and established the scheme of delivering the incentive bonus to ESOT. CSC aims to enhance employees' sense of participation in the Company and build cohesion, thereby stabilizing the company's shareholding structure.

The number of CSC’s employees is 9,600 currently, and the ratio of employees joining CSC’s ESOT is approximately 93.4%.

## Labor Relations and Human Rights

### Labor-management meetings

CSC regularly holds labor-management meetings every month, with a total of 12 meetings throughout the year, which is better than the legal requirement to hold once every three months.

### Collective Agreement

The collective agreement between CSC and Labor Union of CSC is negotiated every 3 years (the latest signing was the 6th agreement on March 15, 2024). CSC Collective Agreement covers all members of Labor Union of CSC, which includes 100% of full-time employees with membership qualifications. Certain senior level management are not qualified for membership of the labor union, therefore the coverage from all employees’ perspective is 99%.

### CSC Human Rights Policy

CSC complies with international human rights conventions, including the "United Nations Universal Declaration of Human Rights," the "United Nations Global Compact," as well as the "International Labor Organization Declaration on Fundamental Principles and Rights at Work" to formulate CSC's Human Rights Policy, which has been approved by the President. Besides, contractors should abide by "Management Guidelines for Contractor," "Management Guidelines for Safety and Health of Contractor," "Regulations on Environmental Protection by Contractor," and other regulations to ensure a safe and healthy working environment for the workers from contractors.

### Measures to Protect Human Rights


## Human Rights Due Diligence

2023 The human rights due diligence conducted in 2023 found no human rights violations.

CSC conducted human rights due diligence every year, and proposed improvement measures based on its results, in hopes of lowering the probability of human rights risks.

### Human rights due diligence flowchart


### Human rights due diligence results

| Topic of concern | Investigation subjects | 2023 Investigation results | Preventive and mitigation measures |
|---|---|---|---|
| Elimination of discrimination to ensure equal job opportunities | Employees | • No internal or external complaints or government sanctions. | • Interview training has been provided to interviewers, and the prohibition of discrimination and the relevant laws and regulations of the Employment Service Act have been emphasized. |
| Prohibition on child labor | | • No internal or external complaints or government sanctions. | • Identification information of applicants is checked during the registration stage and will be rechecked at the time of the interview and coming on board. |
| Prohibition on forced labor | | • No internal or external complaints or government sanctions . | 1. In accordance with government regulations, working hours are systematically controlled.<br>2. Employees are encouraged to take advantage of off-peak working hours to go on a vacation to relax physically and mentally. |
| Freedom of association and collective bargaining rights | | • No internal or external complaints or government sanctions . | 1. The Labor Union of CSC covers 100% of full-time employees with membership qualifications.<br>2. Labor-management meeting is held every month, and employees can access the progress of proposals in the labor-management meetings online. |

| Topic of concern | Investigation subjects | 2023 Investigation results | Preventive and mitigation measures |
|---|---|---|---|
| Provide a safe and healthy working environment | Employees | • No government penalties imposed in 2023. However, there was an external investigation into workplace misconduct. After an investigation by labor inspectors from Labor Standards Inspection office, two recommended actions were issued. | 1. Labor inspectors investigated the Company's handling process of the workplace misconduct incident. The reporting contact being the supervisor of the unit, without mandatory involvement of third-party units, is not aligned with the spirit of misconduct handling. After discussion with relevant units, improvements were made as follows:<br>(1) An incident reporting mailbox has been set up and is handled by the Industrial Safety & Hygiene Department.<br>(2) Specified the members of the Workplace Misconduct Investigation Team: The Industrial Safety & Hygiene Department, Human Resources Department, and the Labor Union are the required members of the workplace misconduct investigation team. Additional investigation members may be added depending on the case circumstances.<br>2. In 2023, CSC conducted five sessions of the "Work place Misconduct Prevention and Communication Skills Training" course. CSC specially invited labor inspectors from Labor Standards Inspection office to present real cases to help participants understand what constitutes workplace misconduct and how to handle it. |
| Violation of labor conditions | Contractors | • No internal or external complaints or government sanctions. | • CSC checks the labor conditions every July to confirm that the minimum basic salary and payment in lieu of annual leave, labor insurance, health insurance, and overtime hours given by contractor employers are in compliance with the Labor Standards Act and the regulations put forth by CSC. Any discrepancies with regulations need to be explained by contractor employers and signed by contractor employees. |
| Air pollution control | Local Communities | • No complaints or government sanctions were received from neighboring communities. | 1. CSC Environmental Monitoring Center oversees 6 air quality monitoring stations and is equipped with 2 real-time digital boards publicly displaying air quality data.<br>2. Respond through the appeals channel. After learning about the complaint, the Company handles the complaint in accordance with the "Administrative Rules for Environmental, Safety and Health Communication, Participation, and Consultation Management". If a pollution incident is found to have been caused by CSC, the complaint shall be processed in accordance with the "Administrative Rules for Environmental, Safety, and Health Incident Investigation, Non-compliance, and Corrective and Preventive Measures". |

## Supply Chain Management

CSC requests all contractors involving in each bid to incorporate an anticorruption clause in the contract as the following: “The contractor undertakes that its bid price shall not include bribes, gifts, commissions, rewards or other unjust interests. The contractor also undertakes that it shall not offer the same unjust interests to any managers, employees and part-time employees, as well as their spouses, immediate family members or contractors responsible for consulting, design and planning.” In case of any violation, contractors shall be liable for all damages suffered by CSC. For serious violations, CSC is entitled to revoke or terminate all contracts signed with the contractors in fault.

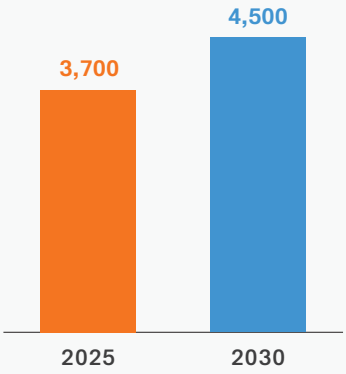
- In 2022, the Company temporarily halted business dealings with 10 companies in violation of ethical principles.
- In 2023, the Company temporarily halted business dealings with 1 company in violation of ethical principles.

## Supplier Code of Conduct

In 2022, CSC established the Supplier Code of Conduct with reference to international norms and standards including the Responsible Business Alliance Code of Conduct v7.0, the UN Supplier Code of Conduct Rev.06, etc. The Code contains five parts, including ethics, labor and human rights, health and safety, environmental standards, and management systems. In addition, special clauses will be added to the contracts as necessary. We expect our suppliers to adopt the same standards and to comply with these standards and the laws and regulations of the countries in which they operate in all their business activities. CSC expects suppliers to ensure that this Code of Conduct is communicated to their subsidiary and affiliated entities as well as any contractors.

Human rights requirements set forth in the Supplier Code of Conduct include requiring suppliers to ensure that their products do not use minerals that directly or indirectly finance violence, violation of human rights, or criminal individual or group; human rights of laborers, freedom of employment, prohibition of child labor, working hours which shall not exceed the maximum permitted by local laws, humane treatment, anti-discrimination, etc.

Targets for the number of suppliers who adopt Supplier Code of Conduct




For more details [Supplier Code of Conduct] https://www.csc.com.tw/csc/esg/pdf/par-conduct.pdf

## Prohibition on Conflict Minerals

1. CSC has committed not to use any minerals from Democratic Republic of the Congo, its neighboring countries or any mines controlled by armies or rebel groups, in its products or packing.
2. Through enhancing supply chain management, CSC effectively identifies and traces material sources. Regarding investment in raw material sources, any mine that is suspected to be involved in conflict minerals would be disregarded in investment evaluation.

## Contractor Management

Internal policy: “Management Guidelines for CSC Operations, Maintenance, and Environmental Protection Contractors"

| | | 2023 | |
|---|---|---|---|
| Contractor Type | Job Description | Number of Contractors | % |
| Maintenance | Responsible for repair and maintenance of equipment; or repair, manufacture and process of spare parts or test samples in Production Division and Technology Division. | 4,336 | 56% |
| Operations | Responsible for operation-related tasks that require basic technical skills and have only indirect access to production equipment, or involved in non-technical labor works in Production Division, Technology Division and Transportation Department. | 2,873 | 37% |
| Environmental Protection and Others | Responsible for the disposal of industrial waste produced during production identified by the Environmental Protection Department. | 516 | 7% |


Contractor employees must have insurance mandated by the government.

Ensure that the employers of the contractors comply with Labor Standards Act and regulations set forth by CSC. Discrepancies with regulations shall be explained by employers of the contractors.

"Outsourcing Strategy Review Meeting" is held at the end of each year to ensure that the wage level of contractors is superior to the minimum wage stipulated in the Labor Standards Act.

New contractors must genuinely report on the critical occupational safety and/or environmental protection issues for the past three years to facilitate the works of relevant departments regarding classification, evaluation, and on-site inspections.

Contractor employees must comply with CSC's safety and health work rules. A penalty would be imposed for any violation, and the fine will be designated exclusively to a fund for supervision, correction, and improvement of the safety and health of contractor employees.

New contractors must fill out evaluation forms and submit supporting documents disclosing information including primary business activities and verified certifications (ISO 45001/ISO 14001). This is to verify that the contractors are legally registered, taxed and insured and financially sound.

## Contractor Evaluation and Assessment

Contract executing units must conduct a monthly evaluation based on contractor's performance and compile the results in the "annual evaluation report"

If the annual assessment score is lower than 70, the contractor will be disqualified for the next term of contract renewal.

No contractors scored below 70 in 2023.

## Safety and Health

CSC Contractor Safety and Health Committee was founded in 1983.
Internal Policy: "Safety and Health Guidelines for Plant Engineering & Maintenance Department Contractors"

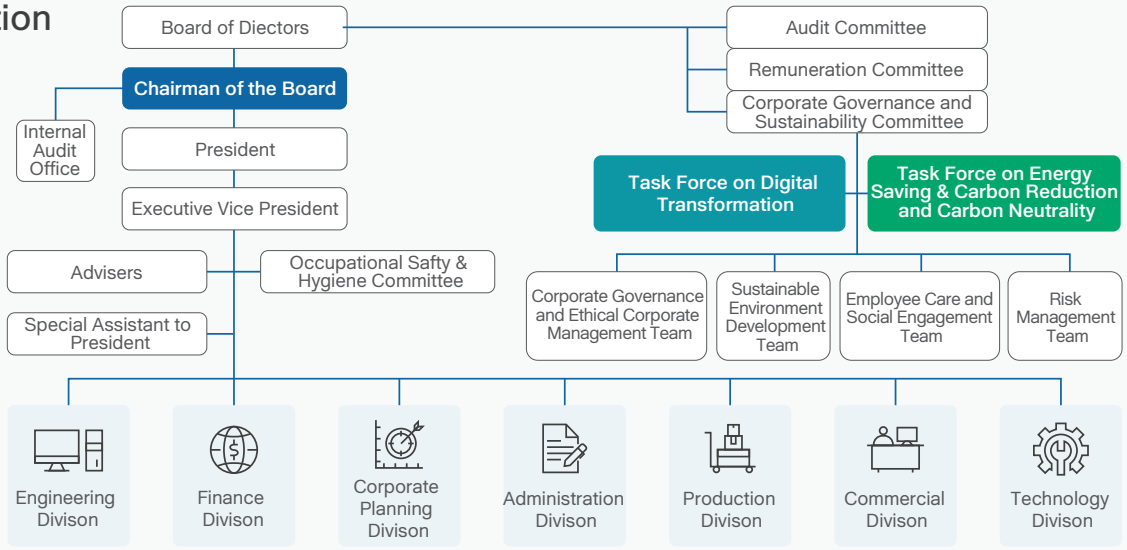
| | |
|---|---|
| **Contractor Safety and Health Propaganda** | Gather contractors every month to announce new safety and health related information and regulations by CSC. |
| **New Contractor ID Issuing Assessment** | New contractor must attend mandatory safety trainings and be interviewed by managers of ID issuing units.<br>(Listed in the Industrial Safety & Hygiene Department' s system) |
| **Safety Care** | Conduct on a monthly basis.<br>(Listed in the Industrial Safety & Hygiene Department' s system) |
| **Report of Near Misses** | Reporting near misses is encouraged with rewards. |
| **Implement and Promote Inherent Safety** | Urge contractors to comply with CNS 4750, and reinforce by frequent inspections to reduce scaffolding related safety hazards. |
| **Safety Inspections** | All levels of management personnel regularly conduct safety inspections at contractor' s workplace and keep records.<br>(Listed in the Industrial Safety & Hygiene Department' s system) |

## Contractor Training

CSC maintenance units are responsible for arranging training courses and certifications based on the health and safety requirements as well as technical skills required for contractors to perform their work at CSC. In 2023, contractor workers received a total of 37,615 hours of training in CSC including safety, technical training and skills certification.

# Governance

## Organization Chart




## Board of Directors

as of 2024.09.30

| Title | Juristic Person Represented | Name | Gender | Age | First Assumed Office | Years on Board (2024.09)[1] | CSC Position | 2023 Attendance |
|---|---|---|---|---|---|---|---|---|
| Chairman | Ministry of Economic Affairs[2] | Chao-Tung Wong | M | 70 | 2016.06.23 | 7Y 10M | | 100% |
| Acting Chairman | | Shyi-Chin Wang | M | 67 | 2015.10.01 | 8Y 11M | | NA |
| Chairman | | Chien-Chih Hwang[6] | M | 64 | 2019.09.30 | 5Y | | NA |
| Director | Ministry of Economic Affairs[3] | Wen-Sheng Tseng | M | 54 | 2018.05.14 | 6Y 2M | | 100% |
| | | Ching-Chang Lien[6] | M | 61 | 2024.08.05 | 1M | | NA |
| Director | Ministry of Economic Affairs[3] | Ming-Jong Liou | M | 70 | 2012.11.01~ 2016.06.23; 2020.11.20 | 7Y 4M (3Y 7M+ 3Y 9M) | | 100% |
| | | Wen-Chung Hu[6] | M | 62 | 2024.09.10 | 0.7M | | NA |
| Director | Gau Ruei Investment Corporation | Shou-Tao Chen | M | 63 | 2023.08.04 | 1Y1M | President | 100% |
| Director | Ever Wealthy International Corporation[4] | Chien-Chih Hwang | M | 64 | 2019.09.30 | 5Y | | 100% |
| | | Jih-Jau Jeng[6] | M | 63 | 2024.09.10 | 0.7M | Executive Vice President | NA |
| Director | Hung Kao Investment Corporation | Cheng-I Weng | M | 80 | 2001.05.31 | 23Y 4M | | 100% |
| Director | Chiun Yu Investment Corporation[5] | Shyi-Chin Wang | M | 67 | 2015.10.01 | 8Y 11M | President | 100% |
| | | Kuan-Fu Chen[6] | M | 54 | 2024.09.10 | 0.7M | VP of Planning Division | NA |
| Director | Labor Union of China Steel Corporation, Kaohsiung City | Chun-Sheng Chen | M | 62 | 2018.01.05 | 6Y 8M | | 100% |
| Independent Director | | Shyue-Bin Chang | M | 75 | 2016.06.23 | 8Y 3M | | 100% |

| Title | Juristic Person Represented | Name | Gender | Age | First Assumed Office | Years on Board (2024.09)[1] | CSC Position | 2023 Attendance |
|---|---|---|---|---|---|---|---|---|
| Independent Director | | Min-Hsiung Hon | M | 80 | 2016.06.23 | 8Y 3M | | 100% |
| Independent Director | | Lan-Feng Kao | F | 59 | 2016.06.23 | 8Y 3M | | 100% |

Note 1. Years on board is calculated till 2024.09.

2. Chao-Tung Wong, the former Chairman of CSC, has retired on May 18, 2024. Ministry of Economic Affairs appointed Shyi-Chin Wang as its representative, and the Directors of CSC recommended Shyi-Chin Wang to serve as acting Chairman. Acting Chairman Shyi-Chin Wang retired on September 9, 2024. Ministry of Economic Affairs appointed Chien-Chih Hwang as its representative, and the Directors of CSC recommended Chien-Chih Hwang to serve as Chairman effective from September 10, 2024.

3. Ministry of Economic Affairs appointed Ching-Chang Lien as its representative on August 5, 2024. Appointed Wen-Chung Hu as its representative on September 10, 2024.

4. From September 10, 2024, Ever Wealthy International Corporation reassigned Jih-Jau Jeng as its representative.

5. From September 10, 2024, Chiun Yu Investment Corporation reassigned Kuan-Fu Chen as its representative.

6. The incumbents on September 30, 2024.

## Implementation of Diversity Policy for the Board of Directors

| | Core Diversity Element | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Basic Composition | | | | | | | | | | | | | | | | | |
| | Gender | Employed by the Company | Age Distribution | | | Independent Director Tenure | | | Business Management | Decision-Making | Industry Knowledge | Steel Industry Management Experience | Finance and Accounting | Marketing | Technology | Risk Management | ESG |
| Name Of Directors | | | 50 ~ 59 | 60 ~ 69 | > 70 | < 3 yrs | 4 ~ 8 yrs | > 9 yrs | | | | | | | | | |
| Chairman Chien-Chih Hwang | M | | | ✓ | | | | | ✓ | ✓ | ✓ | ✓ | | ✓ | | | ✓ |
| Director Ching-Chang Lien | M | | | ✓ | | | | | ✓ | ✓ | ✓ | | | | ✓ | ✓ | ✓ |
| Director Wen-Chung Hu | M | | | ✓ | | | | | ✓ | ✓ | ✓ | | | | | ✓ | ✓ |
| Director Chun-Sheng Chen | M | ✓ | | ✓ | | | | | ✓ | ✓ | ✓ | ✓ | | | ✓ | | ✓ |
| Director Jih-Jau Jeng | M | ✓ | | ✓ | | | | | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ |
| Director Cheng-I Weng | M | | | | ✓ | | | | | ✓ | ✓ | | | | ✓ | | ✓ |
| Director Kuan-Fu Chen | M | ✓ | ✓ | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ |
| Director Chun-Sheng Chen | M | ✓ | | ✓ | | | | | ✓ | ✓ | ✓ | | | | | ✓ | ✓ |
| Independent Director Shyue-Bin Chang | M | | | | ✓ | | ✓ | | ✓ | ✓ | ✓ | | | | ✓ | | ✓ |
| Independent Director Min-Hsiung Hon | M | | | | ✓ | | ✓ | | ✓ | ✓ | ✓ | | | | ✓ | | ✓ |
| Independent Director Lan-Feng Kao | F | | ✓ | | | | ✓ | | | | ✓ | | ✓ | | | ✓ | ✓ |

## Succession Policy and Plan of Directors

CSC adopts the candidate nomination system for Directors; the term of each session shall be three years. Unless otherwise required by laws and regulations or the Articles of Incorporation, the election of Directors shall be in compliance with the CSC's Rules Governing the Election of Directors.

The election of the Directors shall take diversity into consideration, such as basic requirements and values (including gender, age, nationality, culture, etc.), professional knowledge and skills (including professional background, professional skills, and industry experiences). Furthermore, to achieve the ideal target for corporate governance, the Directors shall generally be equipped with the knowledge, skills, general capacity and disposition required for performing its duties. The Board of Directors shall encompass the following abilities: I. Judgment of business operations; II. Accounting and financial analysis; III. Operational management; IV. Crisis management; V. Industrial knowledge; VI. International market outlook; VII. Leadership skills; and VIII. Decision making.

The Company conducts the succession plan of its Directors according to the following approaches: I. Adequate candidates recommended by the current Directors. II. Director candidates recommended by shareholders. III. Refer to the results of performance evaluation of the Board of Directors for the nomination of the Directors' reappointment.

To reinforce the efficacy for Directors to exercise their powers and functions, the Company will keep up with the trend and arrange annual training programs with reference to the changes in internal and external environmental conditions and the development demand, so as to improve the professional know-how for our Directors.

### Implementation of Strengthening Functions of Board of Directors

(1) In 2024, CSC formulated overarching strategies, objectives, and specific plans for the next decade based on a framework of dual cores and three transformations. The new phase (2024-2033) of operational development strategy was presented to the Board of Directors on December 29, 2023, with discussions and suggestions specifically addressing the proportion of Advanced Premium Steel' s gross profit in total sales. To follow up the implementation of these strategies, the Company reports the implementation outcomes to the Corporate Governance and Sustainability Committee on a semi-annual basis and to the Board of Directors after the end of the year.

(2) In order to properly respond to relevant issues of concern to stakeholders and understand their reasonable expectations and needs, CSC has delegated various departments to be responsible for stakeholder communication. In addition, the Company arranges engagements between domestic and foreign investors and the Board members from time to time. CSC's Corporate Governance and Sustainability Committee reported the latest annual stakeholder engagement results to the Board of Directors in August 2023, and also reported topics of concern of institutional investors in 2023 and their recommendations for improvement to the Board of Directors in February 2024.

(3) The Company arranges corporate governance courses for group Directors and Supervisors every year. 2 corporate governance courses have been arranged in 2023, including content related to "Insights into Company Fraud Risks and Preventive Measures: Lessons from Real-Life Cases" and "Cross-Border Management Practices for Net Zero Carbon Emissions".

## Functional Committees of the Board of Directors

### Audit Committee

(2023.01.01~2023.12.31)

| Title | Name | Attendance in Person | Attendance by Proxy | Attendance (%) | Financial and Accounting Expertise |
|---|---|---|---|---|---|
| Independent Director (Convenor) | Lan-Feng Kao | 5 | 0 | 100% | V |
| Independent Director | Shyue-Bin Chang | 5 | 0 | 100% | |
| Independent Director | Min-Hsiung Hon | 5 | 0 | 100% | |

#### Annual focus of the Audit Committee:

(1) Audit of the annual business report and financial statements.
(2) Review of planned capital expenditure projects, focusing on the implementation of intelligent design.
(3) Review of the Company's common shares repurchase proposal.

### Remuneration Committee

(2023.01.01~2023.12.31)

| Title | Name | Attendance in Person | Attendance by Proxy | Attendance (%) |
|---|---|---|---|---|
| Independent Director (Convenor) | Min-Hsiung Hon | 3 | 0 | 100% |
| Independent Director | Shyue-Bin Chang | 3 | 0 | 100% |
| Independent Director | Lan-Feng Kao | 3 | 0 | 100% |

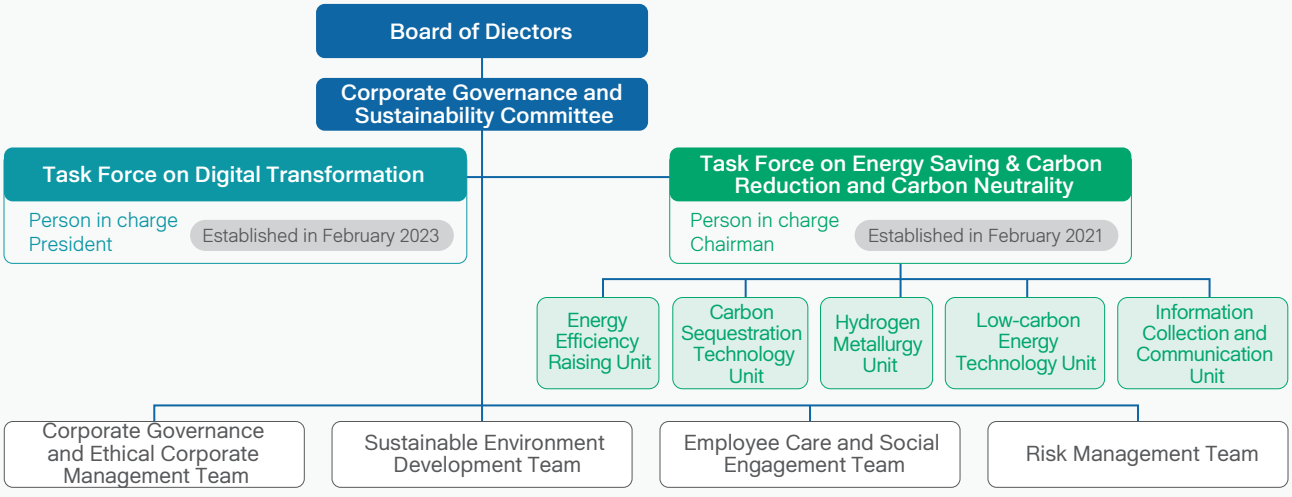
## Corporate Governance and Sustainability Committee

(2023.01.01~2023.12.31)

| Title | Name | Other Major Position | Industrial Experience/ Professional Background | Attendance in Person | Attendance by Proxy | Attendance (%) |
|---|---|---|---|---|---|---|
| Independent Director (Convenor) | Shyue-Bin Chang | Independent Director, Hiwin Mikrosystem Corp. | Aviation Industry; Mechanical and Electrical Engineering | 3 | 0 | 100% |
| Independent Director | Min-Hsiung Hon | Chair Professor Emeritus, Department of Materials Science and Engineering, National Cheng Kung University | Materials Science | 3 | 0 | 100% |
| Independent Director | Lan-Feng Kao | Professor, Department of Finance, National University of Kaohsiung | Accounting/Finance | 3 | 0 | 100% |
| Director | Chien-Chih Hwang | Executive Vice President, CSC | Steel Industry Management | 3 | 0 | 100% |
| Director | Chun-Sheng Chen | President, Labor Union of CSC | Labor Rights | 3 | 0 | 100% |

In order to implement the sustainable management policy, the Committee has 4 execution teams. Each team is responsible for the operation and promotion of relevant matters and the implementation of the Committee' s resolutions. The Committee convenes at least two meetings annually, in which the execution teams shall reports the implementation results for the current year and the implementation plan for the following year to the Committee, and the Committee shall report them to the Board of Directors.

In addition, CSC also established the "Task Force on Energy Saving & Carbon Reduction and Carbon Neutrality" and "Task Force on Digital Transformation " under the Corporate Governance and Sustainability Committee, which are respectively responsible for climate change and smart innovation issues, and regularly report its plan and implementation results to the Committee and the Board of Directors.

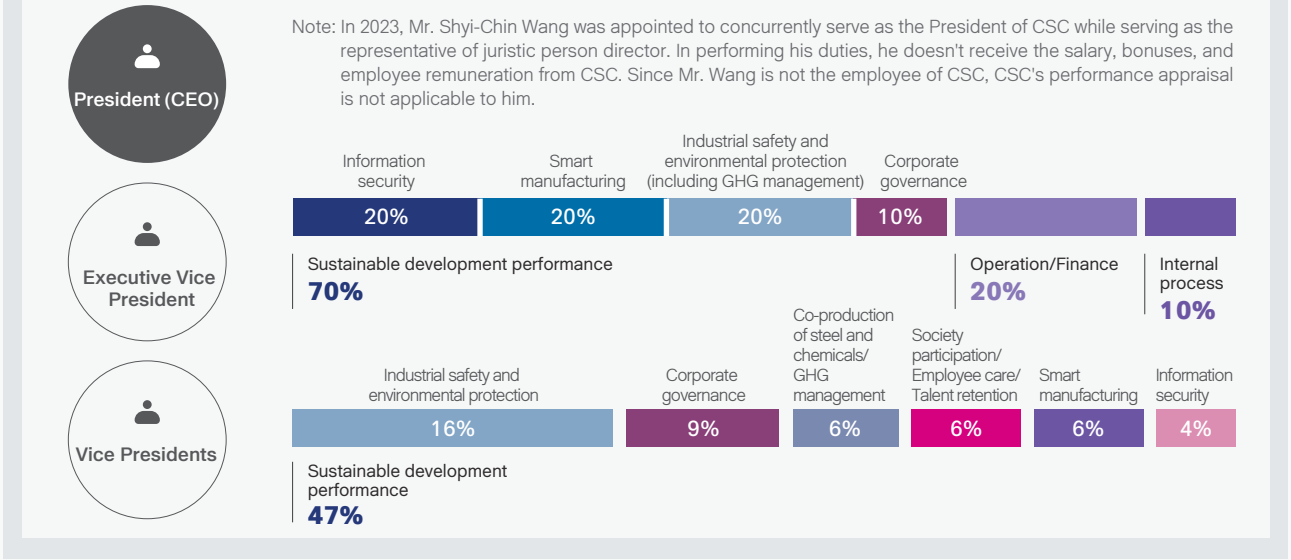



For more details [Results for Corporate Governance and Sustainability Committee in 2023] https://www.csc.com.tw/csc/cg/bof3_list-112.html

## Executive Compensation Linked to Sustainable Performance Targets

The company's executive compensation is divided into fixed and variable remuneration. Variable remuneration includes employee remuneration, incentive bonuses and production and sales surplus bonuses, etc., and is determined by comprehensively considering sustainable development (ESG) performance and other performance indicators.

2023 Annual KPIs

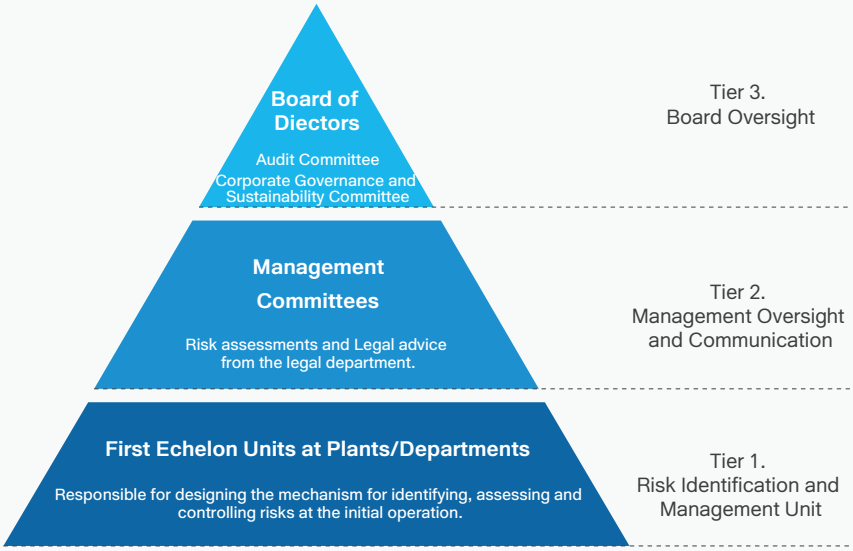



For more details [Executive Compensation Linked to Sustainable Performance Targets] https://www.csc.com.tw/csc/esg/cg/cg7.html

## Risk Management

Risk control at CSC is divided into three levels with different mechanisms. It adopts comprehensive risk control over all employees, instead of being controlled by a single department. At ordinary times, control is executed level by level, including the identification, assessment and prevention of risks. In the first half of each year and at the end of the year, the risk assessment information is compiled regularly and reported to the Corporate Governance and Sustainability Committee and the Board of Directors, while the frequency of evaluation for each issue (monthly/ quarterly) is determined by the respective responsible departments who report to their functional committees.

The Board of Directors approved the establishment of the "Risk Management Policy and Procedures" as the highest guiding principle for risk management. Business execution units are responsible for identifying the sources of risks, carrying out risk analysis and assessment, and formulating response strategies or measures. Risk monitoring is carried out by each level of responsible managerial personnel, management, and functional committees, and the status of risk management is regularly reported to the Board of Directors twice a year to properly control related risks.




In 2023, CSC conducted risk identification on operational risks, financial risks, information security risks, environmental risks, legal compliance risks, and other areas covering economic, environmental, and social aspects, and divided the risk into five levels to confirm the priority of risk management strategies. According to the assessment results, there are 2 items with high risk or above, including carbon control (implementation of carbon pricing mechanism) and major occupational accidents. There are 21 items with medium risk or above, including geopolitical risks, market demand risks, inflation risks, rising insurance costs and inventory risks of slab for hot-rolled. For the risk items that had been identified and analysed, the staff from relevant departments were responsible for the formulation and implementation of subsequent risk management strategies and plans.

As risks derived from the rapid changes in the global economy, society, and environment are diverse and complex, CSC had established an emerging risk management system to respond to and manage potential threats in a timely manner through identification, assessment and responses, and supervision mechanisms. After collecting internal and external emerging risk information, a total of 7 emerging risk issues and their potential impacts were identified in 2023 and the impact of each issue was assessed by the management. The survey results showed that the top 3 emerging risks that CSC should pay attention to were carbon pricing controls, customer demand moves towards low-carbon products, and low carbon production technology; the relevant countermeasures had been developed.

In addition, CSC has set up its annual business policies and compiled a control table of material risks and opportunities related to business policies to conduct the risk identification, management and implementation measures related to business policies. Also, the effectiveness evaluation is conducted annually. In addition, CSC receives annual evaluations by the BSI for steel product systems (IATF 16949+ISO 9001+QC 080000).

## Risk Management Policy and Procedures


For more details [Risk Management Mechanism] https://www.csc.com.tw/csc/esg/cg/cg3.html

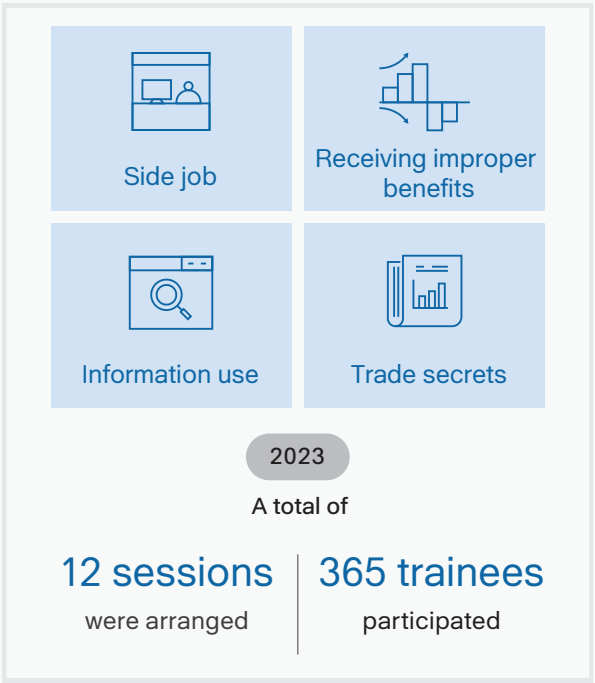
## Business Integrity

CSC has established the "Ethical Corporate Management Best Practice Principles for CSC" approved by the Board of Directors, and the "Procedures for Ethical Management and Guidelines for Conduct". CSC's Ethical corporate management policies are also declared in internal regulations, annual reports, company websites, publications and external activities.

Furthermore, during the process of adopting the Taiwan Intellectual Property Management System (TIPS), CSC also requires new hires and employees to simultaneously sign the "Statement and Commitment to Employee Code of Conduct", so they understand and undertake that they shall neither directly nor indirectly provide, promise, demand or accept any improper benefits, or engage in other behaviors that are in breach of integrity, laws and regulations or fiduciary duty when performing their duties.

### Instructions for new employees

CSC arranges instructions on company regulations, corporate culture, information security, and intellectual property for new employees every year and promotes the importance of ethics with topics on the right.



## Preventing Malpractice

1. CSC shall not contribute to political donations.
2. "Ethical Corporate Management Best Practice Principles": When engaging in commercial activities, Directors, managers, employees, and mandataries of the Company or persons having substantial control over the Company shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.

## Whistleblowing

CSC has internal and external appeals channels. Complainants can file their appeals through the reporting hotline, complaint mailbox, and appeal reporting system on CSC website. Whistleblowing cases are processed by the independent Internal Audit Office. When handling a whistleblowing case or an appeal, the entire process will be kept confidential and a whistleblower protection system has been established. The files provided by the whistleblower will be encrypted, protected, and included in the internal control system.

In 2023, a total of 26 appeals were received, which were handled properly by the relevant units upon duly investigation. No corruption or bribery was found in such investigations.

| | 2021 | 2022 | 2023 |
|---|---|---|---|
| Appeals | 26 | 21 | 26 |

## Integrity Management Compliance

There was no corruption, bribery, discrimination, harassment, customer private personal information, conflict of interests, money laundering, insider trading, and other violations specified in the Code of Conduct found in 2023.

### Violation Category

| Category | Corruption or Bribery | Discrimination or Harassment | Customer Private Data | Conflicts of Interests | Money Laundering or Insider Trading | Others[Note] |
|---|---|---|---|---|---|---|
| Number of breaches in 2023 | 0 | 0 | 0 | 0 | 0 | 29 |

Note Cases other than the cases specified in the above table, such as violation of admission guidelines or discipline at work, etc., were investigated, deliberated, and handled in line with internal operation regulations by due process, followed by enhanced promotion to all employees to strengthen their awareness of compliance with the Code of Conduct.

For more details [Integrity Management] https://www.csc.com.tw/csc/esg/cg/cg2.html

CSC