

SIRUBA



2020 **Sustainability
Report**

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About the Report

Editing Principles

Kaulin Manufacturing Co., Ltd. (hereinafter referred to as Kaulin or the Company), established in 1965, is engaged in the research, development, production and manufacturing of industrial sewing equipment, and is known worldwide for its "SiRUBA" brand sewing machines. Over the past half century, SiRUBA has been involved in the growth of the sewing industry, from order taking, production, to delivery, while every step of the process is carefully monitored. In addition to our products, we are committed to promoting the sustainable development of the Company by paying attention to the issues that are important to each stakeholder. To this end, Kaulin issued its first sustainability report in 2021, which systematically identified material topics and issues of concern to stakeholders and actively proposed sustainable development initiatives in response. With the framework of five material aspects: leading corporate governance, innovative products and services, implementing green operation, establishing friendly workplace, and devoting to social welfare, we revealed our sustainable management approach and performance in the fields of governance, environment, and society, presented the results of stakeholder focus and communication, and demonstrated the corporate sustainability management. In addition to demonstrating the Company's commitment to sustainable management, the report also allowed stakeholders to understand the vision and goals of Kaulin for sustainable development in the future and to jointly contribute to sustainability.

Report Boundary and Disclosure Period

This report is the first sustainability report of Kaulin Manufacturing Co., Ltd., which was issued in October 2021 and covers the period from January 1 to December 31, 2020. The information is compiled and disclosed mainly in the area of Kaulin's operating locations in Taiwan, while the subsidiaries are not included in the report due to the inaccessibility of information collection at this stage. The scope of the information currently available covers the performance of the various operational development and sustainability issues in the areas of business development, social responsibility and environmental sustainability. For the sake of completeness of information disclosure and comparison of trends, some of the information contains historical data as well as the contents of 2021, and if there is any inconsistency in the reporting period, it will be noted. In the future, we will publish the Sustainability Report every two years.

Report Compliance Standards

The contents of this report have been compiled and provided by various units of the Company and are based on the Core of the GRI Standards issued by the Global Reporting Initiative (GRI) and approved by the President and the Board of Directors for public release.

Contact Kaulin

If you have any questions or suggestions about the contents or activities of this report, you are welcome to contact us through the following methods:

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Message from the President



President Lin Sheng-Chih

In recent years, technology is changing rapidly, and industrial sewing machines are growing and evolving in response to the changes of the times. For more than 50 years, Kaulin has been upholding the spirit of providing the best products and services to each customer by carefully monitoring every step of the process from order taking, production to delivery. Recognizing the global trend of employee shortage and the need for automated production assistance, Kaulin has been ahead of the curve in the development of automated industrial sewing machines, researching semi-automated and fully automated equipment and accessories, developing "electro-mechanical integration" and "sewing automation" technologies, and developing a variety of automated sewing equipment to build a more complete and competitive industrial sewing machine product line for the industry. In recent years, Kaulin has incorporated sustainability factors into its sewing machine products, incorporating concepts such as energy saving, waste reduction, and recycling design into product development and manufacturing, making a material step in the green transformation of its products. At the same time, SiRUBA has launched a smarter and more convenient product series and service network in response to the current information era. It has adopted the industry's first product QR code scan to provide official product certification services, and constructed a new E-commerce system to simplify the B2B transaction process and achieve fast and accurate product transaction cooperation.

The global economic activity has been greatly affected by the outbreak of Corona Virus (COVID-19) since 2020, which has led to a decline in demand in the apparel retail industry and affected Kaulin's profitability. The US and Vietnam operations have also faced temporary shutdowns, reduced production and sales volumes, and operating losses due to the epidemic. However, with its excellent financial position, Kaulin made timely adjustments to its operating strategies, and gradually recovered from the bottom of the

market through cost-cutting and asset revitalization.

The Company has turned the crisis into an opportunity, and sees the importance of sustainable corporate development.

The SiRUBA IoT (Internet of Things Production System), which was developed with great care, solved the problem of isolating management from the workplace in order to avoid the epidemic, and helped garment manufacturers to create business opportunities without time and space constraints. With the slowdown of the trade war between the US and China in the second half of 2020 and the strong demand of the sewing machine industry cycle, Kaulin's consolidated revenue for the first half of 2021 was \$1,383.86 million, up 101.91% from the same period last year, reversing the disadvantage brought about by the epidemic, and the future is promising.

Kaulin has taken a step forward in its journey towards sustainability. In the second half of 2021, we expected to establish a Sustainable Development Committee to oversee the implementation of sustainability issues, so that the three ESG (Environmental, Social and Governance) indicators can be taken into account in the Company's management decision-making process. In addition, based on the Sustainable Development Goals (SDGs) released by the United Nations, we have developed the concept of "Sew much better" to enhance our corporate resilience and fulfill our responsibilities as a global corporate citizen in the face of climate change, international relations, and the rapid development of global industries. We are committed to the management philosophy of "upholding ethical management, implementing corporate governance, fulfilling social responsibility, and pursuing sustainable management". Kaulin looks forward to working with all stakeholders in the industrial sewing machine industry to continue to improve, and together we will be able to achieve great results and become a sustainable leader in the industry!

Sustainable Performance Highlights

Governance aspect

- As of 2020, a total of 33 products had received the CE mark
- More than 90 distributors/dealers worldwide in 2020
- From January to December 2020, sales growth was 11% year-over-year in Vietnam and Egypt, 21% year-over-year in Turkey, 43% year-over-year in Indonesia, and 48% year-over-year in Uzbekistan
- In 2020, all employees were regular employees and 100% of the senior leaders were Taiwan employees.
- Retention rate for 2020 is 100% after one year of reinstatement from child birth.
- In 2020, the total number of training hours for all employees is 941 hours, and 100% of all employees participate in training.
- In 2020, we organized Carnegie courses, Garment Production Digital Conversion and Business Assistant course and Central University internal training course
- In 2020, Kaulin held a firefighting education and training and applied to the Department of Labor, Taipei City Government for the "One Hour Labor Safety and Health Education and Training to Protect the Whole Life" to send staff to the Company to conduct training.

Environment aspect

- Introduced ISO14001 environmental management system in 2018 to establish an integrated environmental management system and improve environmental quality
- In 2020, the solar energy equipment was built on the leased roofs with a total capacity of 242KW, and the estimated reduction of CO2 emissions would reach 3.07 million kg.
- In 2020, we invested more than NT\$5 million in research and development of energy-saving products, develop more than 10 low energy-consuming green products, and obtain 4 related patents.
- We reduced the total amount of general business waste by 46% in 2020 compared to 2018

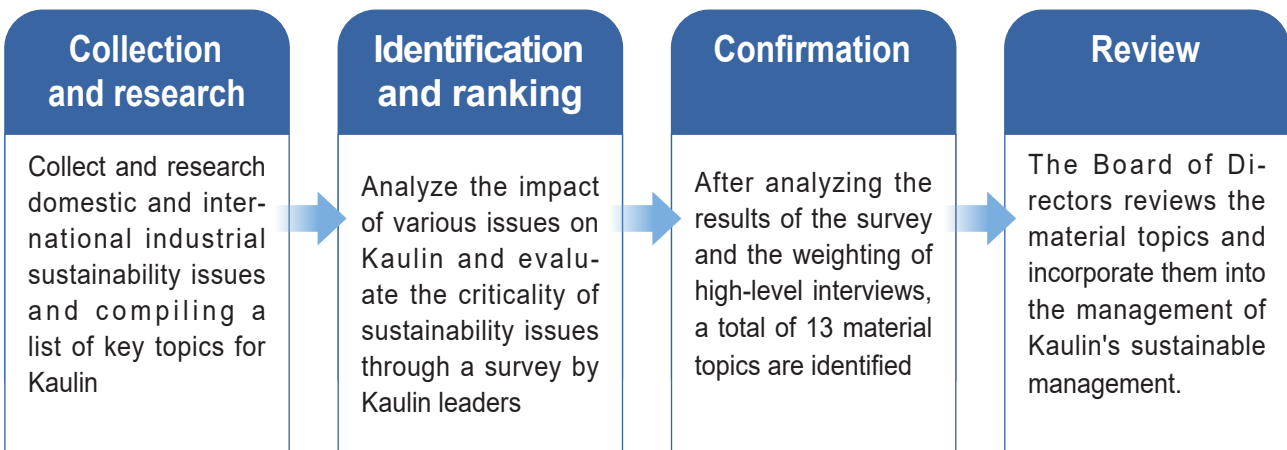
Social aspect

- In 2020, Kaulin invested \$3,936,313 in social welfare.
- We sponsored 2 rural sports events in 2020
- We sponsored 4 graduation exhibitions for university related departments in 2020
- In 2020, more than 720 hours/classes were offered by the Kaulin Foundation, benefiting more than 200 people in total.
- In 2019, the Kaulin Foundation and Fashion Revolution Taiwan jointly organized the "Fashion Revolution", which brought together more than 40 international brands.

Material Topic Identification and Stakeholder Communication

Identification of material topics

As a leader in the industrial sewing machine industry, Kaulin's products have been receiving a lot of attention and attention from the industry, and as we move toward sustainable management. In order to accurately grasp the needs of stakeholders regarding the Company's management direction, we have established a systematic identification process for material issues, and based on the reporting principles of "inclusiveness," "sustainability context" "materiality," and "completeness," we have identified key topics of importance to Kaulin, which will serve as a reference for Kaulin to promote sustainable development in the future and serve as the main axis for reporting in the report. The following is a brief description of the key topics and procedures for the identification of the key topics in the report:

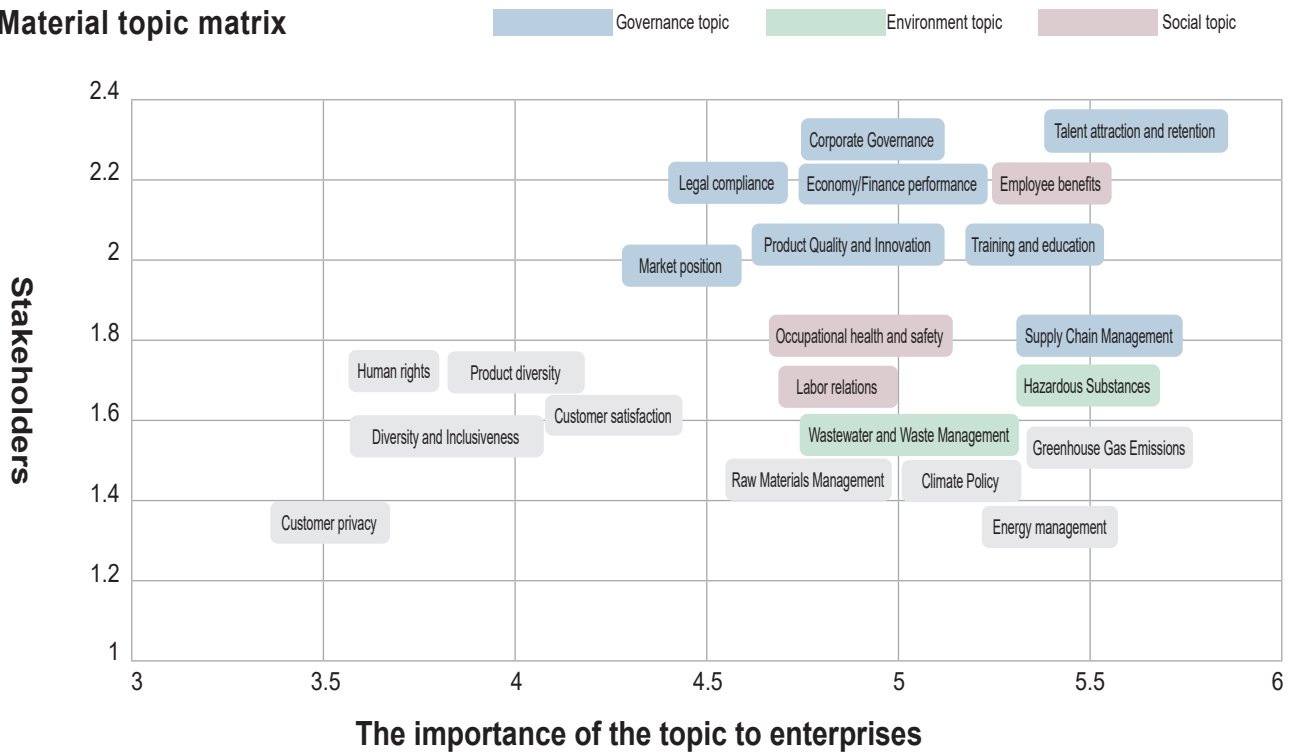


Identification process of key material topics

Material topic analysis results

This year's external stakeholder analysis was completed by the leaders of each department of Kaulin from the perspective of external stakeholders. 30 questionnaires were collected, and future analysis of material topics will be considered to include external stakeholder suggestions to truly reflect stakeholder opinions. Based on international initiatives and United Nations sustainability goals, regulations of competent authorities, sustainability evaluation focus, corporate management goals, visions, and benchmark enterprises, etc., we have compiled 22 sustainability issues, and identified a total of 10 material topics based on the results of the material topic questionnaire analysis. The matrix of material topics was created by adding three new topics, including "employee benefits," "talent attraction and retention," and "training and education," based on the opinions and suggestions of senior leaders, and was disclosed in this CSR report as corresponding GRI indicators.

Material topic matrix



Note: The material topic matrix covers the sustainability issues taken into account, and the identified material topics of the ESG for Kaulin are color-coded.

There are 13 material topics for 2020, and the results and management approaches of each topic are addressed in the report based on these topics. Kaulin will also continue to collect stakeholders' concerns and examine the differences in order to understand the needs and expectations of stakeholders. The following table shows the material topics and decisions to be disclosed in the boundary scopes.

Material topic tabulation

● Direct impact ○ Indirect impact

Aspect	Material topics	Importance to Kaulin	Corresponding GRI topics	Corresponding chapters	Impact Boundaries and Levels of Involvement			
					Kaulin	Suppliers	Customers	Society
Economy	Corporate Governance	Ethics and sustainability are Kaulin's commitment and mission to the world: "Everywhere in the world where sewing is needed, there is a Kaulin sewing thread".	102-16, 102-17, 102-18, 102-22, 102-23, 102-24, 102-26, 102-31, 102-33, 102-34, 103 Management approach, 205-1, 205-2, 205-3	1.2.1 Operation of the Board of Directors 1.3.2 Code of Professional Ethics and Anti-Corruption	●	○	●	○

Aspect	Material topics	Importance to Kaulin	Corresponding GRI topics	Corresponding chapters	Impact Boundaries and Levels of Involvement			
					Kaulin	Suppliers	Customers	Society
Economy	Economic performance	Focus on operations and maintain profitable growth to reward shareholders with tangible economic performance	102-6, 102-45, 103 Management approach, 201-1, 201-2, 201-4, 203-1, 203-2	1.3.1 Operating performance	●		○	
Economy	Product Quality and Innovation	Quality is the key to sustainable business development. We provide high quality and sustainable products and services to each customer, while continuing to innovate and stay ahead of the industry.	103 Management approach, 301-1, 301-2, 301-3	2.1 Sustainable Innovation and R&D	●	●	●	○
Economy	Legal compliance	Legal compliance is the foundation for sustainable growth	307-1, 417-2, 417-3, 419-1	1.3.3 Legal compliance	●	○	○	○
Economy	Market position	Increase the combined market share of Kaulin products in all its penetration regions and extend its product footprint to every corner of the world	102-9, 102-10, 103 Management approach, 204-1	1.5.1 Supply chain patterns and localization of procurement	●	○	○	○
Environment	Waste-water and Waste Management	Effective wastewater and waste management promotes a harmless, reduced, healthy, and green work environment, reducing costs and risks for businesses	103 Management approach, 302-2, 303-4, 306-1	3.1.3 Sources of water resources in the plant 3.1.4 Process water conservation 3.1.5 Water pollution prevention and control	●	○	○	○
Environment	Supply Chain Management	Profound communication and creativity with partners to create a safe and friendly value chain	102-9, 102-10, 103 Management approach, 204-1, 308-1, 308-2, 414-1, 414-2	1.5.1 Supply chain patterns and localization of procurement 1.5.2 Sustainable Supply Chain Management	●	●	○	

Aspect	Material topics	Importance to Kaulin	Corresponding GRI topics	Corresponding chapters	Impact Boundaries and Levels of Involvement			
					Kaulin	Suppliers	Customers	Society
Society	Occupational health and safety	Employee safety and health maintenance is the first priority, and to implement the legal requirements to provide a safe working environment	103 Management approach, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8	4.3 Occupational Safety Work Environment	●			
Society	Labor relations	Implement a communication mechanism between employees and management to establish effective and "transparent" labor relations	102-12, 102-41, 103 Management approach, 406-1, 412-1, 412-2	4.1 Human Rights Risk and Management	●			○
Society	Talent attraction and retention	Continue to nurture and invest in talents, provide comprehensive career development plans and blueprints, and attract outstanding talents to stay	102-8, 103 Management approach, 201-1, 202-2, 102-37, 401-1, 405-1	4.2.1 Human resources	●			○
Society	Training and education	Establish employee training mechanism and complete development training to nurture the next generation of industrial talents to achieve the succession goal	103 Management approach, 404-1, 404-2, 404-3	4.2.3 Talent development and education	●			○
Society	Employee benefits	Treat every employee fairly, provide employee benefits, and bring continuous momentum to the Company's development, and provide competitive salary and benefits in the market	103 Management approach, 201-3, 401-2, 401-3	4.2.2 Salaries and benefits	●			
Society	Social engagement	Combine the core business to support social welfare and fulfill corporate social responsibility	103 Management approach, 413-1, 413-2	5. Devoting to Social Welfare	●			●

Note 1: The impact boundary and the level of involvement are thought in terms of the Kaulin value chain.

Note 2: The boundary of "Kaulin" includes: company, employees, shareholders/investors and other stakeholders

Stakeholder identification and communication

Stakeholder communication is the foundation for sustainable corporate development. Kaulin values the opinions of its stakeholders and establishes multiple channels of communication and response mechanisms with them to strengthen the consensus of both parties on important issues through multiple methods of negotiation. According to the AA1000 Assurance Standard (2018), the AA1000 Stakeholder Engagement Standard has five material aspects: dependency, responsibility, concern, influence, and multiple perspectives, and the stakeholder identification includes eight material stakeholders, including customers, employees, suppliers/contractors, shareholders/investors, government agencies, community residents, collaborative vendors, and NGOs. According to different stakeholder categories, we provide multiple communication methods and channels as follows.

Stakeholders		Significance to Kaulin	Issues of concern	Communication channels and frequency	Communication performance
01	Customers	Treating customers as partners, we are committed to creating exclusive application technology solutions for our customers, and it is our responsibility and mission to continue to provide the best products and services to each customer.	Product innovation	New Product Launch (every two years) Industry Exhibition (annual)	1. Although we did not hold a domestic industry exhibition in 2020 due to the COVID-19 pandemic, we held the "2021 New Product Exhibition" from November 27 to December 4, 2020 at our Taoyuan production base and invited 110 distributors and garment manufacturers to visit the exhibition. 2. Released new product development and planning catalogs through the official website and social networking sites
			Market position Customer satisfaction	Industry Exhibition (annual)	
			Product Quality, Functionality and Safety	1. Industry exhibition (periodic) 2. Technical seminars (periodic) 3. Industry associations (periodic) 4. Phone/Email (periodic) 5. Visit in person (periodic) 6. Official correspondence (periodic)	Through the "Customer Service Process" BPM system, the quality assurance unit will analyze and improve the abnormal items immediately. 1. In response to the customer's complaint, we will immediately handle the repair (our staff or through local distributors to assist) and seek design improvement for the problematic points to keep our commitment to customers and quality. 2. Build "ICT Platform" to help get the required information in time, and provide online ordering system to speed up the ordering process
			Technical support for waste recycling Industry talent development and technology transfer	1. Education and training (periodic)	1. Assist corporate customers to produce recycled waste materials for social welfare or display 2. In order to cultivate industrial talents, Kaulin's technicians assist and teach the use of various special machines to improve manufacturing capabilities, and hold occasional education and training, with external training hours reaching 647 hours in 2020.

Stakeholders		Significance to Kaulin	Issues of concern	Communication channels and frequency	Communication performance
02	Employees	Employees are an important pillar of a company's sustainability	Corporate Governance Economic performance Legal compliance	Departmental meetings (weekly) Monthly departmental reports (monthly)	Internal training for employees, total training hours reached 294 hours in 2020, covering R&D, occupational safety, product, CSR, etc.
			Employee performance and benefits	1. Annual evaluation (annual) 2. Employee benefits (periodic)	
			Labor relations Labor-management relations Employee diversity	1. Labor-management meeting (quarterly) 2. Various associations (periodic) 3. Education and training (periodic) 4. Performance interviews (periodic) 5. Employee feedback mailbox (periodic) 6. Electronic newspaper (periodic)	1. Well-established and fair promotion rules 2. Free employee health checkups is proposed to be once every 2 years 1. Labor-management relations: Employees can propose through an internal communication mailbox, management discusses the feasibility of the resolution and implements the project or policy 2. Publish internal newspaper: recognize good employees and disclose new products and development direction of the Company
03	Suppliers/contractors	Suppliers are key partners in Kaulin's value chain, and Kaulin continues to communicate with its partners in depth to create a safe and friendly value chain	Supplier quality	Annual evaluation (annual)	The quality assurance and procurement units shall calculate and add up the scores based on the average and proportion of the "monthly quality and delivery evaluation form", and the annual evaluation level shall be determined. In 2020, 126 suppliers passed the annual quality and delivery evaluation, with an average score of 96 points.
				Monthly evaluation form (monthly)	Monthly quality and delivery evaluations are conducted by the quality assurance section based on incoming material inspections. Delivery evaluation is conducted by the procurement section.
			Customer satisfaction and privacy	1. Phone/Email (periodic) 2. Official correspondence (periodic) 3. Company website (periodic)	Maintain close relationship with long-term partners to achieve mutual benefit

Stakeholders		Significance to Kaulin	Issues of concern	Communication channels and frequency	Communication performance
			Procurement and order stability	<ol style="list-style-type: none"> 1. Industry exhibitions (periodic) 2. Phone interviews (periodic) 3. Visit (periodic) 4. Quality assurance audit (periodic) 5. Supply chain system (periodic) 	<ol style="list-style-type: none"> 1. Supply chain management: Through e-Procurement information system management, suppliers can clearly know Kaulin's current and future procurement needs to facilitate their production planning and strengthen the relationship with suppliers for delivery in accordance with the measures for supplier management 2. Quality assurance audit: Based on the incoming material inspection method, if quality abnormalities are found during incoming material inspection, we will discuss the matter with R&D and quality assurance at the factory, and formulate SIP for them, so that quality assurance and vendor inspection methods can reach agreement and meet the standard in 2020.
			Fabric reuse	<ol style="list-style-type: none"> 1. Phone/Email (periodic) 	For waste fabric generated from the cutting process in garment manufacturing, we have developed a new product: F007K/FBQ, which can be used to make trouser ears from scraps of waste fabric to reduce fabric consumption.
04	Shareholders/investors	Shareholders and investors are the driving force behind sustainable management for the benefit of society	Corporate Governance Economic performance Legal compliance Sustainable management	<ol style="list-style-type: none"> 1. Earnings call (annual) 2. Shareholders' meeting (annual) 3. Annual report (annual) 4. Company website (periodic) 5. Media reports (periodic) <ol style="list-style-type: none"> 1. Financial statements (quarterly) 2. Board meeting (quarterly) 3. Audit Committee meeting (quarterly) 4. Remuneration Committee meeting (quarterly) 	In 2021, we released Kaulin's first sustainability report
05	Government agencies	Strengthen partnerships to lead innovation and creative cooperation in related industries	Company revenue Stock affairs related reporting Company financial statements Information on the Board of Directors Tax returns Information on shareholders' meeting	Competent authorities (monthly) Competent authorities (annual) Competent authorities (quarterly)	All operations of Kaulin are in compliance with legal regulations and requirements.

Stakeholders		Significance to Kaulin	Issues of concern	Communication channels and frequency	Communication performance
06	Community residents	Fulfill corporate social responsibility	Public space management and maintenance	Community communication meetings (periodic)	Community communication meetings for the COVID-19 pandemic in 2020
			Environmental issues Community relations	1. Community activities (periodic) 2. Social welfare activities (periodic)	1. Sponsor or support educational and cultural activities in neighboring areas: sponsor the Protectorate Palace's Prince and Chung Hsiao Cultural Season 2. Through the assistance of the local community leaders or civil representatives, actively participate in community activities to maintain good neighborliness. 2 activities were held in 2020: the Mid-Autumn Festival Party for the local residents in Chongde Village, Taoyuan District, and the activities of the Yong Chuan Rehabilitation Home. 3. Through "Project ReSew's - Taipei NPO Colony", a total of 10 social welfare sewing courses were held. 4. The "ReSew's Lab" helped 60 unemployed people relearn new skills
07	Collaborative vendors	Partners who provide professional services to Kaulin	Consulting services Regular counseling	1. Phone (periodic) 2. Visit in person (periodic) 3. Official correspondence (periodic)	1. Appointed a consultant to provide consulting services for ISO 9001 quality and 14001 environmental certification, passed and obtained the certificate 2. Professor of National Central University as the principal consultant to guide the management reengineering of Kaulin
08	NGO	Fulfill corporate social responsibility to achieve sustainability	Social welfare activities	Kaulin Foundation (periodic)	1. Organize social welfare activities such as Project ReSew's, Road Run, and the Accompanying Study Program 2. In 2020, Kaulin invested \$3,936,313 in social welfare.

CH1 Leading Corporate Governance

Chapter material topics

Corporate Governance, Economic Performance, Legal Compliance, Market Position, Supply Chain Management

Concern for stakeholders

Shareholders, employees, customers, suppliers/contractors

Since its establishment, Kaulin has insisted on establishing good interaction with its employees, shareholders, customers, suppliers, society and other stakeholders. We focus on our business and maintain profitable growth, reward our shareholders, nurture our talents and implement regulatory compliance, and provide better service and quality to our customers worldwide through continuous product innovation. The Board of Directors also plays a supervisory and guiding role in promoting the overall corporate governance strategy, with the expectation that through effective corporate governance operations, we can fulfill our corporate responsibility for sustainable management.

Importance:

With the vision of "Sew Much Better - Let every garment in the world have the sewing thread of Kaulin", Kaulin has taken on the responsibility of caring for its employees, rewarding its shareholders, and promoting industrial development. We have set the short-, medium-, and long-term goals of "establishing a sustainable development committee, business strategy planning, risk management, and product quality priority," "green R&D innovation, customer satisfaction, and service innovation," and "brand management and corporate sustainability" to pursue a sustainable future together with all stakeholders.

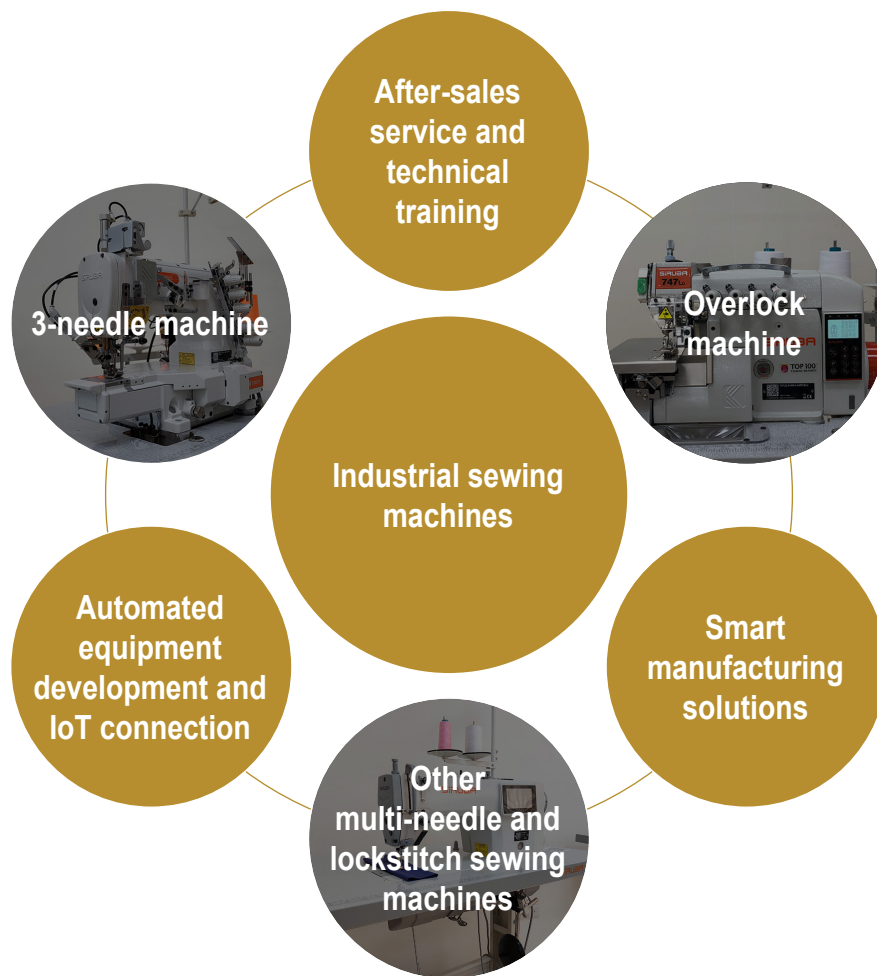
Management approaches and goals:

The governance of Kaulin has always been based on "ethics, professionalism, and innovation" as its three main management principles, and has implemented corporate governance and established management mechanisms and risk control with ethics, maintained the highest quality with professionalism, and continued to invest in R&D and innovation to stay ahead of industry trends and adopt the strategies of "accelerating product innovation" and "improving customer service" to increase the overall market share of Kaulin's products in all of its penetration regions and extend its product footprint to every corner of the world to achieve a stable business model, maintain profitable growth, and reward shareholders with economic performance. In addition, we comply with the local laws and regulations in the regions where we operate and have established the "Measures for Regulatory Checkup" to ensure the implementation and enforcement of the legal compliance system. With the "Supplier Code of Conduct" as the basis for action, we require suppliers to follow the requirements of the code of professional ethics and code of conduct, such as green products, ethical management, compliance with human rights, and conflict of minerals regulations, and work closely with suppliers to continue to promote the sound development of the industrial sewing supply chain.

1.1 About Kaulin

Company profile

Since its establishment in 1965, Kaulin has been committed to the development of industrial sewing machines and has participated in the growth of the sewing industry with the philosophy of "Ethics, Professionalism and Innovation". So far, we have developed a series of diverse products to meet various garment sewing projects and expanded our global presence with the "SiRUBA" brand sewing machines. From the development, production, marketing, sales and after-sales service of garment sewing equipment, we provide a wide range of sewing products and services to our customers worldwide, with sales in Asia, Europe, Africa, the Middle East and the Americas. We continue to invest in research and development of new products in order to respond to the changing market needs and build a more complete product line. In recent years, in response to the world trend of sustainable development, we have placed more emphasis on the development of sustainable sewing products.



Kaulin products and services

Kaulin parent company is located in Taipei, Taiwan, and is the main operation and product development base. To meet the needs of our global customers, Kaulin has operating locations in Taiwan, China, Singapore, Vietnam and the U.S. For more information on Kaulin's global operations and performance, please refer to 1.3.1 Operating Performance.

Company name	Kaulin Manufacturing Co., Ltd.
Date of establishment	October 1965
Head office address	11th Floor, No. 128, Section 3, Minsheng East Road, Taipei
Number of employees worldwide	812
Number of employees in Taiwan	176
Total number of operating locations	5
Consolidated operating revenues (2020) Unit: In thousands of NT\$	1,609,928
Consolidated total assets Unit: In thousands of NT\$	4,424,494 (Liabilities 884,399 (20%); Shareholders' equity 3,540,095 (80%))
Number of products or services provided	15 material series of sewing machines

In the face of increasingly complex industry competition, Kaulin will continue to deepen its focus on key markets, concentrate on energy-saving and consumption-reducing product development, invest in research and development of high value-added models, and at the same time establish brand marketing, so that Kaulin can continue to maintain its excellent global competitiveness and enhance its corporate brand value. The organizational size of Kaulin's parent company, subsidiaries and sub-subsidiaries at the end of 2020 is as follows:



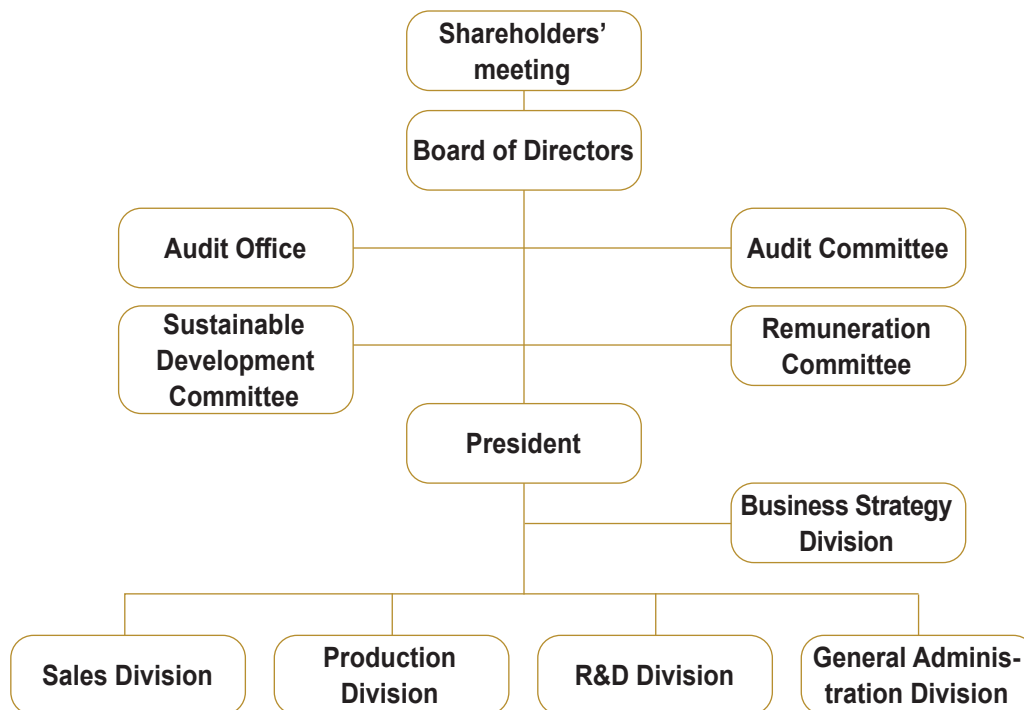
1.2 Corporate Governance Organization

1.2.1 Operation of the Board of Directors

The Board of Directors is the highest governing body of the Company and the body that makes material operational decisions. Its responsibilities include appointing and supervising the Company's management, monitoring operational performance, preventing conflicts of interest, and ensuring that the Company complies with various laws and regulations, the provisions of the Articles of Incorporation, or the resolutions of the shareholders' meeting in exercising its authorities, to maximize the interests of shareholders and protect the rights of all stakeholders, and to implement succession planning for the management of the Company through a responsible and efficient governance model to achieve the goal of sustainable management. The members of the Board of Directors maintain close contact with the senior management. In addition to regular meetings, the Company's management also provides important reports and information to the directors on a regular basis, and keeps them informed of any critical and significant events. There was one interim board meeting held in 2020 due to a significant event. The interim board meeting was held on March 27, 2020 to discuss the implementation of the second repurchase of treasury shares.

The Board of Directors of Kaulin consists of 7 directors with different professional backgrounds, who are responsible for the operation and supervision of the Company, and the Chairperson of the Board of Directors is the Chairperson of the Company, Lin Chen Ya-Tsz. Currently, there are 3 independent directors among the 7 members of the Board of Directors. An independent director may not serve as an independent director of more than 3 companies in other public companies. The Board of Directors meets at least 4 times a year and held a total of 7 Board meetings in 2020, with an average attendance rate of 68%. The term of office of the Board of Directors is once every 3 years for re-election, with the most recent re-election on June 24, 2020.

The Finance Department handles matters related to corporate governance, provides information necessary for directors and independent directors to perform their duties, assists directors in their appointment and continuing education, and assists the Board of Directors in complying with laws and regulations and matters related to meetings of the Board of Directors, the Audit Committee, the Remuneration Committee and the shareholders' meeting in accordance with the law. Currently, the Sustainable Development Committee is responsible for sustainability issues, including decisions on economic, environmental and social topics, etc. Please refer to 1.2.3 Sustainable Governance and Organization for details.



Organizational chart of corporate governance structure

Board of Directors, Election System and Remuneration

The composition and election of the Board of Directors are based on the candidate nomination system, and directors are eligible for re-election. The Board of Directors shall be selected in a transparent and open manner, and shall have the knowledge, skills and qualifications necessary to perform the above duties. The selection of Board members is based on professional ability, diversity of academic and industrial experience, compliance with the Company Law and related regulations, and the following selection criteria, including but not limited to the following:



Capabilities of the Board of Directors as a whole

The Company has considered the diversity of the Board of Directors, and all of them have professional backgrounds in business management, finance, law, and information management, and have extensive academic background and experience, including 2 female directors, which meets the needs of Kaulin's operations. The Chairperson of the Board and the President are relatives within first degree of kinship, resulting in increased operational efficiency and smoother execution of decisions. The Company intends to increase the number of independent directors in the future to strengthen the monitoring function of the Board of Directors.

Kaulin's Board members

Name	Gender	material academic qualification and experience	Concurrent position held at the Company
Lin Chen Ya-Tsz	Female	Chairperson, Dong Yi Investment Company	Chairperson, Dong Yi Investment Company
Lin Sheng-Chih	Male	Chairperson, Hong Lin Investment Company	Director (Kaulin's institutional representative), Siruba Latin American Company Director (Kaulin's institutional representative), Singapore Siruba Company Director, Young Da LLC Chairperson, Gao Cheng Investment Company
Lin Pei-Chia	Male	Chairperson, Jia Yi Investment Company	Director (Kaulin's institutional representative), Siruba Vietnam Company Director (Kaulin's institutional representative), Singapore Siruba Company

Name	Gender	material academic qualification and experience	Concurrent position held at the Company
Chen Yi-Feng	Male	President, Kaulin Machinery & Electronic Industrial(ningbo) Co., Ltd.	Vice President of Production Division, Kaulin Manufacturing Co., Ltd.
Lin Sheng-Sheng	Male	Master, Graduate School of Management, Ming Chuan University Chairperson and President, Chuan Shan Investment Trust Manager, Senior Manager, Vice President, and Director of Underwriting Department, a material integrated securities firm Independent Director, TUNG KAI TECHNOLOGY ENGINEERING CO., LTD. Independent Director, Da Lue International Holding Co., Ltd.	Adjunct Lecturer, Department of Finance, College of Business, Chinese Culture University Independent Director, KINGRAY TECHNOLOGY CO., LTD Lecturer of "Teaching on site", TAIWAN CORPORATE GOVERNANCE ASSOCIATION
Yang Chi-Lun	Male	Doctor of Laws, China University of Political Science and Law	CEO/lawyer, Chong Lifa Law Firm
Huang Li-Ting	Female	Ph.D. in Information Management, National Central University	Associate Professor, Department of Information Management, Chang Gung University

Note 1: Leaving office upon the full re-election on June 24, 2020: Chang Si-Ming, Ying Chun-Chong

Note 2: Taking office upon the full re-election on June 24, 2020: Lin Chen Ya-Tsz, Lin Pei-Chia, Lin Sheng-Sheng, Yang Chi-Lun, Huang Li-Ting

Education and training mechanism for directors

In order to develop and enhance the knowledge of the highest governance body on economic, environmental and social issues, directors from time to time attend external training courses, including courses on corporate governance, corporate social responsibility, securities regulations, etc. Through the management team performance report and CSR report, the overall knowledge of the board members on economic, environmental and social issues is enhanced.

Directors' continuing education in 2020

Name	Date of education	Organizer	Course name
Lin Chen Ya-Tsz	2020.09.21	Taiwan Stock Exchange	"Corporate Governance 3.0 - A Blueprint for Sustainable Development" Summit
Lin Sheng-Chih	2020.01.16	Science and Technology Law Institute, Institute for Information Industry	Promotion of Financial Management Obligations by the Board of Directors of TWSE/TPEX Listed Companies
Lin Sheng-Chih	2020.09.21	Taiwan Stock Exchange	"Corporate Governance 3.0 - A Blueprint for Sustainable Development" Summit
Lin Pei-Chia	2020.10.16	Taiwan Stock Exchange	2020 Corporate Governance and Enterprise Ethics Promotion Conference for Directors and Supervisors
Lin Sheng-Sheng	2020.09.21	Taiwan Independent Director Association	2020 Annual Meeting & Independent Directors Forum
Lin Sheng-Sheng	2020.09.21	Taiwan Stock Exchange	"Corporate Governance 3.0 - A Blueprint for Sustainable Development" Summit
Lin Sheng-Sheng	2020.09.24	Securities and Futures Institute	2020 Annual Briefing on Prevention of Insider Trading and Insider Equity Trading
Lin Sheng-Sheng	2020.12.30	TAIWAN CORPORATE GOVERNANCE ASSOCIATION	Lecture on Corporate Governance and Securities Regulations for 3 hours
Huang Li-Ting	2020.10.16	Taiwan Stock Exchange	2020 Corporate Governance and Enterprise Ethics Promotion Conference for Directors and Supervisors

Board of Directors' Performance Evaluation Mechanism

In order to implement corporate governance and enhance the functions of the Company's Board of Directors, and to establish performance targets to strengthen the efficiency of the Board's operations, Kaulin followed the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and resolved to establish the "Board of Directors' Performance Evaluation Measures" at the 7th Board Meeting in 2020 to evaluate the performance of the entire Board of Directors, individual Board members and functional committees. The evaluation methods include internal self-evaluation by the Board of Directors, self-evaluation by board members, peer evaluation, appointment of external professional organizations, experts or other appropriate methods for performance evaluation. The performance evaluation indicators of the Board of Directors of Kaulin are based on the operation and needs of the Company, and include the following six material aspects:

Alignment with the Company's objectives and tasks

Perception of directors' responsibilities

Level of involvement in the Company's operations

Internal relationship management and communication

Professions and continuing education for directors

Internal control

Principles for Avoiding and Managing Conflicts of Interest

The Company has established the "Ethical Management Best Practice Principles" and "Code of Ethical Conduct", and the rules of procedures for the Board of Directors' meeting and the Audit Committee charter have explicit provisions on the avoidance of conflicts of interest. All employees are required to voluntarily report any conflict of interest, and employees of certain ranks or positions are required to report conflict of interest or suspected conflict of interest on an annual basis so that the Company can make the necessary arrangements and report to the Audit Committee. If a director has an interest in a meeting matter, he/she shall explain the important content of his/her interest at the Board meeting and shall not join the discussion or vote if it is harmful to the Company's interests. He or she shall recuse himself or herself from the discussion and voting, and shall not exercise the voting rights on behalf of other directors.

Managerial officers' remuneration mechanism

The remuneration of the directors and the remuneration of the managerial officers shall be reviewed by the Remuneration Committee in January of each year and the results of the review shall be submitted to the Board of Directors for resolution. The remuneration of directors and employees, and the remuneration of the president and vice president are disclosed in the annual report of the Company on a regular basis, based on the salary level in the industry and the achievement rate of each area of responsibility to the Company's operation and personal performance. Due to the loss in fiscal 2020, no provision for directors' profit sharing remuneration and employees' bonus was made.

1.2.2 Functional Committee

Remuneration Committee

The purpose of the "Remuneration Committee" is to assist the Board of Directors in implementing and evaluating the Company's overall compensation policies and systems in a professional and objective manner, and to make recommendations to the Board of Directors for its reference in making decisions. The remuneration policy of Kaulin has always been based on the philosophy of "taking into account the welfare of employees and the interests of shareholders", providing competitive overall compensation to attract and retain the best talents. Over the years, the Company has continued to deliver operational excellence and above-average shareholder reward. The current Remuneration Committee consists of 3 members appointed by the Board of Directors, 1 of whom is the convener, and all of the independent directors, whose terms of office are the same as those of the Board of Directors. The Remuneration Committee will meet at least twice a year, and met twice in 2020. Please refer to the QR Code for the Compensation Committee Charter.



Committee membership and attendance

Job title	Name	Attendance in person	Attendance by proxy	Attendance percentage
Convener	Ying Chun-Chong	1	0	100%
Convener	Yang Chi-Lun	1	0	100%
Member	Chang Si-Ming	1	0	100%
Member	Chen Wei-Teng	1	0	100%
Member	Lin Sheng-Sheng	1	0	100%
Member	Huang Li-Ting	1	0	100%

Note 1: Leaving office upon the full re-election on July 2, 2020: Chang Si-Ming, Ying Chun-Chong, Chen Wei-Teng

Note 2: Taking office upon the full re-election on July 2, 2020: Lin Sheng-Sheng, Yang Chi-Lun, Huang Li-Ting

Audit Committee

The Company established the "Audit Committee" in July 2020, which consists of all independent directors. The purpose of the Committee is to monitor the fair presentation of the Company's financial statements, the effective implementation of the Company's internal control, compliance with the Company laws and regulations, the Company's control of existing or potential risks, the selection (dismissal) of the attesting CPAs, and the independence and performance of the CPAs. The selection criteria for the members of the Audit Committee are in accordance with Article 9 of the "Regulations Governing the Authority of the Audit Committee" to ensure the independence of the Audit Committee. The Audit Committee consists of 3 members, 1 of whom is the convener and at least 1 of whom has accounting or financial expertise. The term of office of the independent directors of the Committee is 3 years, and they are eligible for re-election. The Audit Committee shall meet at least once a quarter and as often as necessary, and the Audit Committee met 4 times in 2020.

Internal audit

The Company's internal audit unit is under the Board of Directors, with an audit leader and audit personnel, and a duty acting person. The purpose of the internal audit is to assist the Board of Directors and the managerial officers to check and review the deficiencies of the internal control system and to measure the effectiveness and efficiency of operations, and to provide timely suggestions for improvement to ensure the continuous and effective implementation of the internal control system and to serve as a basis for review and revision.

The internal audit unit prepares an "annual audit plan" based on the results of the risk assessment, which is approved by the Board of Directors. The deficiencies and periodicities of the internal control system identified in the annual audit program are disclosed in the audit report, and are tracked after the report is presented and reported at least quarterly until improvement is made, so as to confirm that the relevant units have taken appropriate improvement measures in a timely manner. The audit report and tracking report are submitted to the independent directors for review by the end of the month following the completion of the audit.

Kaulin has a separate system for self-assessment of internal control. The purpose of the system is to implement the Company's self-monitoring mechanism, to adjust the design and implementation of the internal control system in a timely manner in response to changes in circumstances, and to improve the quality and efficiency of the internal audit department's audits. The scope of the self-assessment covers the design and implementation of various internal control systems of the Company, and urges each unit and subsidiary to conduct self-assessment at least once a year. The "self-assessment report" provided by each unit and subsidiary is subsequently reviewed by the internal audit unit, together with the improvement of deficiencies and periodicities identified by the audit unit, as the main basis for the Board of Directors and the President to assess the effectiveness of the overall internal control system and to issue a statement on the internal control system.

1.2.3 Sustainable governance and organization

We take our corporate social responsibility seriously. In order to continue to deepen our governance and to fulfill our corporate citizenship responsibilities, we have changed our corporate governance office to a "Sustainable Development Committee" in July 2021. In July 2021, for the highest level of internal CSR decision-making. The "Sustainable Development Committee" is convened by the Business Strategy Division on a quarterly basis. The Sustainable Development Committee is chaired by the President and comprised of the leaders at the division level and above and the CEO of the Kaulin Foundation. It reports regularly to the Board of Directors on the planning objectives, implementation progress and effectiveness of material economic, environmental and social topics.

The Board of Directors has identified 22 sustainability issues through the "Material Topic Identification" and "Stakeholder Communication Survey", and based on the results of the questionnaire analysis of material topics and the opinions and recommendations of senior leaders, a total of 13 material topics have been identified as reference for the future promotion of sustainable development. In addition, the three material topics of "Environment, Society, and Governance" have been incorporated into Kaulin's business performance indicators for 2021, and ESG-related issues will be promoted by each operating unit. The Kaulin Foundation will also assist with community engagement activities. Through the establishment of the Sustainable Development Committee and Management Performance Indicators, we hope to integrate them into our daily work and establish the concept of sustainability for our employees, so that all departments of Kaulin can work together to implement our corporate commitment to sustainability, and through the compilation of a sustainability report, we will report the results of our sustainability efforts over the past year and our future plans to our internal and external stakeholders.

As a corporate citizen, in addition to adhering to our core values, Kaulin will also strengthen our own strengths and work together with our global operating partners and stakeholders to exert our influence, with "shareholders, customers, employees, the environment, and society" as our main focus, to continue to move forward on the path of sustainable corporate management and make the greatest contribution to the positive development of society as a whole.

Committee membership and attendance

Functional description of the sustainable management organization	
Board of Directors	The Board of Directors is the body that makes material operational decisions for Kaulin. In addition to overseeing the management and operational performance of the Company, the Board of Directors also serves as a management oversight body for the sustainable development of the Company, and regularly reviews the Company's performance in CSR in accordance with the trend of sustainability and the development policy that is in line with the current situation of the Company.
Sustainable Development Committee	The Sustainable Development Committee is the dedicated unit for sustainable development and the highest decision-making body for sustainable development. It coordinates external factors and internal resources along the value chain to achieve the goal of sustainable development, and communicates with the Board of Directors in both directions to enhance the effectiveness of implementation. The Committee also communicates with stakeholders on a regular basis and report the results of our communication to the Board of Directors annually.
Functional organization and management team	They are the main executive units of the sustainable development of Kaulin Manufacturing Co., Ltd.. The executive aspects include risk management, product innovation, green procurement, employee care, and social welfare, and is committed to achieving the simultaneous development of E, S, and G in these aspects and creating a new journey of sustainable development for Kaulin.

1.3 Operating Performance and Ethical Management

1.3.1 Operating performance

In 2020, due to the delay in demand for garments owing to the corona virus pandemic (COVID-19) and uncertainties in the global sewing equipment industry, such as competition from mainland manufacturers and low prices from small manufacturers, Kaulin's business declined in 2020 compared to 2019, with operating revenue of NT\$1.61 billion, net profit after tax of NT\$(0.55) million, and earnings per share after tax of NT\$(0.30) for 2020. Please refer to the Company's 2020 financial statements for more details on the Company's operating performance and financial information.

Kaulin's operational overview for 2018-2020

Unit: In thousands of NT\$

Item/Year	2018	2019	2020
Total assets	4,667,537	4,374,816	4,424,494
Total liabilities	889,754	733,049	884,399
Operating revenue	2,661,044	2,170,104	1,609,928
Earnings (losses) after tax	125,417	29,719	(55,089)
Earnings (losses) per share	0.68	0.16	(0.30)

Note: Kaulin's consolidated financial statements; includes operating locations in Taiwan, China, Vietnam, Singapore, and the United States

Economic value distributed to stakeholders

Unit: In thousands of NT\$

Item/Year	2018	2019	2020
Operating costs	2,109,662	1,818,272	1,409,043
Employee salaries and benefits	450,987	359,509	298,851
Tax expenditures	99,916	32,985	7,595
Community investments	4,120	30	173

Note: Kaulin's consolidated financial statements; includes operating locations in Taiwan, China, Vietnam, Singapore, and the United States

Product quantity and amount schedule for 2019-2020 (consolidated)

Unit: In thousands of NT\$

Year and production quantity and amount Main product	2019			2020		
	Production capacity	Production quantity	Production amount	Production capacity	Production quantity	Production amount
Overlock type	204,000	88,676	966,438	204,000	52,813	495,032
3-needle type	60,000	9,503	223,393	60,000	15,930	322,059
Other types	36,000	12,677	213,805	36,000	13,758	199,331
Total	300,000	110,856	1,403,636	300,000	82,501	1,016,421

Note: All amounts mentioned in this report are in NTD unless otherwise specified

Global business presence

As a material player of industrial sewing machines, we have developed international distribution channels in Asia, the Americas, Africa, Europe and the Middle East, providing garment manufacturers with complete industrial sewing machine equipment and production lines that meet the needs of the garment market. In 2020, Kaulin's automatic production of 15 material series of sewing machines included overlock, 3-needle, multiple-needle, 1-needle lockstitch, 2-needle lockstitch, computerized pattern, buttonhole, tacking, button attaching, 4-needle 6-thread, curved arm, zig-zag, 1/2-needle chainstitch, and hand-held pocket sewing machine. In addition to the continuous strengthening of competitiveness in manufacturing and R&D, we also strive to work closely with our suppliers and require them to comply with CSR-related regulations, such as green products and ethical management, so that both parties can continue to grow and continuously promote employment opportunities in the industrial sewing supply chain.

We have sales offices in more than 80 countries and regions, and have set up service offices in material markets and subsidiaries that are close to our customers' needs, including Taiwan, the United States, Singapore, Vietnam and China, to provide customer service in close proximity. The following are the main service locations:



Kaulin service location map

Basic information on affiliated enterprises

Unit: In thousands of NT\$

Enterprise name		Date of establishment	Address	Paid-in capital	Main business or production items
1	Siruba Latin American Company	1991.03	11380 NW 36th TERRACE, DORAL, FL 33178, United States	10,332	Trading, maintenance, import and export of industrial sewing machines and parts
2	Singapore Siruba Investment Company	1998.08	190 Middle Road #17-05 Fortune Centre, Singapore 188979	38,378	Investment, holding
3	Kaulin Machinery & Electronic Industrial (Ningbo) Co., Ltd.	2005.03	Ningbo City, Zhejiang Province No.16, Longtanshan Road, Beilun District	1,218,912	Manufacture, assembly and sale of industrial sewing machines and parts
4	Young Da LLC	2010.06	11380 NW 36th TERRACE, DORAL, FL33178, United States	58,456	General investment
5	Siruba Vietnam Company	2019.09	No. B5, D4, Cau Giay New Urban Area, Dich Vong Ward, Cau Giay, Hanoi, Vietnam	9,381	Trading, maintenance, import and export of industrial sewing machines and parts

Note: Kaulin's consolidated financial statements; includes operating locations in Taiwan, China, Vietnam, Singapore, and the United States

Government financial subsidies

The Company is committed to product development and process refinement, and its operations continue to improve with the support of the country. It is entitled to government subsidies for the purchase of machinery and equipment, research and development, and human resource training expenses, in accordance with the provisions of the "Statute for Upgrading Industries" before the Statute is repealed. In 2020, we received a salary and operating capital relief subsidy of NT\$17,957,000 and an interest deduction of NT\$189,000.

1.3.2 Code of Professional Ethics and Anti-Corruption

"Ethics" is one of the three core management philosophies of Kaulin. In order to uphold the Company's ethical values and the sound development of the corporate culture of ethical management, and to guide the behavior of Kaulin's directors and employees to meet ethical standards, to promote ethical standards internally, to comply with laws and regulations externally, and to fulfill corporate responsibilities, Kaulin has established relevant regulations and a communication mechanism to allow employees at all levels to be regulated and to create a business environment for sustainable development.

Ethics and Code of Ethical Conduct

Based on the management philosophy of integrity, transparency and accountability, Kaulin has established a corporate culture based on ethical management and a good corporate governance and risk control mechanism. The Board of Directors has approved the "Ethical Management Best Practice Principles", "Code of Ethical Conduct" and "Employee Code of Integrity", which clearly stipulate that all employees of the Company should comply with relevant laws and regulations, and are monitored and enforced by the Audit Office and reported to the Board of Directors on a regular basis. At the same time, Kaulin encourages directors, managerial officers and employees to make suggestions to review and improve the Company's ethical management best practice principles in order to enhance the effectiveness of the Company's ethical management.

Through the risk control mechanism, Kaulin defines procurement as a possible significant risk target or behavior. All departments and branch organizations of the Company (subsidiaries, branches, stores, branch service stations, etc.) are strictly controlled by the Company's anti-corruption management regulations in every aspect of the procurement cycle, including planning, auditing, bidding, tendering, contract signing, acceptance, accounting, payment, and receipt. The anti-corruption management measures of Kaulin require all employees of its Taiwan operating locations to sign the "Anti-Corruption Pledge" with 100% completion rate, which is thoroughly implemented in the daily work and execution of business by employees.

Kaulin has also integrated its ethical management policy with employee performance evaluation and human resources policies, and established a clear and effective reward and punishment system. Correcting or reporting violations of the Code of Integrity is an act to protect the rights of employees, the Company and shareholders. Employees are encouraged to report any suspected or discovered violations of laws and regulations or the Code of Ethical Conduct to the independent directors, managerial officers, internal audit supervisors or other appropriate personnel, and will be appropriately rewarded if such violations are verified.

The identity of the whistleblower and the content of the report will be kept confidential so that the whistleblower will not be subject to improper treatment and will be actively investigated and dealt with. Any person who violates the rules of ethical management will be punished according to the severity of the case. We have also sent letters to our suppliers and customers stating our anti-corruption stance and requesting that we do not provide any gifts, cash, or other disguised property, such as kickbacks or other improper benefits, to Kaulin employees. We had no incidents of corruption in 2020.

In addition, in order to raise awareness of anti-corruption throughout the Company, Kaulin conducts regular training sessions for directors, supervisors, managerial officers, employees and persons with de facto control on ethical management, communication of corruption policies and procedures, and anti-bribery awareness. The Company also invites the participation of person who are the counterparties in business activities with the Company, so that they can fully understand the Company's determination, policies, prevention plans and consequences of violating dishonest practices. In 2020, Kaulin conducted anti-corruption communication and training at its operating locations in Taiwan. 100% of Taiwan employees, including management and non-management, have received anti-corruption training, and 100% of board members have completed anti-corruption training, with an achievement rate of 100% in all units. In addition, Kaulin requires new employees to sign an "Anti-Corruption Pledge".

Anti-Corruption Policy and Procedures Communication and Education and Training

Employees	Total number of members	Number of communicated members
Board members	11	11
Management	50	50
Non-management	126	126

Kaulin encourages leaders to build a culture of integrity. If any of the business inspectors, certifiers, or accounting reviewers find any violation of the Code of Integrity in the course of their work, they shall be responsible for reporting such violation, and in addition to any improper benefits received, they shall recover and return them to the claimant or the Company, and shall be subject to the following penalties, or a combination thereof, depending on the severity of the case:

1. Withhold performance awards, year-end bonuses, and employee remuneration
2. Demotion
3. Dismissal
4. Taking legal action.

No complaints were filed against Kaulin in 2020.

The Company discloses the implementation of its Ethical Management Best Practice Principles on Integrity on the Company's website, annual report and prospectus, and also publishes the policy documents related to ethical management and integrity on the Company's website.

Reporting channels: Email for whistleblower reports.
 kaulinoh@siruba.com to the General Administration Officer
 kaulinao@siruba.com to the Audit Office

1.3.3 Legal compliance

In order to ensure the implementation and enforcement of the compliance system, each operation unit regularly takes stock of the list of regulations to be followed to ensure that all operations and management rules and regulations are in compliance with the latest laws and regulations and that operations are in compliance with all laws and regulations, with the management goal of having no violations of laws and regulations at any of our global operations.

In order to effectively obtain and identify environmental protection laws and regulations related to our activities, products or services, Kaulin has established the "Measures for Regulatory Checkup" to collect and document information on relevant laws and regulations for control. Document control personnel are required to collect laws and regulations through appropriate channels, such as searching relevant websites on the Internet or relevant government agencies in the place of operation. In order to ensure the continuous compliance with government regulations, the document control personnel conduct annual verification of the correctness of the editions of laws and regulations to see if the existing editions are the latest revised editions, and obsolete laws and regulations will be repealed when the next edition is issued.

In 2020, none of the following occurred in Kaulin:

- The product or service violates the law or self-regulatory codes related to information or logos
- Marketing and communication activities (including advertising, marketing and sponsorship) violate applicable laws and regulations or self-regulatory codes
- Violations of laws and regulations in the economic and social fields and penalties imposed by the competent authorities

However, in 2020, there was one case of violation of environmental laws and regulations that was not punished by the competent authorities, and the case was resolved and improved.

Violation of environmental regulations

Violation of environmental regulations	The origin of an incident / Background	Solution or improvement plan	Supplementary notes
Violation of the provisions of Article 7 of the Water Pollution Control Act	Wastewater treatment system's effluent discharge did not meet discharge standard: Suspended particulates exceeded the standard.	<ul style="list-style-type: none"> Monthly reverse cleaning of activated carbon adsorption tower at regular intervals Discharge water is bottled every Monday and visually inspected if suspended particulates are normal. 	Standard value SS=30mg/L Number of tests SS=68.5mg/L (exceeding the standard)

1.3.4 External association participation

In order to help Taiwan's sewing industry improve its business quality, Kaulin actively participates in professional organizations geared toward sewing and serves as a supervisor of industry-related organizations. We will also promote the development of the textile machinery industry in Taiwan and do our best to promote sustainable management and innovation in the industry.

Organization name	The Company's leaders	Position held
New Taipei Sewing Machine Association	Mr. Lin Sheng-Chih	Executive Director
Taiwan Sewing Machinery Association	Mr. Lin Sheng-Chih	Executive Director
Taipei Sewing Machines Association	Mr. Lin Sheng-Chih	Executive Director

1.4 Robust Risk Management

1.4.1 Risk management organization and system

In 2020, the global sewing equipment industry is facing a critical situation due to the impact of the COVID-19 pandemic and the delayed demand for ready-made garments. In addition to providing quality products and services, we consider that the sustainable development of a company is inseparable from risk management. Only by continuously identifying and analyzing the short-term dynamic changes and long-term trends of risks and implementing relevant risk management strategies can we maintain stable growth and achieve the goal of "sustainable" development. However, "opportunity" and "risk" are two sides of the same coin, and the risk of business development must be accompanied by the opportunity of business growth. Our goal in risk management is to immediately reduce operational risks and grasp development opportunities, and to follow ESG principles and practices, so that we can take care of both the environment and social responsibility through good corporate citizenship and operational innovation, as well as good corporate governance.

The risk management mechanism of Kaulin is currently under the control of the President who directs the promotion and operation of the risk management plan. When each department carries out its own business, it assesses the risk issues of its projects in accordance with the "Risk and Opportunity Management Measures" and identifies the sources of impact on operations or activities that will have a significant impact on the relevant aspects. When identifying, the main characteristics of the operation or activity should be considered and included in the annual KPI performance target management items and project progress management, and each unit should conduct monthly reports on progress and discrepancy analysis, and set out follow-up action plans to promote implementation.

The Company has established the "Sustainable Development Committee" to hold annual strategy meetings to formulate risk response plans for the risks associated with sustainable growth of the Company. Based on our commitment to stakeholders, our sustainability mission of long-term development and social responsibility, we integrate the concerns of stakeholders with our risk management mechanism, and formulate a rigorous response policy for all possible environmental, social and governance impacts and related risk issues of our operations. With "sustainable development" as the ultimate goal, Kaulin values its long-term commitment to its customers, employees, supply chain partners and investors, as well as its concrete actions to ensure sound business performance and fulfill its corporate social responsibility. In the current situation of the impact of the COVID-19 pandemic, stakeholders are generally able to share the hardships and bear the impact of the risks together to an acceptable extent.

Four goals of the development of risk management system

- Risk identification and management is consistent with the business attributes and operational characteristics of each unit
- Commitment to continuous improvement of the management system
- Value feedback from all stakeholders and communicate regularly
- Regularly review and identify risks and opportunities

1.4.2 Risk management and response tactics

In the risk identification process, the risk-related leaders convene risk, opportunity, and consideration identification meetings with the functional committees such as the Remuneration Committee, Internal Audit, and the Board of Directors during their established meetings to review, consult, and discuss issues related to operational risks, senior management reviews and prevents all possible significant risks, draws up operational plans, and provides guidance and recommendations to the operation and execution units. At the same time, the internal auditing unit will check and inspect from time to time to establish various control systems to minimize possible risks and disasters.

Risk and Opportunity Identification Process



The leader of each division of Kaulin submits a report on the content of the identified risks and opportunities, and calculates the score standard according to the following table to determine whether the item is a significant one. Those that exceed the standard are considered to be significant risks and opportunities. The top management and divisional leaders shall set goals and targets and prepare management plans to implement them in accordance with the "Quality and Environmental Objectives Management Measures".

Violation of environmental regulations

Scoring aspect \ Score	1	2	3	4	5
Importance: Risk and opportunity importance	Not to be considered	Not important	Ordinary	Important	Very important
Occurrence: Frequency of risks and opportunities	Very low	Low	Moderate	Slightly high	High
Impact: Risk and chance influence the degree of subsequent outcomes	Single person	Single department	Across department	The entire company	Company and External Stakeholders
Degree of compliance: Laws and regulations and relevant requests from stakeholders	No need for improvement	No relevant requests but can be improved	The Company believes that improvement is necessary	Requests from stakeholders	Mandatory by law

Note: Those who have been evaluated to have a total score of 12 points or more for ISO9001 and 17 points or more for ISO14001 are considered to have significant risk and opportunity.

Significant risks, impacts and response measures

After an internal inventory of the existing operational risk assessment, Kaulin has divided them into five material risk aspects: (1) performance, (2) social, (3) environmental, (4) information security, and (5) operation, which also include important risks related to environmental, social, or corporate governance issues. Currently, each department assesses and responds to its risk issues, and the planning of risk responses are consolidated and prepared in annual strategy meetings.

List of significant risks, impacts and response measures

Aspect	Risk type	Risk impact	Response strategy	Opportunity
Performance	Poor performance, sharp decline in sales	Operating loss, doubtful accounts, cash flow shortage	Adjust operating strategies, focus on key sales regions, adjust sales strategies, review product policies	Product diversification and innovation, production process efficiency improvement, asset revitalization
Performance	Production stoppage, lack of labor, lack of materials, lack of cabinets	Lack of material, lack of labor, production stoppage: long waiting time for materials, production line shutdown, delayed delivery, labor cost increase Lack of containers: It causes chain reaction, increase in container vessel freight price, increase in raw material price, increase in surcharge, delay in product delivery, increase in cost for manufacturers, increase in risk of order lost.	Increase investment in automation equipment Lack of Containers: Consolidate and count the product demand for urgent export, adjust packaging and delivery methods	Cost improvement and operation analysis, accelerating the investment in automation equipment, and reducing labor costs

Aspect	Risk type	Risk impact	Response strategy	Opportunity
Performance	Inflations intensify	Higher costs lead to lower profitability	Process optimization and production planning refinement	Procurement strategy adjustment
Society	Geopolitical conflicts	Uncertainty comes that affects suppliers' and customers' deliveries and orders, delays material plans for decision makers, delays decisions for investors	Understand and grasp the changes in cross-strait regulations to adjust the management process and operation direction in a timely manner	Second supply chain development and manufacturing strategy planning
Information security	Information security	Network attacks may expose the Company to the risk of data leakage, and may interrupt the production system, resulting in serious operational and business reputation losses.	Strengthen our own information security defense capabilities and implement information security operations to each employee through regular education and training	Improve employees' awareness of information security and strengthen their ability to follow SOPs
Operations	Industry competition and collaboration	Insufficient product innovation and lack of technology patents	Persistence in technological innovation, continuous high performance in new product development and production, and industrial cooperation	Reduce the risk of new technology development and operating cost, improve and combine the technology of partners, and share the advantages to complement each other
Operations	Lack of new blood, experience transmission	It is not easy to pass on technology and train the next generation of successors	Talent selection and cultivation method, talent development plan	The recruitment of technical talents of all kinds, digitization and "Industry 4.0" planning inject new vitality into the enterprises and provide opportunities for traditional enterprises to transform
Operations	Changes in foreign exchange rates and interest rates	Changes in interest rates may cause actual financial results to deviate from expectations, resulting in fluctuations in cash flows	Prudent evaluation of exchange rates and adoption of more conservative rates as the basis for quotation	

In 2020, due to the impact of COVID-19, Kaulin's U.S. and Vietnam operating locations were temporarily closed, and the plants were facing challenges such as production stoppage, drastic reduction in production and sales volume, operating losses, bad debts, and shortage of cash flow. In the face of these unfavorable factors in 2020, although Kaulin relied on its excellent financial position to weather the difficult times, it also recognized the importance of risk management and immediately adjusted its operating strategy, opened up new sources of income and reduced costs, revitalized its assets, prioritized the production and sale of high margin products, and sold idle equipment, thus providing Kaulin with the opportunity to transform its operating strategy under the impact of the global epidemic.

In response to the possible risks of the Company's operating policies, legal requirements and market changes, Kaulin has prepared various response measures, such as human resources training and development planning, promotion of industry-academia-technology cooperation, and promotion of internal sustainable management programs, to enhance operational performance. The special relationship between the two sides of the Taiwan Strait is susceptible to changes due to the internal political situation in Taiwan, which may directly or indirectly affect the business environment faced by the Company. In the face of social risks such as geopolitical conflicts and industrial competition risks, Kaulin believes that we should continue to innovate and develop, improve our products, expand our marketing and sales presence, and stay ahead of the global competition.

Climate change risks and opportunities

According to the World Economic Forum's (WEF) latest Global Risks Report, climate change has become one of the top 5 risks. Climate change is occurring at a much faster rate than originally expected, and natural disasters and extreme weather are becoming more severe and frequent, causing predictable economic, social, and environmental harm. With a global sales and operations presence, it is our unshirkable responsibility to respond and adapt to climate change.

The Company takes into account the potential impact of climate change, such as the economic aspect, including the inability to meet customer demand for products and services in a timely manner, the increase in operating costs, and the environmental aspect, including the loss of water and electricity at operating sites, in its overall operations. The Company also plans risk response and mitigation measures as well as crisis management mechanism in the annual strategy meeting so as to provide early warning and mitigate the impact of risks on the Company's operation. For example, we have built solar power generation equipment at our Taoyuan plant to enhance renewable energy generation.

Financial impact analysis of climate change

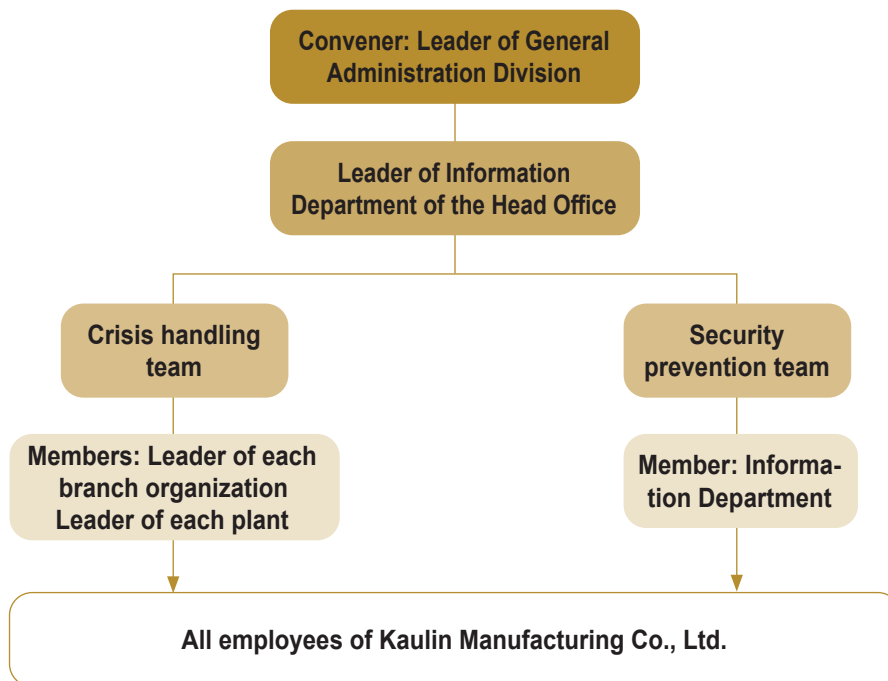
Climate risk	Potential financial impact	Opportunity	Response strategy
Physical risk Extreme high temperature	Increased electricity consumption, higher costs and carbon emissions	Plant design risk planning and energy efficient equipment usage planning	Energy conservation management measures to enhance renewable energy generation
Physical risk Lightning strikes	Financial loss and decrease in revenue due to impact on production	Improve resilience to natural disasters	Establish a sound control mechanism
Physical risk Rainstorm			

Climate risk	Potential financial impact	Opportunity	Response strategy
Transformation risk Corporate image impact	Failure to meet stakeholder expectations, resulting in damage to the Company's reputation or image	Change in sales and service model	Build a digital operating model
Transformation risk Regulations and policies (Autonomous Regulations of Low-carbon Green City Development in Taichung City)	The demand and specifications for sustainable development are increasing, so enterprises need to invest in development costs accordingly	Sustainable development of the enterprise entity, enhance the corporate image, and meet the market trend	Develop execution plans in advance of the implementation of regulations to respond to changes in regulations, such as the installation of renewable energy generation equipment

Note: The financial impact of climate change has not been fully disclosed with the quantified information in this report due to the internal assessment is still in progress and will be further explained in the future.

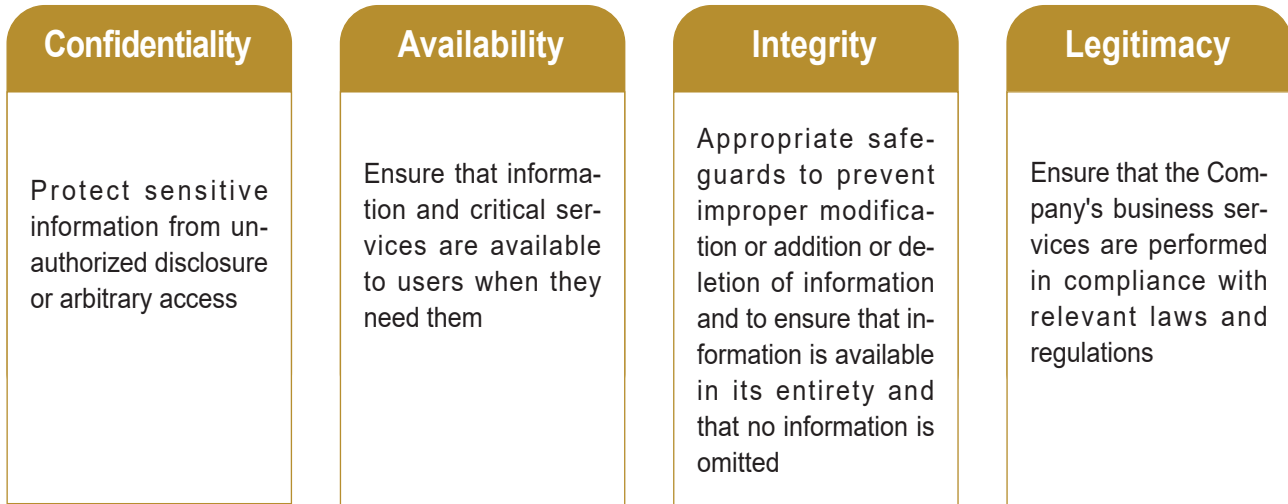
1.4.3 Information security risk command

Kaulin Manufacturing Co., Ltd. has established the management system of "Cyber Security Policy" and "Emergency Response Measures for Cyber Security Incidents" in accordance with the internal control regulations for TWSE/TPEX listed companies, and has established a sound management structure for information security insurance as shown below: The Company regularly evaluates the information security risks and ensures the effectiveness of the system by regularly reviewing the procedures and regulations on an annual basis. To strengthen the information security awareness of all employees, the Company conducts "Information Security Awareness Training" for all employees on a regular basis every year. In 2020, we held 3 training sessions, with a total of 126 training participants and 203 training hours, covering the "Cyber Security Policy" and "Emergency Response Measures for Cyber Security Incidents".



Information security management objectives

To protect the Company's information assets from misuse, leakage, tampering and destruction, and to ensure the security of information collection, processing, transmission, storage and circulation, the objectives are as follows:



Cyber security team

The leader of the General Administration Division is the convener, the information department of the head office is the vice convener, and the leader of each branch organization and the leader of each plant are the members of the team. The team responsibilities are as follows:

Cyber security team	
Crisis management	Security prevention
Plan crisis handling procedures	Collect information on cyber security
Identifying the cause of security incidents	Training in cyber security techniques
Determine the scope of impact and evaluate damage	Define system security level
Perform emergency response measures	Establishing cyber security measures
Carry out notification of security incidents	Implement cyber security controls
Implement solutions	

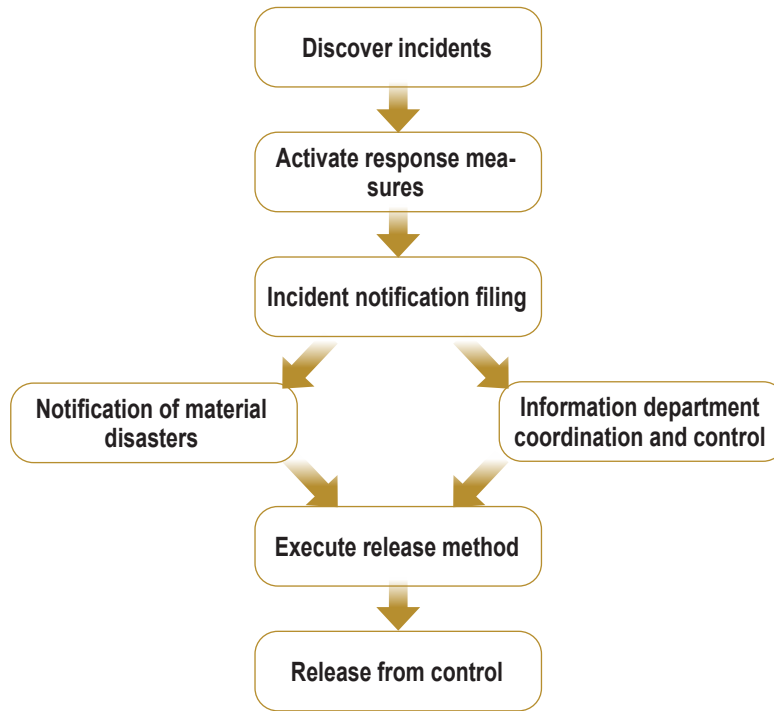
Information security specific management program

Item	Specific management measures
Firewall protection	<ol style="list-style-type: none"> 1. Set up connection rules for firewalls to protect computers from unauthorized access 2. Special connection needs require additional access application
Anti-virus & endpoint protection	<ol style="list-style-type: none"> 1. Use anti-virus software and update virus code automatically to reduce the chance of virus infection. 2. Update or patch outdated software versions to the latest version regularly.

Item	Specific management measures
Data backup mechanism	<ol style="list-style-type: none"> 1. Daily backup of critical information system database 2. Annual tape set-based backup exercise with remote login for operation confirmation and report on the backup exercise process 3. Backup data is stored offsite
Remote secure connection	Encrypted Internet connection to corporate intranet for secure access to internal resources while working from home, on the go, or on business trip with a browser
Mail security control	<ol style="list-style-type: none"> 1. Automatic mail scanning threat protection to preemptively prevent unsafe attachments, phishing, and spam in advance, and to extend protection against malicious links 2. Anti-virus software scans attachments to confirm security after receiving emails on personal computers 3. Check emails for modification through security credentials
User Internet access control mechanism	<ol style="list-style-type: none"> 1. Record and restrict user web browsing, software usage, IM conversations 2. Automatically filter websites that may contain Trojan horses, ransomware or malware
Website security management	<ol style="list-style-type: none"> 1. Perform website security risk scanning and automatically adjust firewall policies based on the scan results first 2. Website security monitoring and management such as website DDoS attack traffic filtering, application monitoring, website hanged horse detection and removal, and 24/7 SOC monitoring and management
Employee information security training	<ol style="list-style-type: none"> 1. Prevent social engineering attacks to obtain account numbers, pass codes, ID numbers or other sensitive information to break through the enterprise's information security protection and attempt illegal access and damage behavior 2. Prevent employee negligence and lack of information security awareness to create vulnerabilities.
Prevent leakage of confidential information	<ol style="list-style-type: none"> 1. R&D personnel cannot connect externally and access the Internet through intranet management 2. USB encryption for personal workstations 3. Image files are subject to application approval
Information security insurance	Information security risk transfer
Information security vendor services	<ol style="list-style-type: none"> 1. Information security health checkup services. 2. Intrusion detection and defense testing and protection services. 3. Advanced threat protection and detection services. 4. Email security management testing and protection services. 5. Assistance with problem finding and troubleshooting.

Process of notification and response operations of cyber security incident

If a cyber security incident is discovered, employees shall determine the scope of impact and assess the possible loss, initiate emergency response measures, and report the incident for documentation. If the incident is a significant disaster, it will be reported to the disaster prevention and rescue system, and if it is a material accident, it will be reported to the inspection and investigation unit. If the incident is a general incident, the information department of the Company will support and execute the release method.



Flowchart of notification and response operations

Disclosure of information security risk incidents

In 2020, there was 1 information security risk incident in Kaulin, and improvement measures were completed immediately.

Date	Cause of incident	Immediate measures	Follow-up handling measures
2020.1.7~1.8	Several distributor received the hacker's message in the name of the president. It was verified that the forged emails were not sent by the Kaulin mail server.	Requested sales representatives to forward the attention letter to all distributors worldwide, put the sender on the mail block list and delete the email immediately	1. Senior leases & sales representatives and all business support staff have planned to import COMODO digital certificate and notify global customers of the relevant certificate logo after installation. 2. Each site of the Group implemented COMODO endpoint security protection software 3. Set up protection from external websites

1.5 Sustainable Supply Chain Management

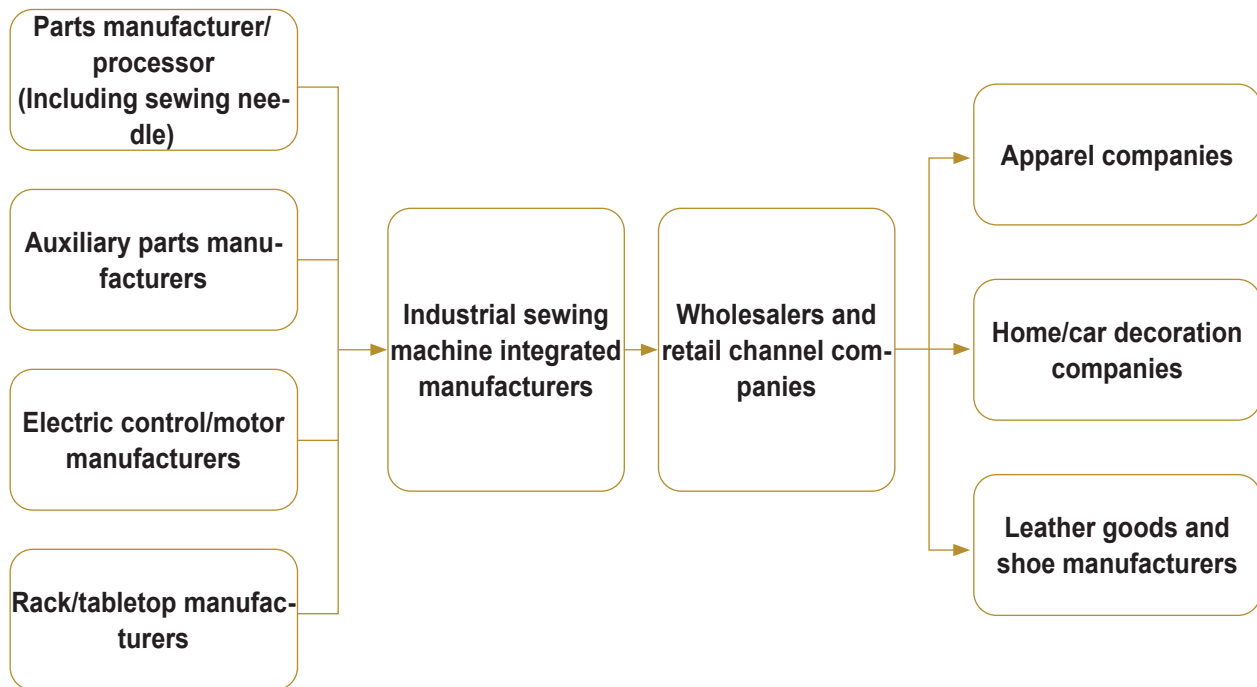
Our suppliers are key partners in our value chain. In addition to providing customers with economically valuable products and services, we are also concerned about social and environmental values. To promote the sustainable development of Kaulin and to respond to the global trend of environmental protection, Kaulin has established long-term partnerships with suppliers to actively ensure that each supplier complies with the social and environmental responsibilities of the supply chain. We will continue to communicate with our partners and invest in sustainable actions with upstream suppliers, with the hope of creating a safe, friendly, environmentally and socially responsible and sustainable supply chain for the sewing industry.

1.5.1 Supply chain patterns and localization of procurement

Supply Chain Overview

In recent years, Kaulin has been actively adjusting its operation strategy to respond to the rise of China and globalization strategy by "taking orders from Taiwan and producing in China". Currently, the main production site is located in Ningbo, Zhejiang Province, China (Kaulin Machinery & Electronic Industrial (Ningbo) Co., Ltd.). In 2020, there were 135 suppliers in cooperation with Kaulin, and the number of key suppliers was 121. The first-stage suppliers include punching parts, sand casting parts, plastic parts, rubber parts, CNC machining, etc.

Kaulin continues to promote localization of procurement and gives priority to local suppliers as its main partners. Through localization of procurement, suppliers can provide services more efficiently, shorten delivery time, save transportation energy, reduce environmental footprint during transportation, and indirectly increase employment opportunities and promote social and economic development, thus realizing sustainable business operation. There were no significant changes in the location of suppliers, supply chain structure and relationships with suppliers from 2019.



Upstream, midstream and downstream supply chain of sewing industry

Percentage of procurement budget from local suppliers

Percentage of local procurement at the material production base (China) for 2018-2020

Unit: NT\$

	2018	2019	2020
Procurement amount from local suppliers	496,614,170	266,770,052	249,824,896
Total procurement amount	506,946,148	272,412,426	250,154,010
Procurement percentage from local suppliers	97.96%	97.93%	99.87%

Note: Since 2006, Kaulin has transferred its production to China (Kaulin Ningbo plant), and currently Kaulin transported back to Taoyuan plant for assembly in the form of "semi knocked down" from Ningbo plant, with 90% of material supplied from Ningbo plant and 10% from Taoyuan plant.

1.5.2 Sustainable Supply Chain Management

Supplier management policy

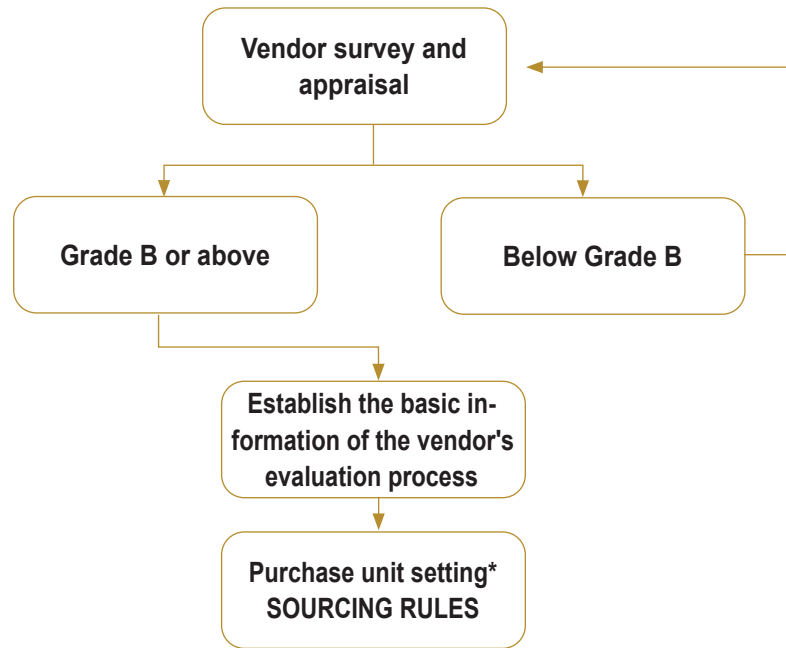
In the spirit of corporate citizenship, Kaulin is committed to ensuring a safe working environment in the supply chain, respecting the dignity of workers, and being environmentally responsible and ethical. For the selection of new suppliers, in addition to evaluating the quality, quantity, delivery time, and price of goods delivered, Kaulin will also plan to include the concept of corporate social responsibility in the supply chain, and expand the evaluation criteria to include environmental friendliness, occupational health and safety, labor and human rights, and ethics system, which will be standardized in the future.

Supplier Evaluation Standards

1. For new suppliers to be evaluated in accordance with the "Vendor Survey Form", suppliers should submit catalogs or samples for preliminary review by the purchasing supervisor or designated specialists, and decide whether to conduct product trials based on the results of the preliminary review.
2. All new suppliers are evaluated and required to sign the "Supplier Code of Conduct" and ensure that all cooperative suppliers are subject to this specification
3. Suppliers must be able to guarantee that the products they supply comply with RoHS/3C requirements
4. Product test reports from company-approved certification institutions are required

Since 2006, Kaulin has shifted its production base to Mainland China and has assembly at its Taoyuan plant by shipping back with the "semi knocked down" (SKD) model. Due to the principle of local sourcing of suppliers (currently, 90% of Kaulin's suppliers are located in China and only 10% in Taiwan), Kaulin does not purchase many parts in Taiwan, and at the same time, Taiwan's suppliers are facing the difficulties of aging and lack of successors. The accuracy of supplier evaluation in Taiwan needs to be enhanced. In the future, Kaulin will strengthen the implementation of the requirement for all suppliers in Taiwan to adhere to this standard, establish a quality control system and obtain relevant certifications, monitor product quality, meet customer requirements and make continuous improvements to enhance customer satisfaction.

New Supplier Selection Management Process



Note 1: Quality assurance, procurement and technical units perform vendor evaluation together.
 Note 2: Source Rules is the setting of purchasing percentage.

Future Planning for Supplier Environmental and Social Responsibility Management

Item	Highlights
Environmentally Friendly	<ul style="list-style-type: none"> Suppliers should ensure the reduction of energy, resources, pollution and greenhouse gas emissions, etc. Suppliers shall implement green procurement, pursue economic efficiency, and be environmentally friendly Suppliers shall strengthen the reuse of waste resources and strive to reduce the impact of environmental pollution
Occupational health and safety	<ul style="list-style-type: none"> Ensure compliance with regulations and protect the safety and health of employees
Labor and Human Rights	<ul style="list-style-type: none"> Suppliers shall ensure that employee wages comply with local regulatory minimum wages Suppliers shall ensure a respectful work environment for employees, free of discrimination and harassment
Code of ethics	<ul style="list-style-type: none"> Suppliers shall ensure integrity and implement anti-corruption practices, and new suppliers shall sign an anti-bribery pledge

Supplier Evaluation

In order to ensure that the quality, quantity, delivery time and price of suppliers can meet the Company's requirements, Kaulin has established the "Measures for Supplier Management" to evaluate the quality and delivery time of suppliers and new suppliers. The supplier evaluation team of Kaulin is composed of quality assurance, biotechnology, and purchasing units and is jointly executed. The total supplier evaluation is generated from the monthly evaluation of quality and delivery, and the grades are divided into four levels: Grade A, Grade B, Grade C and Grade D. Of the 135 suppliers subject to annual assessment in 2020, 124 met the standard of Grade A, 5 met the standard of Grade B, and 6 met the standard of Grade C and Grade D. After communication and counseling, the suppliers have proposed improvement plans. For three consecutive months for Grade D, the supplier will be classified as an eliminated supplier, the Company needs to redevelop new suppliers to supply materials.

Supplier evaluation grade & evaluation results

Evaluation grades	Grade A	Grade B	Grade C	Grade D
Award and punishment measures	Quality assurance to reduce the sampling percentage of incoming material inspection or exempt from inspection		Quality assurance to increase the sampling percentage of incoming material inspection	Counseling for improvement
	Pre-emptive right for manufacturing new product development		Notify vendors of improvements or provide counseling	Redevelop new suppliers as needed
Evaluation results (number of suppliers)				
2020	124	5	5	1

Supplier risk management

In order to prevent suppliers from material disasters, unannounced closures or other reasons that may affect the Company's production and performance, or cause any disputes, Kaulin has established a risk assessment mechanism to strengthen supplier management. Kaulin conducts annual supplier risk assessment and requires suppliers to have contingency plans and handling procedures for various potential natural or man-made threats to ensure continuous operations and to avoid and minimize hazards to Kaulin's operations through appropriate preventive measures to protect the interests of stakeholders. The Company has two or more suppliers of key raw materials to ensure stable supply and reduce the risk of material supply disruption.

Supplier Engagement

Kaulin values communication with suppliers. Through the establishment of e-Procurement information management system, suppliers are able to clearly know the current and future procurement needs of Kaulin for their production planning. As the Taoyuan plant has fewer parts and therefore does not need to interact with suppliers on a regular basis, and currently the information management system is mostly used in the Ningbo plant. Kaulin holds supplier meetings, supplier conferences, and industry exhibitions from time to time, and has a supplier section on its website to promote supplier relationships.

CH2 Innovative Product Services

Chapter material topics Product Quality and Innovation

Concern for stakeholders Customers, suppliers/contractors, society

In the highly competitive market, Kaulin has always been dedicated to the development of innovative technology and smart sewing machines for its core products. While providing high quality products and services to each customer, Kaulin continues to pursue innovation, introducing automated processes and supervising production lines with "Industry 4.0" advanced management systems to achieve efficient and high quality production processes. In addition to reducing raw material consumption, prolonging product life and increasing recycling rate, we are also able to reduce factory hazards and pollution, and move towards a harmless, healthy and green working environment, and continuous innovation is also a key element of our sustainable business development.

Importance:

Modern technology is changing rapidly, and industrial sewing machines are constantly growing and evolving under the changes of the times. Kaulin believes that only by continuously pursuing innovation, ensuring quality, and fulfilling our commitment to customers can we continue to lead the industry. We are constantly exploring the market and the needs of our customers in order to improve the functionality of each model, to develop new products ahead of the market trend, to enhance the digital management capability of the production line through digital tools, and to realize a part of the intelligent manufacturing management system, bringing convenience and high efficiency production tools to the garment industry.

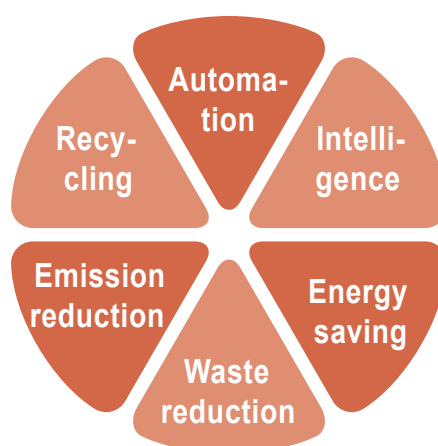
Management approaches and goals:

With the six core values of "energy saving, waste reduction, emission reduction, circulation, automation, and intelligence" as our product policy, Kaulin is committed to innovating and introducing new energy-saving practices in the products themselves and in the production process, as well as satisfying customers' needs in green product development and providing high-quality products and services.

- Continuously invest resources in future research and development in the direction of highly automated equipment
- High quality and efficient product design and development
- Actively exhibit the latest products and services
- Committed to the full range of green product design, in order to comply with European, American and global environmental regulations, reduce the pollution of the environment, to do our part for the earth and society

2.1 Sustainable Innovation and R&D

Our core competency is to provide cutting-edge garment sewing equipment for global garment manufacturers to position themselves in the market. The six core values of product development are "automation, intelligence, energy saving, waste reduction, emission reduction, and circulation", which are designed into sewing machines. In product development, Kaulin has introduced direct-drive servo motors and oil-free and oil-less structure design to save power consumption with high-efficiency products. Compared with the clutch motor used in traditional machines, the power consumption of direct drive servo motor can be reduced by 30% to achieve the goal of energy saving and carbon reduction. Kaulin will also continue to invest in semi-automatic and fully automatic product design to improve the efficiency of garment production. The electric eye control can precisely control the activation time of the pneumatic element, and the negative pressure pneumatic element opening frequency can be reduced by 20%. In the future, Kaulin will promote the development of products to reduce environmental pollution and social impact.



Six core values of R&D

Automation and intelligence

Kaulin processes have introduced the assistance of information technology to develop a quality control system to ensure product quality. Through Automated Optical Inspection (AOI), Kaulin uses optical principles to detect the surface shape of an object, and computerized image processing technology to confirm if there are any abnormalities or defects. This system is automated, fast, accurate, and stable, replacing the traditional manual visual inspection method, significantly improving the manufacturing process and minimizing the risk of defective products. Using the AOI principle to measure the oil dump area, it determines whether the machine passes the inspection and upload the data to the cloud to create a live view board. The collected data is compiled into a cloud-based monitoring platform for the oil leakage area of vehicles, and the long-term oil leakage data is analyzed by big data to prevent and protect against environmental pollution.

Recycling design

To alleviate the rising problem of global textile waste and the environmental pollution caused by "fast fashion", Kaulin takes advantage of its social responsibility in the upstream of the supply chain of the sewing industry and incorporates circular economy thinking in the development of new products, with "oil-free and waste reduction" as the main goal of development. The new oil-free sewing machine developed by Kaulin can reduce the amount of oil thrown by the sewing machine by up to 50% by introducing new technology of diamond coating surface treatment and new design of grease lubrication, and the new headset model of garment rag sewing trousers developed by Kaulin will be able to recycle rags. Project ReSew's is a collaboration with the Company's Kaulin Foundation, which aims to create recycled value through the development of sewing machines to re-sew discarded materials for test drives and various kinds of textile discarded, stockpiled, defective, sample and second-hand recycled fabrics, etc. For details, please refer to 5.3 Environmental Protection Initiative.

Quality Management System

In order to meet customer needs, adhere to standards, create brand value, and comply with international and national environmental laws and regulations, Kaulin has established a number of standards for quality requirements: "incoming material inspection standards", "process inspection standards", "finished product inspection standards", "source management measures", and "quality identification standards". In order to prevent quality problems and shortcomings, we take preventive measures and establish a rigorous audit management system to ensure that our customers receive the highest quality products and services. Each time the problems of the trial installation, through video conference or physical communication with the manufacturers, one by one communication for the problems, and under the careful testing and modification verification of the R&D engineers, one by one smoothly solved, so that in the product development, new breakthroughs are achieved every year, and the quality audit management is as follows:

- Daily unscheduled sampling to check whether the online operation is in accordance with the operating standards
- Every six months, we conduct internal audits and hold internal audit meetings for the whole plant.
- Annual external and audit review

R&D expenditures for the past three years (consolidated)

Unit: In thousands of NT\$

Year	R&D expenditures	As a percentage of total revenue
2018	56,393	2.12%
2019	60,557	2.79%
2020	45,675	2.83%

Product liability

Kaulin takes seriously the possible health and safety impacts of its products and services during their lifecycle. In order to ensure the health and safety of our customers and end-users, we take strict and prudent care to ensure the safety of our products and operations, and all raw materials are inspected by a third party certification unit. Since July 2007, our products have reached the goal of total greening. The materials and contents of our products are in compliance with the requirements of EU 2011/65/EU and (EU) 2015/863 (RoHS 2.0 Directive). The products have undergone a rigorous safety testing process in the factory prior to market launch, including a life test of over 500 hours of operation, high and low temperature environment test, EMC test, etc., and comply with CE MD Machinery Directive 2006/42/EC certification and CE LVD Low Voltage Directive 2014/35/EU certification.

Green products

In addition to providing high quality products that meet customer needs, we have clearly defined standards for the use of hazardous substances in our products and ensure that all processes comply with international environmental regulations and control requirements. In recent years, Kaulin has been promoting green procurement, investing in the development of new generation energy saving machines, promoting the recycling and reuse of raw materials and product packaging materials to reduce the amount of packaging materials and waste generation, and complying with WEEE Directive 2012/19/EU Article 11-Recovery Targets test standards. For other hazardous substance management information and management guidelines, please refer to 3.2 Waste Management.

IoT digital production line management platform

COVID-19 pandemic outbreak causes hardship for garment factories and poses serious challenges for garment equipment manufacturers. The "2021 New Product Exhibition" was held in Taoyuan from November 27 to December 4, 2020. 110 distributors and garment manufacturers were invited to visit the event, demonstrating that, in the face of adversity, Kaulin still focuses on product research and development, and hopes to bring better and more convenient production tools to the garment industry.



Figure 1, 2021 New Products Exhibition

The SiRUBA IoT Digital Production Line Management Platform was exhibited at Kaulin's 2021 New Product Exhibition. The system enables data from the entire garment sewing process to be gathered in a private cloud, allowing garment factory managers to evaluate and respond to the data. The Digital Production Line Management Platform is based on the four material objectives of "Foresight, Digital Power, Productivity, and Decision Making".

- Foresight: Provide real-time monitoring of production volume, operating efficiency, target variance, piece return, and human error alerts
- Digital Power: Enhance the remote management capability of factories, support multi-plant and multi-line digital signage, and complement the existing plant MES manufacturing execution system's lack of management information.
- Productivity: Improve utilization rate and productivity, move toward refined operation management, and realize employee self-management
- Decision Making: Improve real-time statistics and analysis of manufacturing efficiency of each plant in the Group's Operational Situation Center to enhance differentiation and competitiveness.

Kaulin understands that in the wave of "fast fashion" garment, the phenomenon of low gross profit of garment factories has become the norm. With this IoT production system, garment manufacturers can continue to break through and grow in the highly competitive global environment.

Development of oil-free sewing machine - C007L/LX series of ultra-high speed interlock sewing machine

Kaulin also exhibited the newest micro-oil technology application in the "Micro-Oil New Machine Area" at the 2021 New Product Exhibition. The C007L/LX series of ultra-high-speed interlock sewing machine is designed to prevent oil leakage and dust from falling into the needle bar and crochet hook of the sewing machine, and to control the oil leakage to maintain good lubrication conditions and prolong the service life of the parts that need to be constantly rubbed during operation.

The new oil seal structure of C007L/LX series has enhanced the oil isolation performance, which can effectively reduce the oil throwing out, and the high wear-resistant FKM (Fluorine Rubber) material is used. FKM high performance rubber is resistant to high temperature, oil, solvents and chemicals, which makes it a high performance synthetic rubber indispensable for aviation, automobile, petrochemical, industrial pollution control, etc. Used in sewing machine oil seal, it can significantly improve the performance of sewing machine.

The newest oil-proof technology has been developed to upgrade the parts and materials of C007L, such as the special treatment of Diamond Like Carbon on the surface of needle bar, which makes the sewing process more similar to the oil-free state. New surface treatment technology is introduced to the application and grease lubrication design, reducing the amount of oil throw off by 50%, while reducing the difficulty and water consumption in the subsequent cleaning process of the garment manufacturing.



Figure 1. Flagship model C007L/LX series

Reduce waste fabrics and recycle rags

The garment factories produce a large amount of periodic scraps of fabric during the cutting process, and these scraps are called "scraps" after cutting the raw materials. Except for a few used as rags, oil wipes or mops, most of them can only be disposed of as waste by incineration or landfill, causing air and water pollution.

Through various research and development activities, Kaulin is trying to promote the concept of "sustainable fashion" to a wider group of people. The headset model F007K/FBQ developed by Kaulin is a garment scrap sewing trouser headset that can recycle the periodic scraps produced during the cutting process of garment production fabric and sew them into trouser ears, allowing garment factories to recycle the scraps directly for reuse.

Reduce the use of sewing thread

On the copy machine without a thread cutting device, the user is used to let the servo motor keep rotating to produce 10-15 cm of sewing thread after the fabric is sewn, and then cut the sewing thread with the cloth cutting knife. This method of operation tends to cause waste of sewing thread. The new ECA/ECB thread cutting device developed by Kaulin for cuffing machines uses an electric eye to detect the position of the end of the fabric and precisely controls the cutter to perform thread cutting at the end of the sewing process while stopping the servo motor, so the thread consumption at the end of the sewing process is only 3 to 4 cm, which can significantly reduce the use of thread during the sewing of the knot.

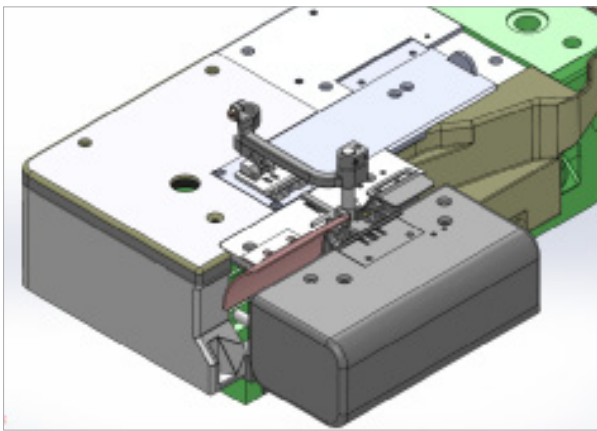


Figure 1: F007K/FBQ Interlock Machine Accessory Illustration



Figure 2. New 700LQ Overlook Machine

2.2 Customer Service

Customer Management Concept

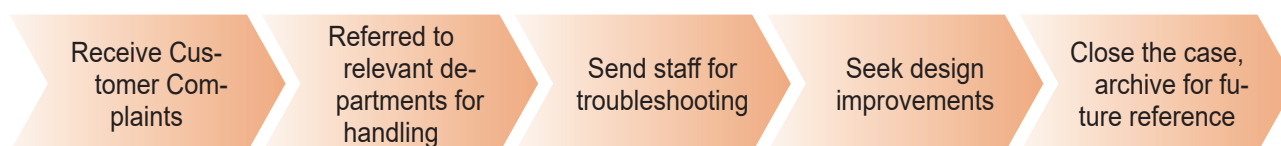
Kaulin values customers' opinions, satisfies customers' needs, and strives to provide the best service to customers. To this end, we have established a fully dedicated customer service team, with dedicated coordination and communication windows at each stage from R&D, production, marketing, sales, and after-sales, to respond quickly to customer needs and expectations.

Kaulin's Customer Management Philosophy



Kaulin considers customer feedback and opinions as an important basis for refining customer relationship development, and actively understands customer needs through multiple channels, which customers can use to respond to quality abnormalities, performance, and future needs. For each customer's opinion, Kaulin will regularly review, analyze and propose appropriate improvement plans, and develop a complete set of customer demand response handling procedures. Each year, the sales unit will conduct a customer satisfaction survey, and all problems will be forwarded to the relevant departments for reply and improvement; customers can also respond to product abnormalities through the "Customer Service Process" BPM system, and the quality assurance unit will analyze and improve the abnormal items immediately. In response to the customer's complaint, regardless of the seriousness of the complaint, we will immediately send staff to handle the repair and seek design improvement for the problematic points to keep our commitment to customers and quality. In 2020, we received a total of 68 abnormal product responses, 31% of which were closed within 30 days.

"Customer Service Process" BPM System Handling Process



Annual customer satisfaction

Customer satisfaction is the basic responsibility of business operation and is also the most powerful marketing tool and language, and Kaulin is committed to building a trusting and long-lasting partnership with customers and firmly protecting their rights and interests. Sales representatives understand customers' needs through a multi-directional customer communication channel. We conduct annual questionnaire surveys to understand customer satisfaction, feedback and suggestions for improvement in response to rapidly changing market needs. In 2019, 27 questionnaires were returned, accounting for 100% of customers, with an average satisfaction rate of 82%, up 6% from 2018. Kaulin will continue to think from the standpoint of customers and provide comprehensive customer services based on their needs in order to achieve customer satisfaction and business sustainability.

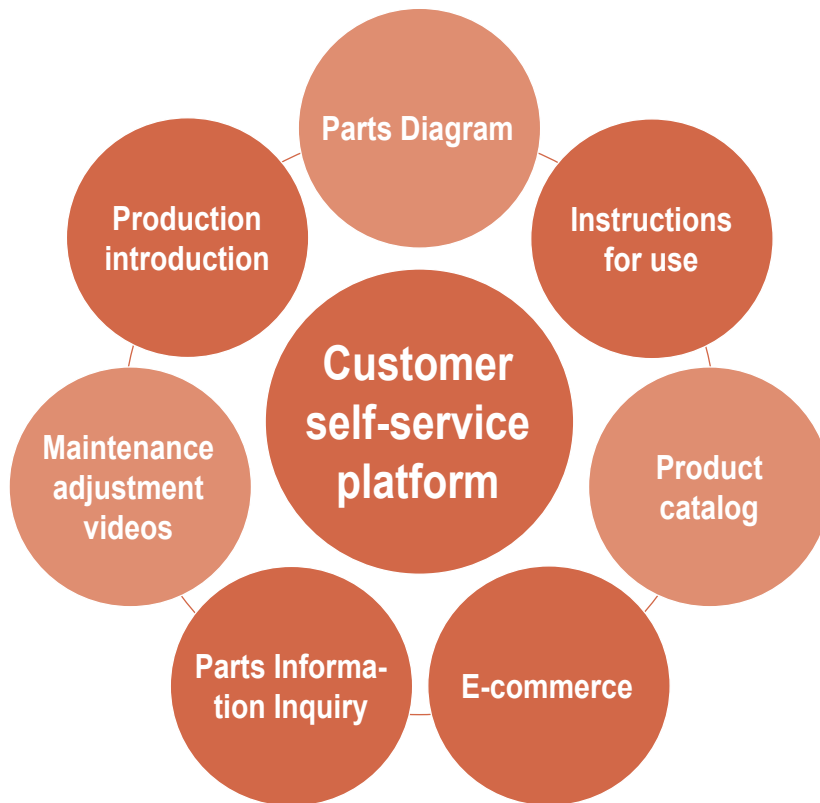
Note: In 2020, online questionnaire was used to collect information instead. The system is still under revision, therefore, the results of the questionnaire survey for 2019 paper-based statistics are disclosed.

Digitalized Customer Service

As the pandemic accelerates and changes the way of marketing and sales, and as customers and users expect more digital services, Kaulin also keeps pace with the "digital era" and provides innovative digital services and e-commerce ordering experience.

- Build "ICT Platform" to help customer get the required information in real time, and provide online ordering system to speed up the ordering process This system not only improves the efficiency of problem solving, but also reduces the time and effort spent by customers, thus enhancing the continuity of customer experience.
- Kaulin uses the industry's first product identification code (QR Code) scanning to provide detailed product resumes to protect customers' rights and interests. At the same time, the technical service department can also query the factory inspection value through the QR code, which can determine the problem more quickly and accurately, and reduce the loss while customers waiting for troubleshooting, and maintain corporate reputation and customer relations.
- We have built an E-commerce system for our partners to use, simplifying the B2B transaction process from product selection, order placement, and shipment, all of which can be grasped by customers in a timely manner to achieve fast and accurate cooperation in product transactions.

"ICT Platform" provides real-time information



Customer privacy protection

Kaulin understands that the protection of confidential information is crucial to the Company's competitive advantage, and has established relevant management procedures and regulations to properly control the Company's business secrets and confidential information that has not yet been publicly disclosed, in order to ensure the best interests of customers and vendors. In 2020, there were no complaints from customers about infringement of customers' privacy or leakage of confidential information. Please refer to 1.4.3 Information Security Risk Management Command for customer information security management measures.

"Sew" for Much Fund - Donation to help fight against pandemic in India

In 2020, the world was ravaged by the COVID-19 pandemic, especially in India, a material market for Kaulin. Kaulin's Sales Division (including sales and marketing), general administration division and IT department are working together to develop the "Sew" for Much Fund for the Indian market: Fundraising for India against COVID-19, through which a donation was made to PM CARES (Prime Minister's Care Fund of India), the official donation unit for the fight against the pandemic in India.



Figure 1: Campaign Poster

The project was held from July 28 to August 28, 2020, and was promoted through the official website and fan page of Kaulin. During the campaign period, Kaulin donated 400 INR (approx. \$5 USD) for every purchase of COMBO project (including one overlock machine and three lockstitch machines) through Kaulin's online ordering system. For any purchase of a sewing machine through a Kaulin distributor, Kaulin will donate INR 100 (approx. USD \$1.3). In addition, for the official Facebook fan page campaign posts, INR 10 will be donated for each click of like button and INR 50 will be donated for each shared post, plus a free mask for users in India.

This is the first public service project in the Indian market and has been well received by Indian customers. Kaulin raised \$3025 USD for the Prime Minister's Care Fund in India and received official certification from PM Cares as a donation unit. Through this experience, Kaulin hopes to use it as a reference for future projects of the same kind, and to optimize the execution of the purchase project by offering a wider variety of COMBO models, so that consumers can have more choices to increase their chances of closing the deal, and to demonstrate Kaulin's commitment to social participation and to bring positive enhancement to the image of Kaulin and Taiwan.



Figure 2: Campaign Poster

CH3 Implementing Green Operations

Chapter material topics:

Energy Management, Waste Management, Wastewater Management, Hazardous Substance Management

Concern for stakeholders

Customers, shareholders/investors, community residents, NGOs

Kaulin is committed to implementing environmental protection in our production process. Our environmental protection is covered in the production value chain, from raw materials to products. In order to realize our spirit, Kaulin is actively concerned about environmental protection issues, not only from the core technology, active research and development, to provide high process efficiency, innovative green product solutions, but also from the perspective of product life cycle and social responsibility, and take "energy saving and emission reduction" as our vision, and link it with the performance assessment of all employees to show our determination to carry it out. Through the introduction of ISO14001 environmental management standard, we have systematically formulated the job descriptions and responsibilities of each department, and based on this, we are able to achieve green operation through the operation of our environmental management system.

Importance:

We believe that effective energy and water waste management helps to promote a harmless, reduced, healthy, and green working environment to reduce corporate costs and risks, and the Company uses strategies such as research and development of high-efficiency green products to improve energy efficiency, achieve waste reduction, and sort and recycle waste to achieve the goal of sustainable production.

Management approaches and goals:

Kaulin has established the "Energy Conservation Management Measures" as its internal energy management guideline, and has implemented water conservation control. In addition, Kaulin has established the "Waste Management Measures" and "Wastewater Management Measures", and conducts waste and wastewater treatments in accordance with the law. In terms of waste, Kaulin urges each unit to classify and recycle separated waste, and through internal auditing and external removal inspection, to achieve the purpose of recycling and reducing environmental impact. In terms of wastewater treatment, Kaulin has waste water treatment facilities and effectively monitors and measures waste water to comply with the Water Pollution Control Act and regulations.

3.1 Energy and Resource Management

3.1.1 Improving energy management efficiency

Facing the impact of the low-carbon era, reducing energy costs has become a necessary strategy for enterprises to pursue sustainable development. Based on the concern of energy management issues and in view of the severe challenges faced by energy management in the future, Kaulin has established the "Energy Conservation Management Measures" as the top guideline for energy management in order to effectively manage energy use and improve energy efficiency. Based on the compliance with energy regulations and supervised by each plant, we will confirm the effectiveness of implementation and continuous improvement through the PDCA (Plan-Do-Check-Action) cycle to meet the goal of sustainable development and environmental coexistence and co-prosperity.

Energy management policy	
Continuous improvement	Improve energy performance, support energy efficiency design improvements, develop energy efficiency programs
Comply with regulations	Comply with energy regulations and follow relevant energy regulations for processing records and reporting
Performance management	Execute energy conservation programs, provide resources and information to achieve goals and targets, and eliminate potential energy waste
Energy saving and carbon reduction	Refine energy-saving technologies and develop green energy to create the value of energy cycle economy

In terms of energy use, the largest energy use within the boundary of this report is the Taoyuan plant, which uses mainly gasoline, diesel, natural gas and electricity. In 2020, the total amount of energy consumed by Kaulin is 411,011.66 MJ. The energy consumption of Taoyuan plant is mainly for equipment use, electricity use, business vehicles and forklifts, while the main energy consumption of the head office is for electricity use.

Year		2018	2019	2020
Energy Type		Consumption	Consumption	Consumption
Non-renewable fuels	Gasoline	361,060.50	389,377.06	378,811.18
	Diesel	32,595.43	16,805.38	16,245.20
	Natural gas	10,109.97	14,102.43	13,767.32
Renewable Energy		0	0	0
Purchase for use	Electricity	2,976,910	2,709,870	2,187,970
Total energy consumption by the organization		3,380,675.9	3,130,154.87	2,596,793.7

Note: Kaulin does not sell energy, and all energy produced and purchased is used internally

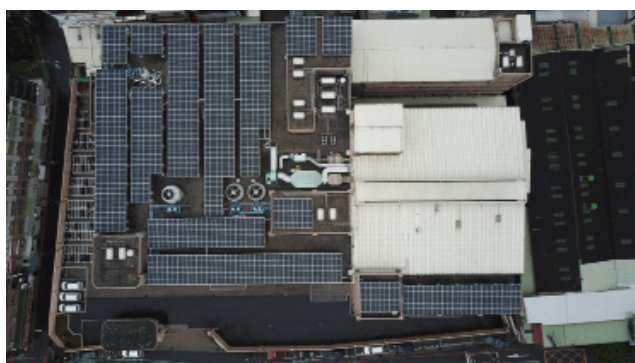
Effective energy management has become a necessary strategy for the sustainable development of Kaulin. In accordance with the Energy Conservation Management Measures, Kaulin has established an energy auditing system for water, electricity and gas, and is conducting inventory, monitoring and correcting abnormalities in the use of energy resources. The factory reports the electricity consumption at the monthly factory meeting and reviews

whether there is any significant difference with the same period last year. To strengthen the energy management mechanism through self-monitoring and management, in order to set energy saving targets and carry out energy saving improvement plans in the future.

Renewable energy highlights

In order to implement sustainable business operation, Taoyuan Plant has planned to set up a solar roof renewable energy power generation plan as early as 2019, leasing the roof to solar photovoltaic operators to build new solar panels to collect solar thermal energy to convert into electricity, thereby supporting the government's policy of promoting green energy and encouraging enterprises to participate in solar photovoltaic construction to solve the problem of power shortage. The solar photovoltaic installation in Kaulin was evaluated on site in December 2019 for planning and design. After the solar site visit in June 2020 and the approval of the application in September 2020, the installation and assembly of hardware facilities were carried out, and the project was completed on March 13, 2021 and was connected to the grid on April 13, 2021.

In addition to wholesale to Taipower, the solar power generation plan of Kaulin will also significantly reduce the air-conditioning operation of the plant due to the shading effect of the rooftop scaffolding, thus achieving the benefit of energy saving and carbon reduction, which will reduce the cost of electricity in the future. The total capacity of the Kaulin solar power installation is 242KW, and it is estimated that the total power generation capacity will reach 5.809 million kWh in 20 years, and the estimated revenue from the billing tariff is NT\$29.21 million, and the CO2 emission reduction will reach 3.07 million kg. In view of the future trend of carbon reduction, Kaulin will evaluate the effectiveness of this project for future reference in purchasing renewable energy for power generation design, so as to do our part for the earth.



CH3 Implementing Green Operations

Energy saving operation program

Under the continuous fermentation of the climate change issue, the Personnel Administration Unit of Kaulin has mobilized all departments to actively promote energy saving measures, seek continuous improvement opportunities and develop energy saving improvement plans to achieve energy saving and eliminate waste of resources, in order to reduce the Company's operating costs and mitigate the impact on the environment. Kaulin has the energy conservation management measures in place and evaluates every month based on the monthly electricity bill and usage, which is reported in the monthly factory meeting. The control focus includes: energy saving of lighting equipment, temperature control and regular maintenance of office and workplace air conditioning, and regular maintenance of machinery and tools.

Power generation design reference, do our part for the earth.

Operating locations	Energy conservation item	Item description	Energy conservation benefits
Taoyuan plant	Lighting equipment	Lighting equipment is closed in the area without operators, additional sensor controller is installed in the staircase, and the production line lighting is replaced with LED lamps	Annual energy savings achieve 28,105kwh

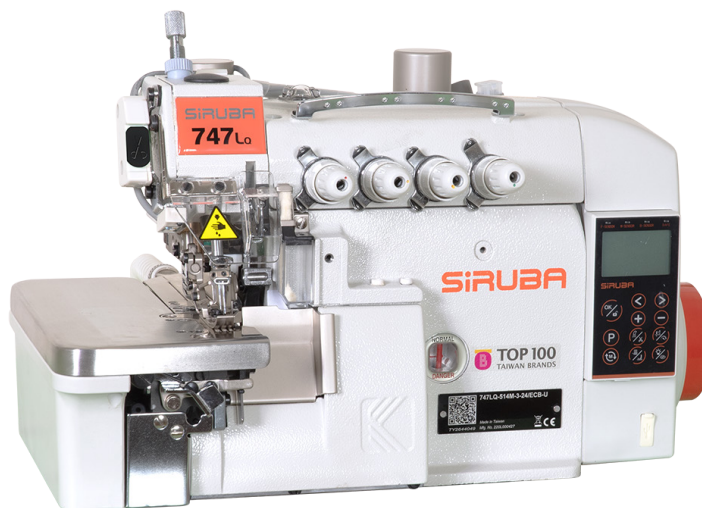
Operating locations	Energy conservation item	Item description	Energy conservation benefits
Taoyuan plant	Air conditioning equipment	Maintain proper temperature, regular maintenance of air conditioning equipment, condenser cleaning and maintenance to improve operation efficiency, air conditioning improvement project in the central control room	Annual energy savings achieve 48,045kwh
Taoyuan plant	Machinery, equipment and tools	Regular maintenance	Maintain machine and equipment utilization and reduce energy consumption

Energy saving product R&D

In addition to actively implementing various energy saving programs and responding to the demand for energy saving products, Kaulin also strives to integrate the concept of green products into the research and development of products and technological innovation to develop products towards high efficiency and low energy consumption in order to meet the future market trend and reduce the harm and impact on the environment. In 2020, Kaulin invested a total of 5 million dollars to develop energy-saving products such as 700LQ, ASK-ESC100, ASP-SFS100 and C007L, etc. Currently, Kaulin has five series and more than ten low energy consumption green products, and has obtained four related patents, and will actively research and develop towards green R&D in the future.

Energy-saving sewing machine

We are committed to incorporating green and low-carbon concepts into our product development and technology innovation, and to reducing energy consumption and resources by incorporating green design thinking at the source of product design to reduce environmental hazards and impacts in all stages of the product life cycle. Kaulin has developed a full range of direct-drive servo motor-driven sewing machines. Unlike previous induction motor-driven sewing machines that consume power when the power switch is turned on, direct-drive servo motor-driven sewing machines consume power only when the sewing machine is actually sewing. The direct-drive servo motor-driven sewing machine consumes power only when the sewing machine is actually sewing, and the sewing machine is in standby mode while the seamstress is finishing the fabric when the power is turned on, saving power consumption significantly. Compared with the traditional induction motor, it saves 34.4% energy and achieves the goal of energy saving and carbon saving.



Kaulin 700LQ energy-saving sewing machine

CH3 Implementing Green Operations

3.1.2 Resource management

Water resource management

Due to the characteristics of our products, we do not use too much water in the production process, but considering the increasing shortage of water resources worldwide, we still use "zero pollution of water discharge" and "water conservation" as our water resource management strategy. We continue to use "zero pollution in drainage" and "water conservation" as our water resource management strategy. In terms of water resource management, we follow the relevant environmental laws and regulations to keep records and reports, and conduct measurement and statistics on various water demands, and try our best to conserve water and handle it properly. According to the World Resources Institute's water management tool, Taiwan is a low to medium pressure water resource area, so it does not take water from high pressure areas, and at the same time, it actively evaluates water utilization related measures to reduce water wastage by making good use of water resources, so that the use of water resources can be increased. The main water used by Kaulin is tap water supplied by the water company, while the water used by the Taoyuan plant is tap water and groundwater. The Taoyuan plant uses water mainly for cooling water tower evaporation and plant cleaning and renovation. The total water intake in 2020 was 4.003 million liters. Most of the water is discharged through the wastewater treatment system, and the raw and discharged wastewater is regularly tested, while the rest of the water is evaporated through the cooling tower and cleaned up. The remaining water is evaporated through cooling towers and cleaned up and discharged directly into the general sewer.

Unit: MegaLiters

Water intake			
All areas	2018	2019	2020
Ground water intake	0.678	0.384	0.477
Water intake from urban water supply system	5.222	4.146	3.526
Total	5.900	4.530	4.003

The internal water conservation control is set up to urge all employees to conserve water and post signs to remind employees to conserve water at all times. In addition, Kaulin regularly cleans the water tower and inspects the condition of the water pipeline to prevent breakage, and the personnel administration unit evaluates the effect of conservation based on monthly consumption. The monthly water consumption in 2020 was reduced compared to the same period last year, and the total water savings in 2020 reached 0.527 million liters compared to 2019.

Wastewater and waste gas pollution control

Kaulin introduced ISO14001 and established the "Wastewater Management Measures" to effectively monitor and measure wastewater, control the quality of wastewater generated during production and the Company's domestic wastewater, and discharge the wastewater to the Chei-Tong River in compliance with the water pollution control regulations, which is managed by the personnel administration unit. Kaulin's wastewater sources are mainly process wastewater and cooling tower water, which are treated in accordance with the "Wastewater Treatment Procedures". The raw water and drainage of wastewater are tested and reported every six months, and the "Daily Checklist for Operation of Wastewater Treatment Equipment, Electricity Consumption and Wastewater Inspection and Testing" is filled in daily to implement wastewater equipment management. In 2020, Kaulin had one water quality related violation where the effluent discharge exceeded the suspended particulate standard and did not meet the discharge standard, which was improved by regular cleaning of the activated carbon adsorption tower and weekly inspection of water suspended particulate abnormalities. In the future, Kaulin will continue to strengthen water resource management, gradually establish an internal water management system, integrate water conservation into the manufacturing process, and set short-, medium- and long-term targets and measures to actively promote its own water management.

In addition, Kaulin has established the "Waste Gas Management Measures", and the personnel administration unit has the authority and responsibility to manage the emissions generated during the production process of the plant, so as to comply with the air pollution prevention regulations and do effective supervision and measurement. The source of Kaulin's waste gas is mainly from the coating process, including VOC volatile organic compounds and dust, which are treated by activated carbon adsorption towers and horizontal scrubbing towers and pop-up dust collectors, and emissions measurement operations are conducted regularly by external inspection units, while the "Monthly Inspection Form for Air Pollution Treatment Equipment" is filled out monthly. No waste gas management deficiency events in 2020.

CH3 Implementing
Green Operations

3.2 Waste Management

The general business wastes of Kaulin Taoyuan Plant are mainly household wastes, paper, metal wastes, plastic and inorganic sludge. In accordance with the "General Waste Management Measures" and "Business Waste Management Measures", each unit collects and sorts waste materials and production wastes on its own, and the personnel administration unit sets up a contract with a vendor to remove them. In order to comply with the regulations of the public authorities and ensure that the waste from the factory is treated in accordance with the contract, so as to achieve effective reuse of resources and reduce the environmental impact, the factory actively implements the separation and recycling of waste materials and supervises each unit to collect and transport the waste to the designated storage site for disposal by the waste disposal personnel. In the past three years, through the mechanism of reduction, recycling and recovery, Kaulin has reduced the total amount of waste year by year, and the total amount of general business waste in 2020 is 17,638 kg, which is 46% less than that in 2018.

Unit: kilogram

Total weight of general business waste		2018	2019	2020
Total amount of general business waste		32,557.00	24,416.00	17,638.00
Total amount of general business waste recycled and treated		17,481.00	11,459.00	8,131.00
Paper/Aluminium/Iron/Plastic/Copper	Resource recycle	17,481.00	11,459.00	8,131.00
Total amount of general business waste incinerated and treated		15,076.00	12,707.00	9,507.00
General business waste	Contracted vendors	15,076.00	12,707.00	9,507.00
Total amount of general business waste landfilled and treated		0.00	250.00	0.00
Inorganic sludge	Contracted vendors	0.00	250.00	0.00
Total amount of hazardous business waste by other treatment methods		0.00	0.00	400.00
Organic solvents	Contracted vendors	0.00	0.00	400.00

Note 1: No hazardous waste was imported or exported in 2020.

Note 2: The organic solvents and inorganic sludge are stored centrally at the plant until they reach a certain quantity, and then the qualified vendors are invited to recycle and treat them, so the data in the table is presented in a single year.

Hazardous Substances Management

The hazardous waste from the Kaulin Taoyuan plant is mainly general base oil with organic solvents. In accordance with the "Regulations for Supervision and Management of Organic Solvents", the organic solvents are stored in the organic solvents storage site and disposed of by a qualified disposal company. Kaulin also strictly stipulates the storage method of hazardous waste, which is sealed with fixed packaging materials or containers and placed in storage facilities, so that no waste can escape and contaminate the ground by leakage. We also fill out a monthly "Monthly inspection form for organic solvent operation and storage" to ensure the safety of the storage site. In order to ensure the safety of employees, Kaulin has established a "Safety and Health Code for the Use of Organic Solvents" for hazardous waste, which strictly requires that organic solvent operators should first activate the local exhaust device before engaging in organic solvent operations, and wear anti-blocking masks and rubber gloves during operations to avoid inhaling organic solvent vapors, and immediately notify the workplace manager, safety and health manager or other relevant personnel in the event of poisoning. In case of poisoning, notify the person in charge of the workplace, safety and health manager or other relevant personnel immediately. In 2020, the total amount of hazardous waste was 400 kg and no serious leakage occurred.

Promote Circular Economy

In recent years, the concept of circular economy has been gaining attention in the international community. In order to respond to the global trend of green environmental protection, Kaulin has introduced the concept of circular economy into waste management and recycling of product packaging materials. Kaulin's packaging materials for products are mainly paper, polystyrene, plastic bags and wood pallets, and the recycling of product packaging materials are mainly wood pallets and polystyrene, which are recycled by suppliers and reused in the factory. In addition, Kaulin also collects and recycles process wastes, and recycles waste base oil, cutting oil, metal and cardboard boxes from qualified recycling plants. In the future, Kaulin will introduce the concept of circular economy into its research and development and innovation. In addition to improving product packaging materials and product recycling, Kaulin will also strive to improve product quality and durability, extend product life cycle, and constantly seek possibilities to strengthen the development of circular economy of products.



For plastic pallet, reuse waste base oil/cutting oil and recycle by qualified recycling plant.



Polyamide recycling, iron/aluminum/copper/carton recycling

CH3 Implementing Green Operations

CH4 Establishing Friendly Workplace

Chapter material topics:

Labor relations, talents attraction and retention, training and education, employee benefits, occupational health and safety

Concern for stakeholders

Employees, suppliers/contractors, government agencies

Kaulin considers its employees to be the most important asset of the Company and has cultivated a people-oriented corporate culture. We value our commitment to our employees and are actively working to create a safe, equitable and reassuring work environment through various management practices. With the direction of "recruiting, nurturing and retaining talents" and through diversified employee training and competitive compensation policies, we strengthen the development of our talents, so that the R&D and service energy brought by our talents can support Kolam to maintain its long-term competitiveness under the challenges of globalization.

Importance:

We believe that excellent human resources is the foundation of sustainable business operation and an irreplaceable advantage of an enterprise. It is also the key to maintaining our long-term competitiveness under the challenges of globalization. Excellent human resources management will affect the Company's operational performance and directly influence the survival and profitability of the Company. Therefore, we regard human resources as the core competitiveness of the Company, and actively strengthen the human capital of the Company through various personnel management actions.

Management approaches and goals:

We actively promote various personnel management policies to implement good employee relations, talent cultivation mechanism, employee welfare policies and a safe and healthy working environment. In terms of labor relations, Kaulin has implemented a communication mechanism between employees and management, established effective and "transparent" labor relations, followed government regulations, and held regular labor-management meetings to maintain smooth communication channels. In terms of attracting and retaining talents, Kaulin has adopted the three strategic axes of "recruiting, nurturing, and retaining talents" to continuously cultivate and invest in talents, set up the "Education and Training Implementation Measures", and followed the "Talent Selection and Development Measures" to attract and nurture excellent talents. In terms of employee education and training, we have established the "Education and Training Implementation Measures" and the "New Employee Appraisal Measures" to cultivate employee in job skills, assist employees in creating their own career blueprints, and effectively utilize the Company's human resources. In terms of employee welfare, Kaulin provides a welfare system that meets the legal standards to motivate employees to devote themselves to the long-term development of the Company. In addition, we attach great importance to the health and safety of our employees and follow the laws and regulations. We are committed to "respecting the value of life", insisting on "safety

discipline", and preventing "occupational safety accidents" as our safety and health policy. We have established "Occupational Safety Management Regulations", "Fire Safety Equipment Management Regulations", and "Safety and Health Rules", and continue to strengthen the training of operation management staff to eliminate accidents and prevent occupational injuries and diseases.

4.1 Human Rights Risk and Management

With the growing international attention to human rights issues, corporate actions on human rights issues are also an important part of promoting sustainable management. Kaulin abides by the labor-related laws and regulations in Taiwan, and refers to the international human rights conventions, the United Nations Universal Declaration of Human Rights, the Ten Principles of the United Nations Global Compact, and domestic and foreign human rights initiatives to implement human rights for its own employees and to develop good labor conditions, communication mechanisms, and training development so that all employees can be treated fairly and with dignity. In addition, Kaulin attaches importance to human rights issues for suppliers and locations, and requires suppliers to comply with Kaulin's human rights regulations and agreements, and to ensure freedom of association and the right to group consultation for suppliers and operating locations. Kaulin focuses on the following human rights issues and actively implements human rights risk management:

Issue	Management approach	Target	Management unit
No forced labor	Elimination of all forms of forced labor	All employees	Human resources department/each unit
Prohibition of child labor	No child labor	Applicant	Human resources department
Basic wage	Comply with the Labor Standards Act and provide remuneration in compliance with regulations	All employees	Human resources department
Work and rest time	Ensure that employees have the right to rest, including the right to reasonable working hours and paid leave	All employees	Human resources department
Freedom of association for employees	Ensure the right of employees to freely assemble and unionize at all operating locations	All employees	Human resources department
Equality and respect in the workplace	Implement gender equality and equal pay for equal work in the workplace and to oppose all forms of discrimination	All employees	Human resources department/each unit

Kaulin emphasizes human rights issues and plans for employees to attend courses held by external and local authorities from time to time according to their job responsibilities, so that they can continuously improve their human rights knowledge and development, and grow and develop together with the Company. In 2020, employees attended external human rights courses for 12 hours. In addition, the Head Office of Kaulin periodically addresses the impact of plant operations and internal management on human rights, and establishes procedures to respond to such concerns. Employees may file a complaint through the Company's complaint channel and the Head Office will respond appropriately. In 2020, there were no incidents of discrimination or forced labor, nor were there any incidents of child labor. In the future, Kaulin will gradually develop a comprehensive human rights policy to protect the legal rights of employees and respect basic labor human rights principles to achieve the goal of sustainable management.

Training hours of Taiwan employees on human rights issues

	2018			2019			2020		
	Male	Female	As a whole	Male	Female	As a whole	Male	Female	As a whole
Human rights training hours	20	14	34	8.5	25	33.5	6	6	12
Total number of employees trained on human rights	4	3	7	2	5	7	1	1	2
Total number of employees	190	55	245	134	53	187	122	54	176
Percentage of employees trained on human rights	2%	5%	3%	1%	9%	4%	1%	2%	1%

At present, no labor union has been established, but in addition to following government regulations, Kaulin holds quarterly labor-management meetings in accordance with internal regulations to maintain smooth communication channels. In 2020, Kaulin held four labor-management meetings with six representatives from the employer side and six representatives from the labor side. The main issues discussed at the meetings were the promotion of labor treatment and rights, discussion and labor-related issues, etc. For material operational changes, including restructuring, expansion, and other operational changes that affect employees' rights and interests, the relevant regulations of the Labor Standards Act are followed, and the employees are informed 10 days in advance if they have served for more than 3 months but less than 1 year; 20 days in advance if they have served for more than 1 year but less than 3 years; 30 days in advance if they have served for more than 3 years. In addition, Kaulin regularly sends and posts labor-related information in mail and bulletin boards, and employees can also file complaints through various channels such as the employee voice mailbox and employee complaint mailbox to ensure smooth communication channels.

In addition, Kaulin attaches great importance to the rights of female employees and has established the "Sexual Harassment Prevention Measures and Disciplinary Measures" to promote and establish the correct concept of gender equality, and provides employees with education and training on sexual harassment prevention and control from time to time. We have also set up a sexual harassment complaint hotline, a complaint acceptance window and an email address to provide employees with the opportunity to file a complaint with the Human Resources Department of the Head Office when they are sexually harassed and we will respond to the complaint in a fair manner. No complaints were filed in 2020.

Complaint channel:

Complaint TEL: (02)2713-0232

Compliant fax: (02)2713-0501

Complaint email: kaulinhr@siruba.com

CH4 Establishing Friendly Workplace

4.2 Talent Recruitment and Development

Kaulin considers its employees to be the Company's most valuable asset and an important partner in its international expansion. In recent years, the shortage of human resources in Kaulin has become more and more serious, and the shortage of workers has limited the operation and development of the Company. Therefore, Kaulin regards human resources as the core strategy for the development of the Company, and strives to build a people-oriented and happy Company to achieve sustainable operation. In accordance with the Labor Standards Act, Kaulin established the "work rules" and a sound human resources management system, committed to protecting the rights and interests of all employees, and gradually created a friendly and safe working environment. In addition, Kaulin provides diverse learning opportunities for employees to enrich their knowledge and skills, and actively nurtures the next generation of successors to pass on their skills.

4.2.1 Human resources

The human resources of Kaulin abide by the law in hiring employees and uphold the principles of lawful employment, refusal of discrimination, and prohibition of child labor, etc. The "Talent Selection and Development Measures" were established to improve the Company's personnel system in order to achieve the function of "the right talent for the right job. Kaulin's recruitment policy does not differ according to gender, nationality, or race. Every year, the recruitment process is carried out through a variety of channels, such as recruitment billboards, human resources banks, and registration at nearby school internship offices.

In 2020, there were 176 employees in Kaulin Taiwan, all of them were full time employees. There were 122 male employees, accounting for 69% of the total number of employees, and 54 female employees, accounting for 31% of the total number of employees, mainly due to the characteristics of the industry, so the materiality of the factory line staff are male. The employees of Taoyuan plant are mainly local people from Taoyuan area. We are committed to providing a friendly workplace where employees can feel at ease and develop steadily. At present, all employees are full time employees, and 100% of the senior leaders (senior manager level and above) are Taiwanese employees. In 2020, there were 26 new employees and 38 employees left the Company.

Composition of Taiwan's workforce for the past three years

Unit: People

Item	2018		2019		2020	
	Male	Female	Male	Female	Male	Female
Under 30 years old	40	3	17	4	26	2
30-50 years old	107	38	78	36	59	38
Over 50 years old	43	14	39	13	37	14
Total	190	55	134	53	122	54

Composition of management/non-management levels in Taiwan for the past three years

Unit: People

Item	2018		2019		2020	
	Management	Non-management	Management	Non-management	Management	Non-management
Physically challenged	0	2	0	2	0	2
Total	0	2	0	2	0	2

Item	2018		2019		2020	
	Management	Non-man-agement	Manage-ment	Non-manage-ment	Management	Non-manage-ment
Under 30 years old	0	43	0	21	0	28
30-50 years old	27	118	29	85	20	77
Over 50 years old	32	25	29	23	30	21
Total	59	186	58	129	50	126
Female	9	46	9	44	10	44
Male	50	140	49	85	40	82
Total	59	186	58	129	50	126

Statistics on new/leaving employees in Taiwan

Unit: People

	2018		2019		2020	
	Male	Female	Male	Female	Male	Female
Statistics on new employee						
Under 30 years old	14	2	0	1	15	0
30-50 years old	24	11	8	4	5	4
Over 50 years old	2	0	5	0	0	2
Total	40	13	13	5	20	6
Statistics on leaving employee						
Under 30 years old	3	1	23	-	6	2
30-50 years old	23	6	37	5	24	3
Over 50 years old	3	3	9	1	2	1
Total	29	10	69	6	32	6

4.2.2 Salaries and benefits

In order to attract and retain talents, Kaulin offers competitive salaries, and each employee's salary is determined based on his or her own experience and job evaluation, with no differences based on gender, nationality, race, etc., and all of them meet the statutory basic salary set by the Labor Bureau. Kaulin has a Remuneration Committee that meets at least twice a year to review the Company's compensation policies, systems, standards and structures. In 2020, the Committee consisted of 3 members and held 2 meetings to discuss the overall compensation policy and system of the Company to ensure that the compensation arrangements of the Company are in line with the expectations of stakeholders and relevant laws and regulations, and are sufficient to attract outstanding talents. Kaulin has a feedback box to receive feedback from stakeholders on the Company's compensation matters and other suggestions. The Committee will include material issues in its deliberations and evaluate whether the proposals from stakeholders will be used as a reference for adjusting the Company's compensation. In addition, the Company

conducts quarterly and annual performance appraisals for all employees, and considers the achievement of individual goals and performance based on the duties and responsibilities of employees, and conducts an overall annual salary adjustment on January 1 of each year. In 2020, all male and female employees of Kaulin are above the minimum basic wage of the Ministry of Labor, and all employees are subject to 100% performance appraisal.

In accordance with the Labor Standards Act and other relevant laws and regulations, Kaulin provides welfare policies such as labor, health insurance, childcare, retirement reserve, and leave system, etc. All employees of Kaulin are required by law to take out labor insurance and national health insurance and enjoy the right to insurance benefits, so that every employee can feel cared for and taken care of. In addition, the Company has established the "Employee Welfare Committee", which consists of 8 members, and established the "Welfare Committee Welfare Matters" to provide employee welfare benefits in accordance with the law. The Employee Welfare Committee held five meetings in 2020 and discussed the welfare items of the Company, such as scholarships for children and cultural and recreational trips for employees. At the end of the business year, if there is a surplus in earnings as concluded by annual accounting close, employees who have not made any mistakes during the year are given a year-end bonus or employee compensation, and are provided with various welfare measures that are better than the legal standards, such as paid natural disaster leave and annual travel subsidies to encourage employees to relax and improve their physical and mental health. Effective January 1, 2020, in order to facilitate employees to juggle both work and family care, Kaulin has increased the flexibility of applying for leave by changing the current leave rule of "special leave", the calculation of which is adjusted from "half days", to "hours", allowing employees to use their time more flexibly.

2020 List of Employee Benefits Not Required by the Law

Birthday gift	Payment in lieu of gift \$1000/person
Scholarship for children	The number of scholarships, the amount of scholarships, and the ratio of the number of scholarships to academic qualifications shall be announced annually after the meeting of the Employee Welfare Committee.
Birthday party	Specific content
Hospitalization condolences	\$1,600/person
Wedding gift	\$2,000
Childbirth gift	\$1,600/per infant
Funeral white envelop	\$5,000 for employees, \$1,500 for parents or spouses
Labor Day gift	Payment in lieu of gift \$1000/person
Mid-Autumn Festival gift	Payment in lieu of gift \$1000/person
Travel	Organize 1-2 times per year
Cultural and recreational activities	Organize clubs, outings, or various activities, which are submitted by the competent department and resolved by the Employee Welfare Committee, and then subsidized at its discretion
Magazine lending	Subscribe various newspapers and magazines according to actual needs for employees to read.

Retirement system

In accordance with the "Labor Standards Act", Kaulin provides a retirement reserve for workers and contributes 6% of their monthly wages to their individual pension accounts. The Company also estimates the next year's pre-paid pensions each year to protect the rights of employees to claim pension for the future. 100% of the Company's employees participate in this retirement plan.

Retirement reserve for the past three years

Unit: NT\$

	2018	2019	2020
Prepaid pensions	0	0	0
Accrued pension liabilities	42590568	36883701	31559094
Pension expenses for the period	900000	680000	471000

Number of employees retiring in the last three years

Unit: People

	2018	2019	2020
Number of employees retiring in the current year	4	3	1

Parental leave

According to the Labor Standards Act, after six months of employment, employees may apply for leave without pay until each child reaches the age of three, and then apply for reinstatement after the expiration of the leave to take care of family needs. The retention rate for 2020 parental leave reinstatement was 50%, and the retention rate for those who had been reinstated for one year was 100%.

Statistics on parental leave for the last three years

	2018		2019		2020	
	Male	Female	Male	Female	Male	Female
Statistics on parental leave						
Number of people eligible for parental leave in the current year (A)	1	1	1	1	3	1
Actual number of applicants for parental leave in the current year (B)	1	1	1	1	3	1
Application rate (B/A)	100%	100%	100%	100%	100%	100%
The number of people on parental leave who should return to work in the current year (C)	0	0	0	0	2	2
Actual number of applicants for reinstatement in the current year (D)	0	0	0	0	1	1
Reinstatement rate (D/C)	100%	100%	100%	100%	50%	50%

4.2.3 Talent development and education

In order to help employees grow and develop, to promote all-round learning, and to strengthen employees' knowledge and skills, Kaulin has established internal "Education and Training Implementation Measures" with the two cores of "Multi-skilled Worker Training Program" and "Project Training Activities" to cultivate employees' skills and enhance their problem-solving abilities through education and training, and to effectively utilize the Company's human resources. The training procedures of Kaulin are based on the training schedule proposed by each depart-

ment according to the needs and approved by the leader in charge of each unit. The training is evaluated by type of training at the end of the training. To improve employees' ability and quality, we provide training courses such as "Quality Inspection Course", "Product R&D Course", and "Machine Operation Course" to enable each employee to be competent in multiple positions and to stimulate potential talents to maintain the Company's competitive edge. In addition, Kaulin also provides external training activities to provide employees with opportunities for growth in all aspects through courses such as "Digital Development Course" and "Management Skill Course". In 2020, the total number of training hours is 941 hours, and 100% of all employees participate in training. We also pay attention to the development of new employees' skills. The "New Employee Appraisal Measures" was established to plan the assessment, training courses and tests for new employees during their training period. The pre-employment training for new employees focuses on general courses, quality concept training and professional courses, and the HR unit and the supervisors of each unit are responsible for providing professional training. A total of 38 people were trained in 2020.

Kaulin Employee Training Course List

Training type	Training content
Statutory course training	Employee fire training and drills
Professional Training Activities; Multi-skilled Worker Training Program	Quality Inspection Course, Product Development Course, Machine Operation Course
External training courses	Digital Development Course, Management Skill Course
New employee training	Company introduction video, employee handbook, work rules, product knowledge, safety and health code of practice reading guide

Number of hours of training received by employees of various ranks for the past three years

Unit: Hours

	2018			2019			2020		
	Male	Female	As a whole	Male	Female	As a whole	Male	Female	As a whole
Management	10.7	25.2	12.9	7.2	19.2	9	54.8	36	51.1
Non-management	9.1	10.6	9.5	5.2	10.6	7	17.1	21.9	18.8

Number of hours of training received by employees of various units for the past three years

Unit: Hours

	2018			2019			2020		
	Male	Female	As a whole	Male	Female	As a whole	Male	Female	As a whole
R&D unit	6.2	5.5	6	10.2	7.9	9.7	40.6	15.3	33.9
Production unit	10.6	27.8	12.5	2.7	12.6	4	8.9	15.9	9.9
Other units	10.8	9.3	10.1	6.8	13.5	10.1	77.6	30.1	50.6

Carnegie Course

Initial Purpose of the Project:

As senior leaders, they need to improve their abilities and grow with breakthrough Through the Carnegie course and training for senior leaders, we hope to cultivate a positive image of leaders, enhance their profile, and at the same time achieve the effect of building corporate consensus, establishing corporate culture and institutional change, and creating a new situation to create a common "vision, mission, and values" for the Kaulin team.

Project content:

In order to cultivate senior leaders, improve their quality, and refine their performance, Kaulin senior leaders participated in a three-day Carnegie course, which covered five key competencies: self-confidence, interpersonal relationship, communication, influence, and positive stress management. Through a series of course designs and instructor interactions, the program helps senior leaders build team connections and trusting interpersonal relationships, deepen the foundation of team trust, and how to communicate effectively through flexible interactions and handle conflicts effectively, further cultivating corporate consensus and strengthening recognition.

Project Effectiveness:

In a series of multi-faceted courses, the greatest achievement of the program was to help the senior management to re-enforce their self-confidence, master the art of communication, and build consensus in Kaulin. After the course, in order to enhance the influence of the Company and the centripetal force of the employees, the director of Kaulin drew up a company vision statement "Let every garment in the world have the sewing thread of Kaulin", and actively communicated the vision, mission and values to the team to reach a consensus.



Carnegie Course

Textile Research Institute - Digital Transformation of Garment Manufacturing and Business Assistant Course

Initial Purpose of the Project:

In 2020, the Industrial Development Bureau of the Ministry of Economic Affairs encouraged companies affected by COVID-19 to encourage their employees to use their extra working hours to pursue further education, and to replace the break from work with human resource training on smart machinery, digital transformation and other free on-the-job trainings with training subsidies. In order to help employees grow and develop, Kaulin actively encourages them to participate in these courses to enhance their skills and knowledge.

Project content:

Kaulin encourages employees to enroll in a series of courses on digital transformation in the smart machinery industry, such as Introduction to Garment Production Process and Production, Introduction to Garment Assistant and Order Processing, and Introduction to Garment Process Management and Digital Transformation, to gain an in-depth understanding of textile and garment production processes, digital transformation and market trends, and to help employees gain insight into future market opportunities.

Project Effectiveness:

Through the on-the-job garment digitization course, students gain a deeper understanding of the garment factory model, operation and management methods, as well as the performance and control points of the garment production process. In addition to enhancing employees' knowledge in the garment industry, the course also provides an interactive understanding of a range of garment planning, marketing, sales, customer service, and negotiation practices, cultivating the soft skills of Kaulin's employees' communication skills, training 30 employees and enhancing Kaulin's corporate competitiveness.

Employ a team of professors from Central University to conduct internal training courses**Initial Purpose of the Project:**

In the face of the continuous growth of competitor manufacturers, the challenges of the new generation garment industry environment, and the impact of the digital era, Kaulin hopes to build on its existing development with a forward-looking vision, introduce newer management models, strengthen employee management skills, and maintain corporate competitiveness.

Project content:

In order to further develop the Taiwan market and further expand into the international market, Kaulin introduced some more advanced management models, along with digital tools and optimized organizational design, to strengthen the Company's management and operation mechanism. Therefore, on December 1, 2020, Kaulin hired Prof. Lu Jun-De as the general consultant of the Company's operation and management, to counsel the "Operation and Management Model Reengineering Project", and to regularly counsel and assist the Company's employees to gradually complete the various tasks of the "Strategic Practice Map" framework. The project is expected to be completed in three years, and the first phase of the curriculum was completed on November 30, 2021. In order to enable employees to enhance their professional capabilities and expand their skills, the first phase of the internal training program focuses on management mechanism and decision making, R&D system reengineering, marketing and sales, supply chain reengineering, organization design optimization, product quality, digitalization construction, and corporate sustainability, etc. Through a combination of theory and practice, training is provided to colleagues in each unit to help them enhance their professional capabilities and expand their skills in response to digital transformation of the industry and the competitive pressure of the rival companies

Project Effectiveness:

The total number of employees trained in this project in 2020 was 23, and the total number of hours of training was 12. By inviting a team of academic professionals to provide a variety of training methods, we will deepen the understanding of our employees on the digital transformation of the sewing industry and the trend of the international market, and further develop the international market while cultivating the Taiwan market, so that we can go global.

4.3 Occupational Safety Work Environment

Kaulin attaches great importance to occupational safety and health, and is committed to the safety and health of its employees and their physical and mental health, and regards the work safety of each employee as the foundation of its operations. In order to maintain, promote and improve the working environment and health of employees, Kaulin has established the "Occupational Safety and Health Management Regulations" with the Company's safety and health policy of "respecting the value of life", "insisting on the determination of "safety discipline", and "preventing occupational safety accidents", with the goal of complying with governmental environmental protection and occupational safety and health laws, and fulfilling corporate social responsibility. In addition, Kaulin has introduced the quality management system ISO9001 and the occupational safety and health management system, and has integrated management from three aspects, including environment, occupational safety and health of personnel, and quality, in order to create maximum benefits.

Occupational Safety and Health Management System



Kaulin belongs to the machinery manufacturing and repair industry, which is classified into the first category of business according to the risk of hazards, with significant risks. Therefore, we have established an occupational safety and health management system according to our scale and nature. Through the management functions of planning, implementation, inspection and improvement, we can realize the safety and health management objectives and improve the safety and health management level. In order to prevent the occurrence of emergencies and to quickly and effectively grasp the various disaster-causing factors, Kaulin has also established the "Disaster Emergency Response Guideline" and follows the guideline to take necessary measures to reduce injuries and losses in order to avoid secondary pollution of the environment.

Number of audited employees under the control of Kaulin Occupational Health and Safety Management System

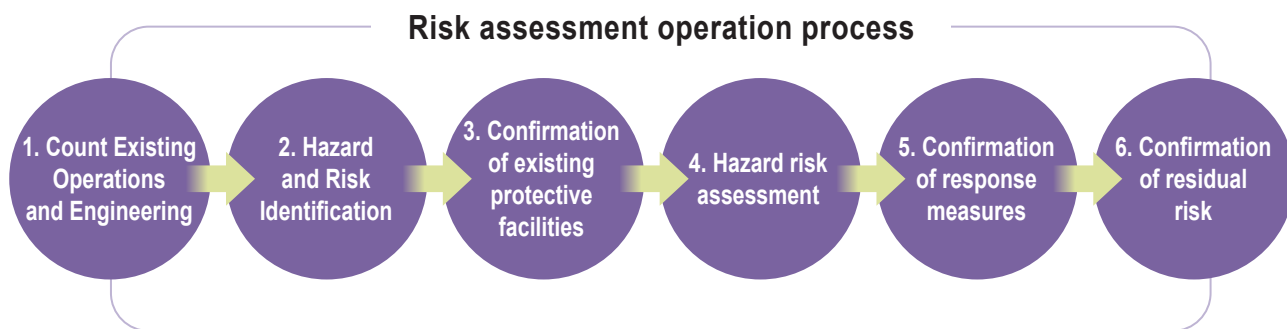
Number of audited people			
Internal audit	Number of people	External audit	Number of people
All employees (number of audited people)	28	All employees (number of audited people)	18

Occupational safety committee

In order to establish a safe working environment and in accordance with Article 23 of the Occupational Safety and Health Act, Kaulin has established an Occupational Safety and Health Committee to make recommendations on safety and health policies to be formulated by the Safety and Health Office, and to deliberate, coordinate and make recommendations on safety and health related matters. The committee is composed of the plant manager as the Chairperson, one occupational safety and health officer, and 10 members (labor representatives). The committee members include occupational safety and health officers, department heads, research and development personnel, production unit personnel, and specialized personnel, etc. The committee is the highest scrutiny organization for safety and health management. Of the total 10 members in 2020, there were 7 labor representatives, accounting for 70%. The committee meets quarterly to make recommendations on occupational safety and health policies to be formulated by the Safety and Health Office, and to review safety and health issues such as health management, environmental monitoring programs, various safety and health proposals, occupational disease prevention, and health promotion.

Occupational safety and risk identification

Kaulin's safety and health policy is based on "caring for the value of life, insisting on the determination of safety discipline, and enhancing the prevention of occupational safety accidents". It is based on six steps to identify the risk factors in the workplace, and to reduce the risks in the work environment by formulating corresponding countermeasures to the identified hazards and making improvements in systems, equipment, and implementation. In response to the identified risks, Kaulin has established a "Safety and Health Code of Practice", which sets out various work safety and health standards, as well as operational safety rules for detailed machinery operations and safety training and education rules. All employees are expected to comply with occupational safety standards and various regulations to prevent occupational hazards and ensure employee safety and health. In 2020, there was one fire prevention incident, which was due to the inadequate protection area of the automatic fire alarm equipment, and the equipment vendor has been invited to complete the repair.



Safety and health education and training

In order to prevent material losses caused by emergencies, Kaulin has established "Emergency Response Measures" to enable employees to take emergency response measures as quickly as possible to reduce injuries and losses, and to avoid secondary pollution of the environment. Kaulin has developed occupational safety and health education and disaster prevention training for emergency response, and requires employees to receive at least three hours of safety and health education and training every three years. The course includes an overview of the laws and regulations related to occupational safety and health, occupational safety and health concepts and safety and health code of practice, automatic inspection before, during and after work, standard operating procedures, emergency response, fire and first aid knowledge and drills, and other safety and health knowledge related to work. All new employees are trained on the work rules and regulations, pre-employment and fire prevention training, and all in-service operators receive annual single-point education and training on hazardous equipment, acetylene fusion equipment and forklift operation, organic solvent operation supervisor, Class B labor safety and health management, and Class A occupational safety and health business supervisor.

CH4 Establishing Friendly Workplace

At least once a year, Kaulin implements emergency response drills, and the results of the drills are verified as valid by the environmental management representative. In 2020, Kaulin held a firefighting education and training and applied to the Department of Labor, Taipei City Government for the "One Hour Labor Safety and Health Education and Training to Protect the Whole Life" to send staff to the Company to conduct training.



Firefighting education and training in 2020

Occupational safety accident management

In order to reduce workplace safety hazards and ensure employee safety, Kaulin continuously monitors and reviews the plant environment, work safety and hygiene management system, and establishes the "Safety and Hygiene Work Standards", and implements the workplace safety maintenance for employees in accordance with these standards. The Company has established accident notification and emergency response regulations, which require employees to immediately notify the workplace manager, occupational safety and health personnel, and other relevant personnel in the event of an accident to ensure that the Company is able to grasp the actual status of the disaster at each unit at the earliest opportunity, and to make an occupational disaster statistics network report by the 10th of each month. In 2020, there were two occupational accidents, mainly finger cuts from machine parts, and cuts from machine cutters from operating buttonhole machines and commuter car accidents. In 2020, there were two occupational disease incidents in Kaulin, mainly temporary partial incapacity, and no fatalities due to occupational injuries or diseases in 2020.

Statistics on Occupational Diseases and Work Injuries in Kaulin in 2020

	2018			2019			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Statistics on Occupational Diseases and Work Injuries	4	0		1	0	1	2	0	2
Traffic Accidents	0	0	0	0	0	0	0	0	0
Total work hours	263024.50	47449.50	310,474	231087	42850.50	273,937.50	181651	37368.50	219,019.50
Injury Rate (IR)	3.04	0	2.57	0.86	0	0.73	2.20	0	1.82
Total occupational disease events	4	0	4	1	0	1	2	0	2
Occupational disease rate (ODR)	3.04	0	2.57	0.86	0	0.73	2.20	0	1.82
Total number of days absent	25.50	0	25.50	0	0	0	8.13	0.00	8.13
Total work days	32726	6403	39,129	30049	5940	35,989	23777	5242	29,019

Statistics on Occupational Diseases and Work Injuries in Kaulin in 2020

	2018			2019			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Absenteeism rate (AR)	0.000897	0	0.00079	0	0	0	0.00039	0	0.00032
Number of lost days	25.50	0	25.50	0	0	0	8.13	0	8.13
Lost day rate (LDR)	19.39	0	16.43	0	0	0	8.95	0	7.42

Note 1: INCIDENCE RATE (IR) = total number of work injuries / total number of work hours × 200,000 (ratio per 100 employees based on 40 hours per week for 50 weeks per year), this incidence rate should include fatalities in the calculation and does not include minor injuries.

Note 2: Occupational disease rate (ODR) = total number of occupational disease incidents / total number of work hours × 200,000

Note 3: Absenteeism rate (AR) = days of absence from work / total days of work (days of absence from work are all absences caused by employees' inability to work, such as sick leave, but not including pre-approved leave, such as study leave, maternity leave, etc.)

Note 4: Lost day rate (LDR) = days of lost work / total work hours × 200,000, days of lost work are days that employees are unable to work due to work-related injuries or occupational diseases, etc.

Note 5: The number of employees killed or injured on duty in 2020 is zero.

Employee Health Care

Kaulin attaches great importance to the health of its employees and has established employee health guidance and management measures in accordance with the "Safety and Health Code of Practice", and actively promotes health care promotion programs and conducts employee health promotion to enhance employee health.

1. Kaulin arranges pre-employment health checkups for new employees and requires new employees to submit a medical examination form on the day of reporting to work in order to keep track of the health status of new employees.
2. To strengthen the health management and health promotion of employees, Kaulin conducts free health checkups for employees every three years in accordance with the law, and further analyzes the health checkup results.
3. Kaulin arranges employee health-related education and training and health promotion, and increases health communication with employees through questionnaires, interviews, labor representatives, and employee mailboxes to solicit opinions from employees after activities.
4. Kaulin employs professional medical doctors, labor health service nurses and occupational safety personnel to provide guidance on maternity protection, overload, and health management of health check abnormalities.

CH5 Devoting to Social Welfare

Chapter material topics: Social engagement and contribution

Concern for stakeholders: Shareholders/Investors, Collaborative Vendors, Suppliers/Contractors, Community Residents, NGOs

In addition to the Company's business growth, Kaulin also fulfills its corporate citizenship responsibilities and devotes itself to social welfare activities. Therefore, Kaulin combines corporate core and social welfare, and cooperates with the Kaulin Cultural and Creative Foundation to actively invest in the cultivation of talents in the sewing field, to build up a talent pool for the industry, and to emphasize the development of young people, to promote the link between academic research and industrial development through industry-academia cooperation, and to continue to display a positive attitude. We are also actively involved in social care and service activities to fulfill our mission as a corporate citizen. In 2020, Kaulin invested \$3,936,313 in social welfare.

Importance:

Kaulin believes that the profits and benefits gained by the Company do not only come from its own operating income, but also from the feedback from the community, which shows Kaulin's influence and the inseparable relationship between the two. Therefore, Kaulin attaches importance to community communication and takes the initiative to care for the disadvantaged groups, and also integrates with its own industry, starting from the source, and combining with the sharing of resources to cultivate sewing talents, in order to give back to the society with greater benefits.

Management approaches and goals:

Kaulin has been actively involved in social welfare projects by combining the Company's industrial characteristics with the aim of promoting sustainable fashion through annual grants to the Kaulin Foundation. The Company's social welfare strategy is implemented through the following four main axes:

1. From the core business, actively promote the sewing industry with the purpose of promoting sewing and sharing resources to give back to the society.
2. Through industry-academia cooperation, we promote the linkage between academic research and industrial development, and promote youth development and cultivation.
3. Promote the concept of sustainable environmental protection and environmental conservation through the "Sustainable Fashion" initiative.
4. Communicate with the community, implement community care at the factory site, and take the initiative to care for the disadvantaged groups.

5.1 Commitment to Social Welfare

As a multinational corporation, Kaulin also promotes various charity projects from the local needs of the global community, including Project ReSeW's and Sewing and Love, etc. to achieve the goals of ubiquitous education, poverty eradication and environmental sustainability. In the area of social welfare, we have combined with the core of Kaulin's business to create Project ReSeW's with the Kaulin Foundation, and set up the Resew's Lab, hoping to create a space suitable for all levels of sewing practice. Through the provision of professional industrial sewing machine factories and sustainable fabric bank subsidies, the project promotes the extension of the life of clothes through design and hands-on classes to maximize the benefits of sustainable fashion, and at the same time promotes the public service activities of sewing and love, spreading love and happiness by encouraging disadvantaged groups to be creative and create fabrics.



Project ReSew's - Taipei NPO Colony

Initial Purpose of the Establishment:

We hope to work together with different social welfare organizations to meet the needs of various social groups and promote public welfare projects together, so that more people in the community can be exposed to the sewing industry, and to use our own industry resources to promote practical courses to cultivate "restoration and transformation" skills, so we set up a sewing lab in the NPO colony, and hope to have opportunities for co-creation and co-prosperity with the members there. . . .

Promotion Activities:

In the past three years, we have worked with the Taipei Awakening Association, Chongcheng Women's Center, Songde Women's Center, The Mustard Seed Mission, Eco Tano Workshop, STORYWEAR x, and Tzu Chi Foundation to organize many public service sewing classes, which include introduction to sewing machines, professional sewing, and career counseling. The course is designed to help single parents and middle-aged women who are relatively disadvantaged in the workplace to have the professional energy to engage in the workplace. The program is designed to help single parents and middle-aged women who are disadvantaged in the workplace to become self-reliant and productive in the workplace.

Promotion results:

- By 2020, the 303 classroom space in the NPO colony were equipped with 9 industrial lockstitch machines, 2 overlock machines, 1 overstitch machine, and a professional lifting and fabric arranging area for members' use.
- In 2020, held 10 courses with Taipei City Songde Women's and Family Service Center, Taipei Awakening Association, Eco Tano Workshop, and Yilan Dream Building Family Care Association, etc. In the past three years, the number of beneficiaries of the courses exceeded 700, most of whom were students who started sewing courses from scratch.
- The Dream Building Family Care Association started with only one mother who knew how to sew, but after continuous teaching by the teachers, there are now several regular classes of single mothers who have joined the sewing class, and the work of the Dream Building mothers was exhibited at the National Palace on May 21, 2020.



Eco Tano Workshop - Introduction to Sewing and Pattern Making - Chinese Tops



Taipei Awakening Association - New Knowledge Professional Training Workshop



The Mustard Seed Mission - Clothing Mending Class Results Announcement



Dream Building Family Care Association - Building Dreams Women's Power Sewing Program

Project Resew's - Taiwan Textile Research Institute

Initial Purpose of the Establishment:

We hope that through the integration of our industry characteristics and industry resources, we can make good use of the space of the Taiwan Textile Research Institute to teach practical design and tailoring practices, cultivate unemployed workers and workers for secondary employment through an immediate employment guidance model and teaching mode, cultivate professional skills in sewing, and assist workers to return to the labor force.

Promotion Activities:

In 2020, the Kaulin Foundation, together with the Ministry of Labor, the Textile Institute and JP Morgan Chase, created a 300-hour training program for the Ministry of Labor to assist second-time employed workers and design professional knitted sports and leisure apparel job training, hoping to link technology to the needs of Taiwan's industry so that trainees can directly learn job skills, match with enterprises, and facilitate the model of employment upon completion of the program. The course content includes process technology courses such as: garment pattern making, section scheduling, process calculation, order interpretation, order production, production process management, and aesthetic concept courses such as: old garment transformation, waste recycling, and through a combination of technology and creativity training professional staff courses to help second-time workers, so that workers have the professional sewing ability to enter the workplace.

Promotion results:

At present, the Kaulin Foundation has 15 industrial lockstitch machines, 3 overlock machines, and 1 overstitch machine, plus a professional ironing table and fabric arranging area, making it a small garment factory. The ReSew's Lab was established nearly a year ago to assist the Ministry of Labor in relearning new skills for 60 unemployed people. A total of 30 trainees were able to present their results at the end of the semester, and were also able to attend interviews with companies. The Foundation also invited three trainees to the Foundation for short term work study and two trainees have successfully entered the workplace after the work study.



Taiwan Textile Research Institute - Mass Production Garment Manufacturing Technology Development Course

Sewing and love social welfare activities

Initial Purpose of the Establishment:

In addition to focusing on the development of cultural and creative industries, Golin is also committed to promoting cultural and creative activities for various communities in society. By combining the characteristics of its industry, Kaulin hopes to understand the needs of different communities through communication and exchange with them, and to stimulate the creative potential of disadvantaged groups, therefore, it has planned the "Mending Love" project as a public service activity to stimulate the creative potential of people with disabilities and guide the creators to complete their works. Through the exhibition, the public can learn more about the world of people with disabilities.

Promotion Activities:

After visiting the Happy Mount Institution in Bali District, New Taipei City, the Kaulin Foundation helped the residents design their own uniforms with its specialty, "sewing and design". Although the residents do not have much literacy skills, they have a high degree of confidence and identity in their own work. There-

fore, the work clothes were made from the residents' own work and the designer's design and stitching, and were given to the residents with the participation of Kaulin's colleagues, creating unique and recognizable work clothes. At the same time, Kaulin Foundation combined its own charitable resources to continue the sewing and love activities. In 2016, in conjunction with the Foundation's cooperation with the Chinese Professional Baseball League, the annual opening press conference was held in Happy Mount and allowed the star players of each team to have their first contact with the Happy Mount Angels, promoting the "Paint a Heart, Sew a Ball" event, in which Chinese Professional Baseball players and residents painted the canvas and bats together for a charity sale. The bats will be sold for charity in the future.

Promotion results:

- In June 2015, the Foundation completed the work clothes for the residents and gave them to the residents of the Institute. In July and August of the same year, the Foundation held a public service exhibition of Happy Mount Sewing and Love at Sewing Cultural and Creative and Songshan Cultural and Creative Park respectively to let more people know about the world of people with multiple disabilities.
- A total of 25 players' autographed painted bats, 9 hand-sewn baseball signature quilts, and 1 player's signature quilt were produced for the "Paint a Heart, Sew a Ball" charity event. After the bidding activities at the Chinese MBL Home Run Derby and the week-long online bidding, the proceeds from the "Paint a Heart, Sew a Ball" charity sale were NT\$463,857.



Taiwan Textile Research Institute - Mass Production Garment Manufacturing Technology Development Course

5.2 Nurturing Youth Development

Talent cultivation has always been the key item of business operation. By promoting the industry-academia cooperation program, Kaulin strengthens the interaction and connection between academic research and industrial development, and by continuously promoting the industry-academia cooperation program, the academic research energy is channeled into the industry and the resources of enterprises and schools are combined. This will enable students to familiarize themselves with the sewing machine industry, increase their competitiveness in the workplace, and increase their willingness to enter the industry, thus cultivating the talents required by the sewing industry.

Next Generation Design - Industry-Academia Cooperation

Initial Purpose of the Establishment:

We focus on nurturing young students and strive to channel academic research energy into the industry, combining the resources of enterprises and schools. Through industry-academia cooperation, we can increase interaction between schools and students, which not only helps young students to connect with the future development trend of the industry without any gap, reduce the gap between industry and academia, and discover outstanding talents, but also helps to keep in touch with the ideas of young freshmen, and advocates that the concept of sustainability must start from education.

Promotion Activities:

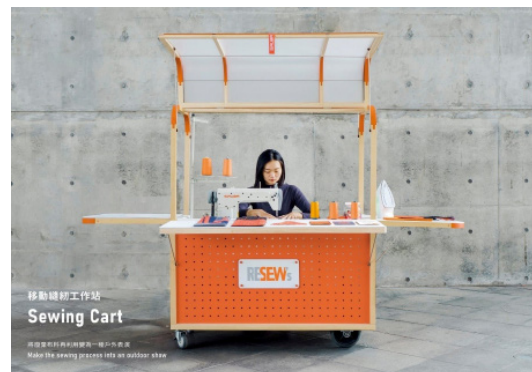
The Next Generation Design - Industry-Academia Collaboration Call for Proposals is an open call from companies for graduating students to propose their works and for companies to participate in mentoring activities, providing design talents with relevant industry knowledge and enabling the academic community to understand the actual needs of companies, thereby reducing the gap between learning and use. At the same time, through the process of mentoring students, we can identify outstanding talents and develop new models of consumer goods or services with future potential. In 2017, the Foundation participated in the next generation of industry-academia cooperation for the first time, with the topic of "Happy Garment Processing Field", hoping to optimize the current sewing field and professional sewers' working environment, and to move towards a more professional, humane and happy design goal. In 2020, with the topic of "Mobile Sewing, Research Room", we were seeking creative ideas to move the sewing room outside of the sewing room on a regular basis and in a mobile mode, whether it is in a car or other unused space (free-space), in line with the community connection to share and create, re-examine the consumption pattern, treat clothes well and extend the life of clothes.

Promotion results:

Over the past three years, more than 100 people have participated in the Foundation's project competition, winning 4 gold, 4 silver, and 1 bronze medal with a total prize of over \$800,000. In 2018-2019, the award-winning design works of industry-academia collaboration were also recognized by the international award 2019 iF design award.



2019-2020 Title "Mobile Sewing Research Laboratory" Gold Prize



2019-2020 Title "Mobile Sewing Research Laboratory" Top Prize.

5.3 Environmental Protection Initiatives

In terms of environmental protection, Kaulin focuses on "sustainable fashion" and combines the resources of the Company's machines and sewing machines. The Heavy Sewing Project has also established an understanding of the sustainable fashion industry through a series of practical industry seminars. In addition to taking care of young artists and disadvantaged groups, we also teach people to recreate old clothes into new clothes, eco-friendly bags and other new products, giving new life to old fabrics with the concept of environmental sustainability and implementing the concept of circular economy. Secondly, through the hands-on design course, Kao-Lin aims to make good use of the remaining resources of the fashion industry and contribute to the ecological protection of the environment, while establishing a creative model that can challenge the limits of design and create added value. Finally, we help to promote sustainable fashion education through public exhibitions of both functional and creative products.

Sustainable Fabric Bank

Initial Purpose of the Establishment:

In order to alleviate the rising global textile waste problem and the environmental pollution caused by fast fashion, Kaulin "takes sustainable fashion" as the main axis and solves the problem of local waste by establishing the Sustainable Fabric Bank, which collects local textile factories' offcuts and factory stockpiles for designers, schools and local organizations to use and implement the concept of recycling.

Promotion Activities:

The fabric merchants that the Foundation has been working with for a long time are aware that the Foundation has been making efforts in education and are willing to provide students with stockpiled or defective fabrics and trimmings for their creative ideas, while relieving the pressure on storage space and reducing the labor and cost of handling waste. Therefore, Kaulin collects these waste materials, which would otherwise be destroyed at the expense of others, and offers them to creative students for reuse in sustainability courses, creating recycled fabric value and making a friendly contribution to environmental sustainability.

Promotion results:

The 2018 Next Generation Design Competition is titled "ReSew's Bank", with "ReSew's" sustainable management concept as the background and "textile waste materials" as the core. We also consider the diversity of textile waste materials in terms of shape, material, color and quantity, and simulate and plan a virtual and real sustainable fabric bank.

Project Resew's - "Opportunity with the Sewing Machine" Sewing Machine Subsidy Program

Initial Purpose of the Establishment:

In view of the environmental pollution caused by fast fashion and the corporate social responsibility for environmental sustainability, the Foundation is committed to promoting the "Project ReSeW's" through the sewing machine industry to develop and test-drive discarded fabrics, various textile discarded fabrics, stock fabrics, defective products, samples, etc., to re-sew and upgrade them to create renewable value for

resources. From 2019 onwards, the target group of the "Opportunity with the Sewing Machines" grant is those whose first priority is to help the "socially disadvantaged", and who also reduce "environmental pollution" and promote "sustainable fashion education".

Promotion Activities:

1. Establish a "sustainable fashion" curriculum: We invite industry experts to lecture on a series of curriculum design and planning, from understanding the multifaceted aspects of the sustainable fashion industry to potential design research and development, to establish a fashion design education rooted in "sustainable fashion".
2. Recycled Design Creation: Recycled design and hands-on experience using existing, discarded, and out-of-season material resources.
3. Public presentation of design works: Through the public presentation of design works, we will present practical and creative product designs to promote sustainable fashion education.

Promotion results:

In three years, the Opportunity with the Sewing Machine Program has sponsored 57 industrial sewing machines. The Mustard Seed Mission, Yilan Dream Building Family Care Association. In 2019, five organizations were subsidized to carry out sustainable and regenerative design, including: "Eco Tano Workshop", "Petite Mode Studio", "Catholic Franciscan Spirituality Centre", "Taiwan After-Care Association Hsinchu Chapter: Beauty of Renewal - Eco-Fashion Design School," and the "Mustard Seed Mission." In 2020, subsidies were provided to the "Chiu Chien-Fang" Tea Fabric House Recycling Design Workshop, the "Yilan Dream Building Family Care Association-Employment Counseling Program," and the "Taipei Awakening Association-Promoting Women's Professional Training Program"; in 2021, subsidies were provided to the "SLW Workshop" Women's Employment Counseling Program, the "Cloth Art Young Repair Station" Sustainable Fashion Zero Waste Program, and the "The Carpenter's Home-Providing Employment Opportunities for Disadvantaged Groups.



Dream Building Family Care Association - Sewing Pets for Hairy Kids



Tea Fabric House-Recycling Craft Project Pandemic Prevention and Healing Craft Class

5.4 Caring for the Community and the Need of Underprivileged Groups

We are committed to caring for the community in the spirit of "what is taken from the community should be used for the community", and we hope that the community we live in will be better because of our participation. With the aim of community care and helping the disadvantaged groups, we promote diversified community care activities so that our employees can give back to the society and fulfill their corporate social responsibility through practical actions while working. Kaulin focuses on communication with the local community of the factory. In 2020, we actively participated in the local local people's party and donated materials and sponsored the local cultural season. In addition, we also aim to promote the culture of the industry and support the development of creativity by sponsoring various exhibitions at universities and colleges on a long-term basis to encourage artists with cultural and creative development, and to achieve the effect of promoting culture and art, so that more people can know the field of fashion design. In 2020, Kaulin cooperated with Shih Chien University, Fu Jen Catholic University, Shu-Te University of Science and Technology, and Tainan University of Technology to sponsor fashion design exhibitions.

Favorite Sports-Rural Sports Sponsorship

Initial Purpose of the Establishment:

Sport has always been a popular subject in schools, and baseball is one of the most popular sports in schools. There are not many baseball teams in Taiwan's elementary schools, but it is almost always the rural areas that have more opportunities to form teams for practice or competition due to school support. Through the Foundation's long-term concern for the basketball and baseball ecology in Taiwan, we know that most schools are short of funds, and baseball is the most expensive sporting event, so we mainly sponsor rural teams.

Promotion Activities:

The purpose of the Foundation's sports section is to sponsor and support sports organizations and individuals to participate in sports activities and competitions in order to promote the development of the sport. Since 2014, the Foundation has been sponsoring various sports activities at schools throughout Taiwan, such as baseball teams, girls' softball teams, basketball teams, badminton teams, and rugby teams. In addition to carefully understanding the needs of each family, the Foundation will also work with local acquaintances and businesses to provide assistance. We hope to provide assistance to the people and teams who need it the most, and to organize the Zhu Luoshan Cup (Taiwan-Japan Exchange Tournament) and since 2019, the Company has been co-hosting the 1919 Let's Run at Home for three consecutive years, and has called on employees and family members to participate enthusiastically, promoting the development of sports activities throughout Taiwan.

Promotion results:

Since the event was held in 2014, Kaulin Foundation has sponsored more than 50 organizations and spent nearly NT\$7 million to purchase ball equipment for schools in remote areas, and in 2020, it spent more than NT\$1.6 million to assist more than 22 schools to purchase ball equipment, fully supporting sports in remote areas in Taiwan.



Chiayi Chung-Ho Junior High School - Basketball Team



Daxi Senior High School Baseball Team



Hualien Sanmin National High School Baseball Team



Evergreen University Rugby Team



Employees and family members participate in the 1919 Studio Classroom Let's Run at Home

Design Exhibition Sponsorship

Initial Purpose of the Establishment:

Kaulin Foundation aims to promote the culture of the industry and support the development of creativity, to inspire artists with cultural and creative development, and strive to create an environment and atmosphere full of creativity, and is committed to creating a community atmosphere of culture and creativity, helping to enhance the culture and creativity of society, and therefore actively invest in fashion exhibition sponsorship, so that we can better understand the field of fashion design, so that art can be brought to life and create cultural output.

Promotion Activities:

The purpose of the Kaulin Foundation's graduation exhibition is to sponsor and support the graduation exhibition of students from various university departments related to apparel design, in order to promote and strengthen young students' understanding of the apparel and textile industry, and to provide a platform for outstanding young artists from various universities to expose their works. The Foundation sponsors annual graduation exhibitions for students of apparel departments at material universities in the hope of promoting the spirit of the textile industry and providing opportunities for young designers to shine and promote the development of cultural and creative industries in Taiwan. Since 2014, Kao-Lin has sponsored the Department of Fashion Design at Shih Chien University, the Department of Industrial Design at National Taiwan University of Arts and Sciences, the Department of Textile Design and the Department of Fashion Design at Fu Jen Catholic University to hold graduation exhibitions to provide a better stage for students to showcase their designs and promote Taiwan's apparel industry.

Promotion results:

Since the event was held in 2014, Gao-Lin Cultural and Creative Foundation has cooperated with nearly ten institutions and sponsored nearly 20 graduation exhibitions. In 2020, the Foundation spent more than NT\$140,000 to sponsor graduation exhibitions at Shih Chien University, Fu Jen Catholic University, Shu-Te University of Technology, and Tainan University of Applied Science and Technology



Shih Chien University Graduation Exhibition



National Taiwan University of Arts Graduation Exhibition

Kaulin 2020 Social Contribution

Unit: NT\$

Program name	Program activity	2020 expenditures
Project Resew's	Sustainable Fashion Designer Sponsorship	\$1,044,354
	ReSew's Lab Sustainable Fashion Course	
	Textile Research Institute x Kaulin x Morgan Technical Professional Program - Mass Production Training in Garment Technology	
	Exhibition Sponsors-Shenzhen Fashion Week, Sustainable Las Vegas, BarREHOW One-Day Designer Experience, Fu Jen Catholic University London Sustainable Fashion Show	

Program name	Program activity	2020 expenditures
Sewing and love social welfare activities	Hosting the Fashion Revolution	\$223,019
	rinX Kauline X 10th Public Service Brighten Taiwan Program	
Industry-Academia Co-operation	Quiz from Industry-Academia Cooperation of New Generation	\$225,382
Nurturing program	Shih Chien University Fashion Design Department Sustainability Program Sponsorship	\$280,272
	Hsinchu Rehabilitation Home Machine Sponsorship	
	Sponsorship of sewing machine for the Opportunity with Sewing Machine project	
	The Mustard Seed Mission Sewing Machine and Course Sponsorship	
Sponsorship for sports activities	Campus Baseball, Rugby, Basketball and Charity Run Sponsorship	\$990,886
Exhibition Sponsorship	University Design Department Graduation Exhibition Sponsorship	\$140,000


Anti-pandemic special edition: One Island One Life: Fighting the Pandemic Together

In 2021, the rapid spread of the COVID-19 pandemic increased the demand for personal protective equipment (PPE) such as masks and protective clothing, and masks have become part of daily life. In addition to internal efforts to promote the precautions to be taken during the COVID-19 epidemic to ensure the health of employees, Kaulin is also using its own brand "SiRUBA" industrial sewing machine to support "NIEN HSING TEXTILE" of the national protective clothing team to significantly increase its production capacity and indirectly provide "SiRUBA IoT" intelligent system to mask manufacturers to assist production. Although the Company has not been officially recognized by the government, its performance in supporting the national team with high-performance industrial sewing machines and indirectly supporting the production of protective clothing and masks is still recognized by all sectors. In 2021, the pandemic in Taiwan heated up, affecting people's livelihood and economy. In order to cheer up all the people and thank all the people from all walks of life in Taiwan for their dedication during this period of time, Kaulin was proud to present SiRUBA, Kaulin Foundation and Kaulin Manufacturing Co., Ltd. in five media outlets, including Commercial Times, from August 2 to August 8, 2021, to pay tribute to Taiwan's pandemic prevention.





"SiRUBA IoT" Internet of Things (IoT) Smart System to Assist Production

SIRUBA



**General Seaming:
Closing hood, Sleeve, Leg & etc.**



737K-504M2-04
747K-514M2-24
757K-516M2-35

"SiRUBA IoT" Internet of Things (IoT) Smart System
to Assist Production

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KAULIN MFG. CO., LTD.

 TOP 100
TAIWAN BRANDS



ISO 9001:2000
ISO 14001:2004

