

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

Since 2013, Zig Sheng has implemented the ISO 14001 environmental management system and established management practices and procedures (such as environmental risk assessment, air pollution, water pollution, noise pollution, waste, drinking water, energy resources, chemicals, etc.). All of our plants have completed and implemented environmental management, and all three plants in Guanyin have been certified by a neutral third party (DNV Business Assurance).

Climate change is causing global temperatures to rise, resulting in unusual climates, floods, and heat waves. The frequency of typhoons is also increasing by the year, which poses a risk of damage to our plant and equipment as well as threatens the safety of employees during their commute. Therefore, Zig Sheng continues to conduct energy management to improve the efficiency of its energy use, verify greenhouse gas emissions, and promote energy saving measures.

4.1 Climate Change Risk Management

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

Task Force on Climate-Related Financial Disclosures (TCFD)

	Management Policies and Action Plans	Implementation Status
Governance	The Board of Directors regularly reviews the risks and opportunities associated with climate change	Our sustainability governance organization conducts discussions and evaluations related to climate change, and gives updates once a year. They have yet to give their report to the Board of Directors.
Strategy	<ul style="list-style-type: none"> Discussed and identified short-, medium- and long-term climate change risks through cross-departmental communication Evaluated the business, strategic and financial impacts of significant climate change risks and opportunities to our company Conducted situational analyses and evaluated Science Based Targets (SBT) 	<ul style="list-style-type: none"> Regarding risks and opportunities associated with climate change, 8 risks and 3 opportunities were identified Proposed countermeasures to address major risks Climate-related risks to operational processes were analyzed and mitigation measures were developed based on the UN's Intergovernmental Panel on Climate Change (IPCC)'s projected global warming by 2°C
Risk Management	<ul style="list-style-type: none"> Established our climate-related risk identification process using the TCFD framework Developed relevant response plans based on the results of the climate-related risk identification and ranking Integrated into the overall risk management system 	<ul style="list-style-type: none"> Identified and ranked climate-related risks and opportunities, and assessed their financial impact Implemented countermeasures based on the assessment results and financial impacts of climate-related risks and opportunities Zig Sheng's Operating Risk Management Process
Indicators and Targets	<ul style="list-style-type: none"> Set climate-related risk management targets Conduct ISO 14064-1 greenhouse gas inventory on a regular basis Set climate change management targets and review performance achievement statuses 	<ul style="list-style-type: none"> Reduce energy consumption per unit of product, accumulate energy savings, and build solar power plants Continuously implement carbon reduction measures

Transformation Risks	Physical Risks	Opportunities
<ul style="list-style-type: none"> • Increase in greenhouse gas emission pricing • Costs in transitioning to low carbon technology • Tightened environmental regulations • Change in customer behavior • Cost of raw materials 	<ul style="list-style-type: none"> • Increased severity of extreme weather events such as typhoons and floods • Changes in rainfall patterns and extreme changes in climate patterns • Increase in average temperature 	<ul style="list-style-type: none"> • Recycling scrap material • Use of low-carbon energy • Participation in renewable energy projects and adoption of energy saving measures



Note on the three high-level risks

Climate Risk	Potential Financial Impacts	Responses and Measures
Increase in greenhouse gas emission pricing	If the price of carbon increases, then operating costs will increase.	With net zero emissions as our goal, we will apply for offset projects and continue to implement energy saving programs.
Costs in transitioning to low carbon technology	Switching to low-carbon equipment, resulting in early write-off and scrapping of assets 1. Developing recycled products and purchasing additional equipment. 2. Costs produced by switching to equipment with high energy efficiency.	1. Developing recycled polyester products and adding related equipment to increase the added value of our products. 2. Implementing ISO 14067 product carbon footprint to confirm the reduction in carbon for our environmentally-friendly products. 3. Continuous energy saving and carbon reduction
Tightened environmental regulations	1. Due to the tightening of air pollutant emission standards, existing coal-fired boilers need to be replaced with other equipment. 2. Consumers of large quantities of electricity are required to install renewable energy equipment to supply 10% of their contracted capacity due to regulatory requirements.	1. Switching to natural gas will increase equipment and fuel costs. 2. Usage of solar power since 2018.

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