Zig Sheng actively tries to reduce pollution through its environmental protection policy, and is committed to energy conservation, carbon reduction, industrial waste reduction, pollution prevention and control, resource recycling and reuse, and continuous improvement through effective internal and external communications and relationships.
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 factories have completed and implemented environmental management tasks, and all three factories in Guanyin have been certified by the third-party independent verification institution, DNV.
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.

Environmental Policy

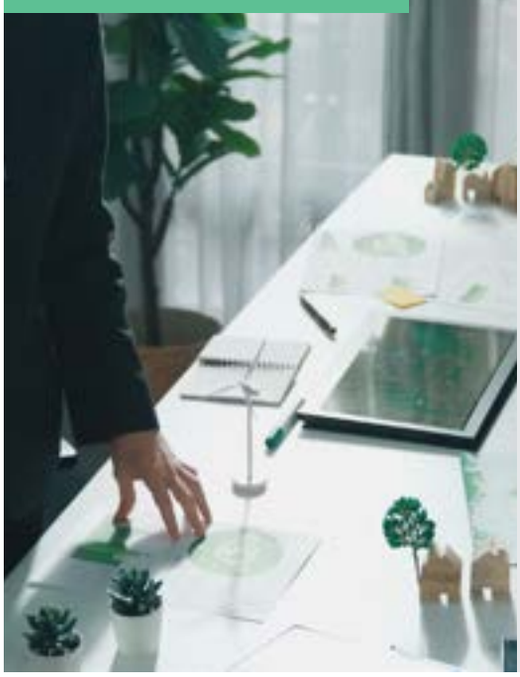
4.1 Climate Change Risk Management

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.

1. Governance

The Company's Sustainable Development Governance Organization conducts annual discussions and assessments related to climate change, formulates countermeasures for significant risks and opportunities, and submits an annual report to the Board of Directors. This years report was submitted on May 9, 2025.

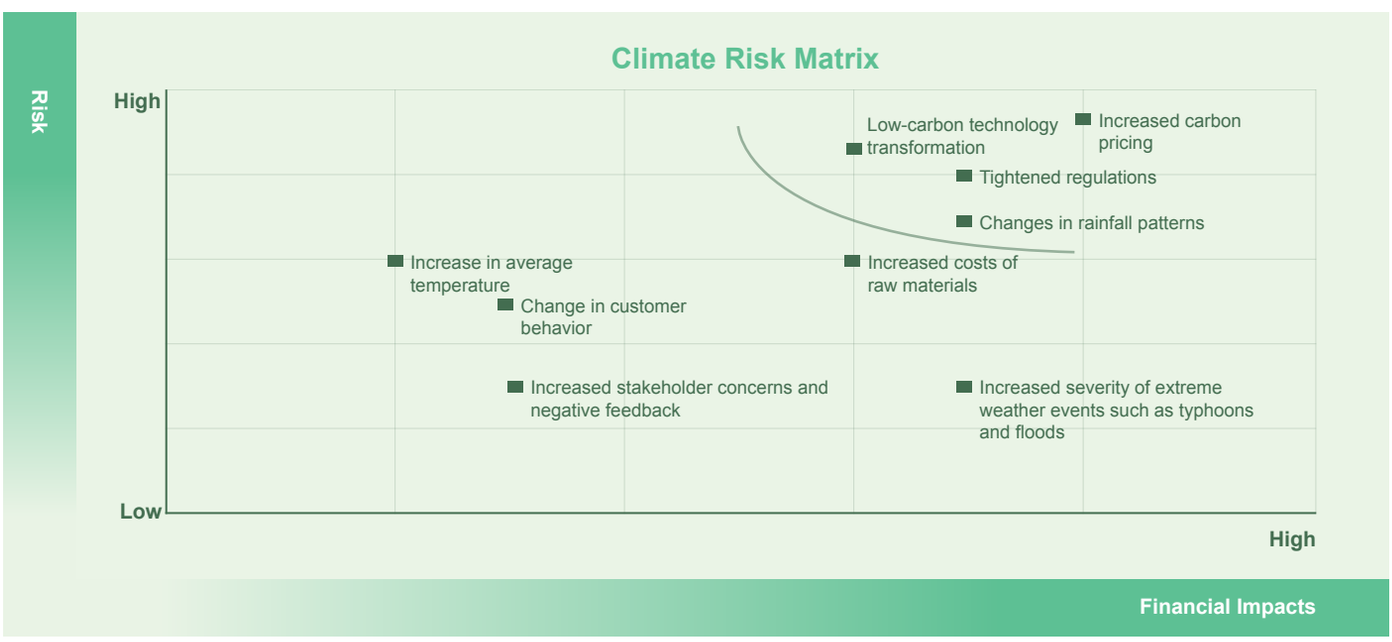
2. Strategy and Risk Management



Sustainable Development Organization analyzes climate risks in operational processes through cross-departmental communication and discussion, leveraging the United Nations Intergovernmental Panel on Climate Change (IPCC)'s 2°C global warming scenario (RCP8.5) to identify annual short, medium, and long-term climate risks and opportunities.
Analysis results indicate that climate change will have a relatively low impact on the factory's location over the next ten years. However, extreme weather events such as heavy rainfall over a short period, drought, and typhoons could still cause flooding or water shortages. These may damage equipment and factory buildings, disrupt production, reduce water availability for normal operations, and impair equipment functionality, all of which could increase operating costs.
The Company has established operational risk management procedures, covering financial risk, climate risk, environmental risk (E), social responsibility (S), corporate governance (G), etc. The Sustainability Governance Team gathers climate-related information and, based on domestic and international climate risk reports, evaluates the potential impact and likelihood of occurrence. Relevant risks to the Company are then identified through discussion. Identify significant risks using the risk matrix, discuss mitigation strategies and measures for these risks, and define relevant indicators targets.
The main impact of extreme weather is changes in rainfall patterns, which increase the risk of water shortages. It is necessary to understand water availability in advance and evaluate measures to counter water shortage in order to prevent equipment damage and production losses that could lead to higher costs and reduced revenue. The main impacts of transition risks include higher carbon fees, increasingly stringent regulations, and a move towards low-carbon technologies, all of which require more costs to make related improvements.

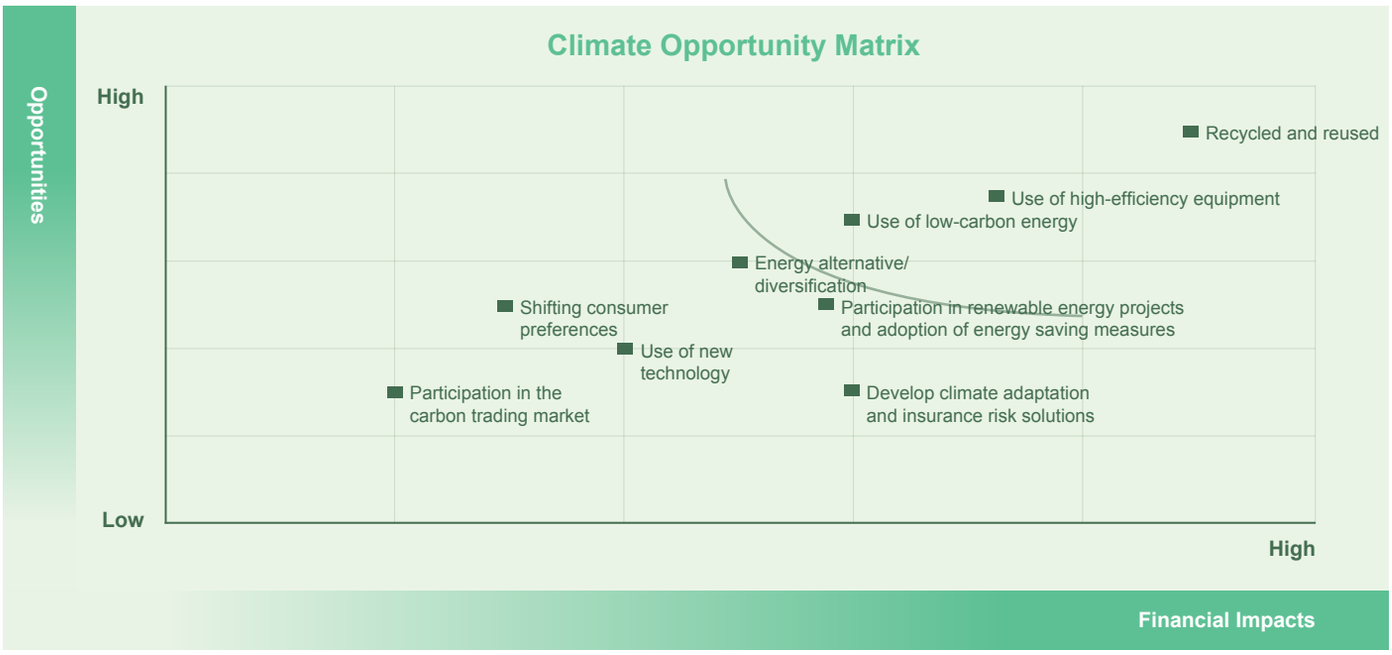
Climate Risks and Opportunities

Risk categories and opportunities		Short-term (1-3 years)	Mid-term (3-5 years)	Long-term (5+ years)
Risk	Transformation Risks	・Increased carbon pricing ・Tightened regulations	・Low-carbon technology transformation ・Change in customer behavior	・Increased costs of raw materials ・Increased stakeholder concerns and negative feedback
	Physical Risks	–	・Changes in rainfall patterns	・Increased severity of extreme weather events such as typhoons and floods ・Increase in average temperature
Opportunities	Opportunities	・Recycled and reused ・Use of high-efficiency equipment	・Use of low-carbon energy ・Participation in the carbon trading market ・Shifting consumer preferences ・Participation in renewable energy projects and adoption of energy saving measures ・Energy alternative/diversification	・Use of new technology ・Develop climate adaptation and insurance risk solutions



Major Risk Assessment and Response Strategies:

Risk Category		Related Risks	Business and Financial Impacts	Responses and Measures
Transformation	Policies and Regulations	Increased carbon pricing	1. If carbon fees increases, then operating costs will increase. 2. Switching to low-carbon equipment, resulting in early write-off and scrapping of assets.	1. Closely monitor regulatory changes and international trends. 2. Strengthen energy management by replacing high-energy-consuming equipment with low-energy alternatives to reduce carbon emissions.
		Tightened regulations	1. Expanded carbon emission disclosure requirements will increase verification costs. 2. The Renewable Energy Development Act requires the use of a certain percentage of renewable energy, which will raise green energy costs. 3. Increased energy-saving rate requirements necessitate higher investment in improvements.	1. Offer relevant training courses to enhance employees' skills and experience in carbon audits to meet increasing demands. 2. Establish solar power plants and apply for green energy certificates to comply with regulatory requirements. 3. Engage professional team to identify further energy-saving opportunities.
	Technology	Low-carbon technology transformation	The installation of additional equipment and the construction of new facilities will increase costs.	1. Developing polyester recycled products to increase the added value of our products. 2. Continuous energy saving and carbon reduction.
Physical	Long-term	Changes in rainfall patterns	Water shortages can affect equipment cooling, leading to equipment malfunction, disrupted production, and reduced revenue.	1. Monitor water consumption and implement water-saving measures. 2. Increase the water resource recycling rate.



Major Opportunity Assessment and Management Strategies:

Risk Category		Related Opportunities	Business and Financial Impacts	Management Strategies and Goals
Opportunities	Resource Efficiency	Recycled and reused	Increasing Revenue from Green Products	1. Recycle scrap filament into environmentally friendly products, certified by the Global Recycled Standard (GRS). 2. Promote recycled products and increase the sales share of green products. 3. Expand our range of environmentally friendly products and pass ISCC certification
		Use of high-efficiency equipment	Reduce energy consumption, save energy costs, and reduce carbon emissions.	Replace high-energy consumption equipment with high-efficiency equipment, such as DTY machines, air compressors, and chillers.
	Energy Source	Use of low-carbon energy	1. Use renewable energy to reduce electricity bills. 2. The cost of using low-carbon energy is higher.	1. Since 2018, we have been continuously building solar power plants and complying with regulatory requirements by using 10% of the contracted capacity from renewable energy. 2. We anticipate shifting a portion of our solar energy production to self-generation and self-use in 2025 and applying for green energy certificates.

In 2024, the climate management costs were approximately NT$11.39 million

3. Climate Indicators and Targets

The Company has set net-zero emissions as its ultimate goal and has established a net-zero strategy encompassing process improvement, energy transformation, and the circular economy. The following outlines the net-zero transition strategies and goals:

(1) Process improvement

- Replace high energy-consuming equipment.
- Continuously promote energy conservation and carbon reduction.

(2) Energy transformation

- Switch to natural gas as boiler fuel.
- Build solar power plants and obtain green energy certificates.

(3) Circular economy

- **Develop sustainable green products and obtain relevant certifications.**

(a) Global Recycled Standard (GRS) System -Recycling of scrap silk, fishing nets, PET bottles, and fabrics.

(b) International Sustainability and Carbon Certification (ISCC) - Using ISCC raw materials to produce nylon chips and processed yarn.