

Kwong Fong Industries Corporation

Implementation Status of Sustainable Development

Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons:

Implementation Items	The State of Implementation			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed									
	Yes	No	Summary description										
I. Has the Company established a governance structure to promote sustainable development, and designated a full-time (part-time) unit to promote sustainable development, which is to be handled by the senior management with the authorization of the Board of Directors, and the actual supervision of the Board of Directors?	V		<div>1. The company upholds "Integrity" and "Sustainable Management" as the core principles of corporate governance and established the "Sustainable Development Code" on June 26, 2024, setting clear corporate social responsibility and governance framework for promoting sustainable development.</div> <div>2. To implement sustainability goals, the company established the "Sustainable Development Task Force" on June 26, 2024. The board of directors authorized the chairman to lead the highest governance level of sustainability, with the general manager serving as the Chief Sustainability Officer (CSO). The task force coordinates three subgroups: Corporate Governance, Social Welfare, and Environmental Sustainability, overseeing project execution and facilitating inter-departmental cooperation on sustainability matters.</div> <div>3. The board reviews the company's strategy and goal progress, adjusting the direction as needed to align with eco-friendly and efficient management practices, ensuring integrity in operations and effective risk management toward sustainable development.</div> <div>4. The Sustainable Development Task Force regularly reviews and reports on implementation effectiveness and improvement directions, with at least one report per year to the board on sustainability progress and future plans.</div> <div>5. The "Sustainable Development Task Force" held four meetings in 2024, covering topics such as: (1) Setting and implementing sustainability goals and policies (2) Formation of a greenhouse gas inventory group and planning (3) (3)Preparation of the sustainability report</div>	No significant difference									
II. Does the company conduct risk assessments on environmental, social, and corporate governance issues related to the Company' operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	V		<div>1. The company follows GRI Standards to conduct materiality analysis through four steps: collecting sustainability issues, assessing stakeholder concerns, analyzing significant topics, and reviewing and discussing. This serves as the basis for the sustainability report and disclosure, evaluating the company's current sustainability status.</div> <div>2. The disclosed data covers the company's sustainability performance from January to October 2024 at key locations. The risk assessment boundary is focused on the company, and subsidiaries, including Baofeng Asset Management Co., Ltd., Galaxy Digital Co., Ltd., and Baishang Digital Technology Co., Ltd., are included based on relevance to core operations and impact on significant topics.</div> <div>3. Based on the assessed risks, relevant risk management policies or strategies are outlined as follows</div> <table><tr><th>Key Issues</th><th>Risk Assessment Items</th><th>Description</th></tr><tr><td>Environmental</td><td>Environmental Impact & Management</td><td><div>(1) The company effectively reduces pollution emissions and environmental impact through a systematic management cycle.</div><div>(2) The company uses the TCFD framework to establish a climate risk identification process, identifying 9 opportunities and 6 risks through cross-departmental discussions.</div><div>(3) In accordance with ISO 14064-1, the company regularly inventories greenhouse gas emissions and assesses operational impacts. Based on carbon inventory results, ongoing carbon reduction measures are implemented to effectively reduce Scope 1 emission risks and Scope 2 indirect emissions from imported electricity, heat, or steam.</div></td></tr><tr><td>Social</td><td>Occupational Safety & Health</td><td>Annual fire drills and safety training are conducted to enhance employees' emergency response and self-safety management skills, preventing exposure to potential hazards or illnesses.</td></tr></table>	Key Issues	Risk Assessment Items	Description	Environmental	Environmental Impact & Management	<div>(1) The company effectively reduces pollution emissions and environmental impact through a systematic management cycle.</div> <div>(2) The company uses the TCFD framework to establish a climate risk identification process, identifying 9 opportunities and 6 risks through cross-departmental discussions.</div> <div>(3) In accordance with ISO 14064-1, the company regularly inventories greenhouse gas emissions and assesses operational impacts. Based on carbon inventory results, ongoing carbon reduction measures are implemented to effectively reduce Scope 1 emission risks and Scope 2 indirect emissions from imported electricity, heat, or steam.</div>	Social	Occupational Safety & Health	Annual fire drills and safety training are conducted to enhance employees' emergency response and self-safety management skills, preventing exposure to potential hazards or illnesses.	No significant difference
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				<div>Corporate Governance</div> <div>Socioeconomic & Legal Compliance</div> <div>(1) The company ensures compliance with relevant laws and regulations by establishing a governance structure and implementing internal controls. (2) Patents for the company's developed products protect its rights</div> <div>Strengthening Board Functions</div> <div>(1) The company plans relevant training for directors, providing updates on laws, regulations, and policies annually. (2) Directors are covered by liability insurance to protect against lawsuits or claims.</div> <div>Stakeholder Communication</div> <div>(1) To prevent misunderstandings and mitigate operational or legal risks, the company analyzes key stakeholders and their concerns annually. (2) Various communication channels are established to actively engage stakeholders, reduce conflicts, and address misunderstandings. An investor mailbox is set up, managed by the spokesperson for responses.</div>	
III. Environmental Issues					
(I) Has the Company set up an appropriate environmental management system based on the characteristics of its industry?	V		(I)	Launch energy-conservation and carbon-reduction campaigns in the office: Turn on the lights only in necessary areas; reduce paper consumption; manage the air conditioning system from area to area.	No significant difference
(II) Is the Company committed to improving the efficiency of resource utilization and using recycled materials with low impact on the environment?	V		(II)	The Company recycles and re-uses resources, reduces waste generation, and uses recycled tissue paper.	No significant difference
(III) Does the Company evaluate the potential risks and opportunities of climate change to the Company now and in the future, and take corresponding measures to respond to climate related issues?	V		(III)	The company has assessed climate change risks to its business model and asset security, diversifying customers and mitigating risks through property insurance.	No significant difference
(IV) Does the Company make statistics on greenhouse gas emissions, water consumption and total weight of waste for the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?	V		(IV)	The company is currently conducting the 2024 greenhouse gas inventory, with data expected to be disclosed later. In 2023, the total energy consumption was 318.3225 GJ of purchased electricity. The overall water usage in 2023 was 785.55 tons, with tap water being the main source, supplied by Taipei Water Corporation. Energy-saving measures: (1) Energy Monitoring and Management: Regular energy audits to assess office energy consumption and implement improvement measures. High-efficiency lighting systems have replaced traditional lamps with LED lights to reduce energy use. (2) Efficient Office Equipment: Regular maintenance and inspection of office equipment to ensure efficient operation and minimize unnecessary energy consumption. (3) Employee Energy Awareness Training: Regular training and awareness campaigns to promote energy-saving practices, such as turning off computers and lights when leaving the office. (4) Green Office Initiatives: Encouraging paperless operations, reducing paper usage, and promoting the use of electronic signatures and document management systems. (5) 5.Policy and Goal Setting: Establishing clear energy-saving goals and policies, incorporating energy-saving measures into management systems, and regularly evaluating their effectiveness.	No significant difference
IV. Social Issues					
(I) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations as well as the International Bill of Human Rights?	V		(I)	To uphold and protect fundamental human rights, the company supports international human rights conventions such as the Universal Declaration of Human Rights, the United Nations Global Compact, and the International Labor Conventions. It also adheres to the core principles of the Declaration on Fundamental Principles and Rights at Work. The company has established human rights policies and measures to prevent workplace harassment, ensuring an equal, fair, and discrimination-free work environment where employees are not subject to	No significant difference

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(II) Has the Company formulated and implemented reasonable employee welfare measures (including remuneration, vacation, and other benefits, etc.), and appropriately reflected operating performance or results in employee remuneration?	V		<p>differential treatment based on race, nationality, age, gender, marital status, political views, or religion, and can fully develop their talents.</p> <p>(II) The company's bylaws stipulate that if the company earns a profit annually, 0.1%-2% should be allocated for employee compensation, to be distributed in stock or cash as decided by the board. Compensation may also be provided to employees of subsidiaries or affiliates meeting certain criteria. Employee compensation is adjusted based on business performance, in accordance with the company's "Business Bonus System" and "Year-End Bonus Distribution Policy."</p>	No significant difference
(III) Did the Company provide employees with a safe and healthy working environment, and conduct regular safety and employees?	V		<p>(III) The Company provides a good working environment and continues to improve and periodically maintain it. In addition, the Company also promotes a smoke-free working environment. The Company cooperates on a fire drill carried out periodically by the administrative unit of the office building and the management center of the office. Furthermore, an access control system and a camera surveillance system are in place throughout the day. Management personnel participate in Class A occupational safety and health supervisor training. Other employee safety measures are implemented in accordance with labor regulations. In 2024, the company reported zero occupational accidents under the Occupational Safety and Health Act.</p>	No significant difference
(IV) Has the Company established an effective career development training program for employees?	V		<p>(IV) The company arranges for employees to attend courses organized by regulatory authorities or external professional organizations and periodically provides relevant training and awareness activities. 2024 courses include: Accounting and Audit Personnel Continuing Education, Internal Training Courses on Securities Reporting and Investment Control, Stock Exchange Information Disclosure Regulations, Corporate Governance Amendments and Practices, Anti-Fraud AI Financial Analysis, FCN-Derivative Financial Products, Gender Equality in the Workplace, and Personal Data Security Management.</p>	No significant difference
(V) Does the Company comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and establish relevant customer rights protection policies and complaint procedures?	V		<p>(V) The company maintains good relationships with customers and suppliers and provides channels for stakeholder complaints. Our product marketing and labeling comply with relevant laws and international standards. We offer various complaint channels: Hotline: 02-27061858 Email: kfic@kfic.com.tw Written reports: Management Department, 28th Floor, No. 97, Sec. 2, Dunhua South Road, Da'an District, Taipei We regularly review and summarize complaint handling, preparing reports for senior management and the board, and continuously improve the complaint process to enhance stakeholder satisfaction.</p>	No significant difference
(VI) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V		<p>(VI) The company has established a "Supplier Management Policy" and "Supplier Code of Conduct," emphasizing environmental protection, safety, health, and labor rights. In 2024, suppliers are required to promote environmental sustainability, which will be a key criterion for selecting suppliers. The company signs a "Supplier Commitment Letter" with suppliers and regularly evaluates their performance to guide procurement, improvement, and monitoring. Before engaging with suppliers, we consider their past reputation and continuously monitor any records of environmental impact, occupational safety violations, or labor rights issues. The company collaborates with suppliers to enhance corporate social responsibility.</p>	No significant difference
V. Does the Company make reference to international reporting standards or guidelines to prepare corporate social responsibility or other reports that disclose non-financial information about the Company? Has the assurance or opinion from third-party certifying institutions been obtained for the reports of the preceding paragraph?		V	<p>On June 26, 2024, the board approved the "Sustainability Report Preparation and Assurance Procedure." The report is based on global guidelines from the Global Reporting Initiative (GRI), industry-specific standards, and material topic criteria, covering the company's identified economic, environmental, and social (including human rights) impacts. It follows the Sustainability Accounting Standards Board (SASB) guidelines for industry-specific indicators and includes an index for relevant report content. The report addresses environmental, social, and governance risk assessments and sets performance indicators to manage identified material topics. The 2023 Sustainability Report was completed and approved by the board on August 13, 2024. It has not received third-party assurance or verification.</p>	No significant difference
VI. If the Company has its own corporate social responsibility best practice principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies," please state the differences between its own principles and the state of implementation: None				

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VII. Other important information conducive to understanding the implementation of corporate social responsibility: (I) The company signed an agreement with Taoyuan City Library to allocate part of the industrial area for the Taoyuan Children's Art Museum. (II) The company donated land to Taoyuan City Government for the construction of Guangfeng Park, promoting community engagement. (III) Our company is collaborating with Codak Archi on the Meiren Section development in Songshan District, which qualifies for rewards under the Urban Hazard and Old Building Floor Area Incentive Program. (IV) The Guangfeng Xintiandi Shopping Center, centered around sustainability, integrates a 5,000-ping outdoor green space with Guangfeng Park, creating Taiwan's largest mixed-use green shopping center. Its design blends urban and natural elements to offer a stress-free shopping experience. The center also features a large children's art museum and a city library, promoting culture and education. With energy-efficient systems and support for green transportation, it provides ample parking and actively promotes environmental sustainability, offering Taoyuan residents a new green lifestyle experience.				

Note: The sustainability implementation is reported annually to the board, with this year's report presented on November 8, 2024.