Quantitative Management of Energy Conservation and Carbon Reduction

1. Environmental Report

1.1 Environmental policy, climate change and management system

Ablerex recognizes the impact of climate change on the development of the industry and the Company. By identifying potential climate risks and opportunities, the Company incorporated GHG inventory into the operation in 2016, and conducts annual GHG inventory to analyze the trends and hotspots of GHG emissions over the years, and make them the follow-up objectives for GHG reduction. The Company's environmental management system includes waste water and waste management, and incorporates them into the climate change and greenhouse gas aspects to meet environmental regulations and gradually implement environmental sustainability. We have formulated the Energy and Resources Management Procedures; Waste Management Procedures; Waste Gas Treatment and Monitoring Management Procedures; and Environmental Supervision and Measurement and Testing Procedures for all employees to follow. The Corporate Governance and Sustainability Committee has been authorized to carry out supervision and management.

1.2 Climate change risk management and countermeasures

The frequent extreme weather events in recent years indicate that the crisis brought about by global warming is growing. Governments around the world are highly concerned about climate change issues, and have formulated and amended regional laws and regulations to urge companies to incorporate climate change issues into their business operations and management. Ablerex has identified operational risks brought about by climate change, and referred to the Task Force on Climate-Related Financial Disclosures (TCFD) issued by the Financial Stability Board (FSB) to incorporate the four core elements, governance, strategy, risk management, and metrics and targets, into the operations management. The governance performance is also disclosed in the sustainability report. It is hoped that stakeholders will take this opportunity to understand the impact of climate change-related risks and opportunities faced by Ablerex, and related response measures to be taken.

Governance	The Corporate Governance and Sustainability Committee, chaired by the chairman, holds meetings to discuss climate change issues. Meetings are held every year, and the discussions include potential environmental impacts such as climate change and utilization efficiency of energy and resources on the Company's operations. The climate change issues and implementation status are regularly reported to the board every year.
Strategy	In response to climate-related risks and opportunities affecting the Company's strategy and financial planning, Ablerex has referred to the TCFD's climate-related scenario analysis and used quantitative and qualitative climate-related scenario analysis to adopt corresponding strategies. We have discussed the 2°C Scenario (2DS) in the meetings of the sustainability working group and used the tools by the TCCIP (The Taiwan Climate Change Projection Information and Adaptation Knowledge Platform) for the assessment of physical risk scenario of climate

	change. Finally, we have decided to adopt the 2DS / RCP 2.6 scenario, and conducted subject descriptions of climate change risks and opportunities for physical risks, regulatory transition risks, etc. Finally, we have identified climate risks and opportunities related to our scope of business, and referred to the TCFD reports related to the manufacturing industry: Using a 10-year period as the basis for our long-term business development, we have defined short-term as 1 to 3 years, mid-term as 3 to 5 years and long-term as 6 to 10 years.
Risk Management	Discuss risks and opportunities involving climate change with members in meetings, and identify the following risks and propose action plans:
	1. Response to transition risks: (1) Raise the GHG emissions pricing -- Pay attention to the updated status of laws and regulations at all time. Review the Company's conformity to regulations and then develop various measures for regulatory compliance. (2) Changes in customer behavior -- We integrate the concept of reducing environmental impact into all stages of product life cycles and work together with the supply chain to continue developing energy-saving products. (3) Rising raw material costs -- For main raw materials in the supply chain, develop a backup or second supplier. Change production areas and continually develop power equipment and green products.
	2. Response to physical risks: Increased severity of extreme weather events such as typhoons and floods -- The Company has incorporated the ISO 14001 Environmental management system into the business to reduce risks to a controllable level by planning objectives, actual implementation, reviewing results, and continuous improvement.
	3. Response to opportunities: Use more efficient production and distribution processes -- Continue to develop new products that are even more energy efficient
Indicators and objectives	1. Greenhouse gas emissions: Intensity (metric ton/NT$ million) reduced by 1%.
	2. Water resources management: Water use intensity (thousand liters/person) reduced by 1%.
	3. Waste management: Intensity (metric ton/NT$ million) reduced by 2%.
	4. improvement results of energy-saving benefits of new product technology over the years

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Risk assessment

No.	Climate change risk issues	Risk levels	Scope	No.	Climate change opportunity issues	Opportunity levels	Scope
R1	Raise the GHG emissions pricing	High	Short-term, mid-term, long-term	O1	Adopt more efficient transportation methods	Low	Mid-term
R2	Strengthen emissions reporting obligations	Low	-	O2	Use more efficient production and distribution processes	High	Short-term, mid-term, long-term
R3	Requirements and supervision of existing products and services	Low	-	O3	Recovery and reuse	Low	-
R4	At risk of litigation	Low	-	O4	Move to more efficient buildings	Low	-
R5	Replace existing products and services with low-carbon goods	Low	Mid-term	O5	Reduce water usage and waste	Low	-
R6	Failed investment in new technology	Low	-	O6	Use low-carbon energy	Low	Long-term
R7	Costs of transition to low-carbon technologies	Low	-	O7	Adopt an incentive policy	Low	-
R8	Changes in customer behaviors	High	Short-term, mid-term, long-term	O8	Use new technology	Low	-
R9	Uncertain market news	Low	Short-term	O9	Participate in carbon trading market	Low	-
R10	Rising raw material costs	High	Short-term, mid-term, long-term	O10	Shift to decentralized energy	Low	-
R11	Shifting consumer preferences -- Stigma of the industry	Low	-	O11	Develop and/or increase low-carbon goods and services	Medium	Mid-term, long-term
R12	Increasing concern and negative feedback from stakeholders	Low	-	O12	Develop climate adaptation and insurance risk solutions	Low	-

R13	Increased severity of extreme weather events such as typhoons and floods	High	Short-term, mid-term, long-term	O13	R&D and innovation in developing new products and services	Low	Mid-term
R14	Change in rainfall (water) patterns and extreme change in climate patterns	Low	Long-term	O14	Diverse business activities	Low	-
R15	Average temperature rises	Low	Long-term	O15	Shifting consumer preferences	Low	-
R16	Sea-level rises	Low	Long-term	O16	Enter new markets	Medium	Short-term, long-term
				O17	Make good use of incentives offered by the public sector	Low	Short-term
				O18	Acquire new assets and regions that need to be insured	Low	-
				O19	Participate in renewable energy programs and implement energy conservation measures	Medium	Short-term, mid-term
				O20	Energy alternatives/diversification	Low	Short-term

2. Quantitative Management of Energy Conservation and Carbon Reduction

2.1 Quantitative management objectives for energy conservation, carbon emissions reduction and water and waste management

(1) Energy conservation and carbon emissions reduction

- ✧ In response to global climate change, countries around the world have spared no efforts in promoting energy conservation and carbon emissions reduction. Quantitative management objectives for energy conservation and carbon emissions reduction: The GHG emissions intensity (metric tons/NT$ million) the previous year is the base period, and the emission intensity of the current year should be reduced by 1% year by year.

(2) Water management

- ✧ In response to global climate change, stabilization of water supply has become a problem faced by many countries. In order to fulfill social responsibilities and respond to the issue of global water shortages, the company uses the management objective of per capita water use intensity (thousand liters/person) of the previous year as the base period, and reduces the water consumption intensity of the corresponding period of the current year by 1%.

(3) Waste management

- ✧ In order to promote sustainability of the environment and cherishing of resources, the management objectives for waste generated from design to production are that the waste intensity (metric tons/NT$ million) in the previous year is the base period, and the waste intensity of the current year is reduced by 2% year by year.

2.2 Measures for achieving management by objectives

(1) Energy conservation and carbon emissions reduction

- ✧ For electric lighting, replace traditional lamps with high-efficiency and energy conservation lamps. The replacement of office lighting has been completed in Q4 2022, and it is expected that the replacement of stairwell lighting will be completed in Q1 2023.
- ✧ Adjust the lighted paths in the office and factory areas to reduce the lighting region.
- ✧ Air-conditioning temperature and timer scheduling management. Distribute short-sleeved breathable shirts in summer.
- ✧ Annual inspection and analysis of the reasonableness of electricity consumption to negotiate the best contract capacity.

(2) Water management

- ✧ When replacing sanitary equipment, purchase those with water-saving label, and install water-

saving devices on hand washing sinks.

- ✧ Adjust triangular valves to reduce water consumption. The adjustment of water output has been completed in Q2 2022.
- ✧ Annual inspection and analysis of water consumption to ensure the reasonableness in consumption.

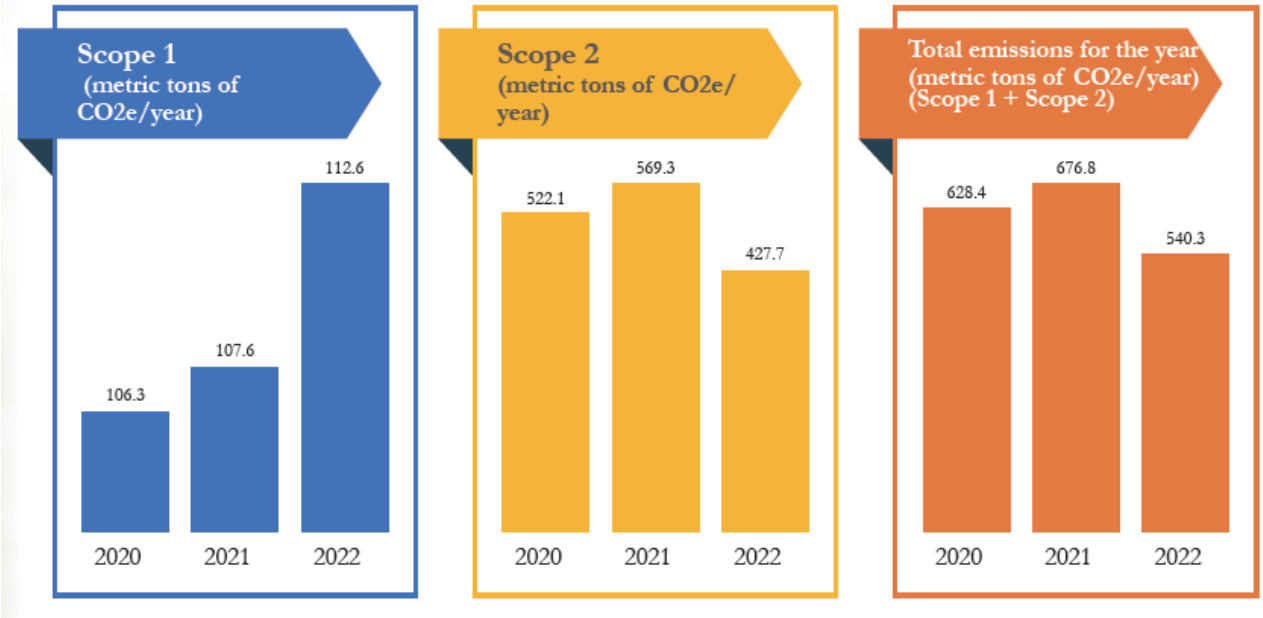
(3) Waste management

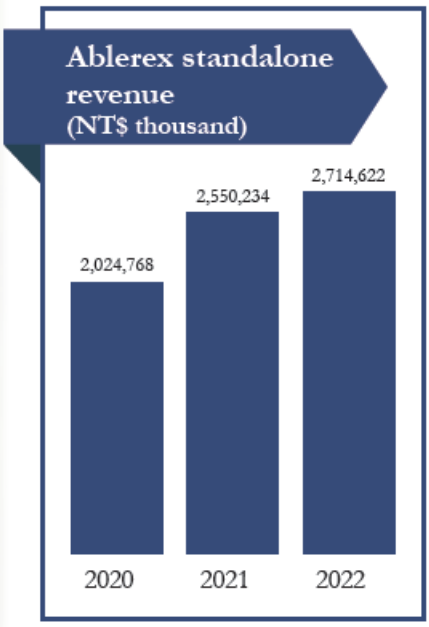
- ✧ Implement waste categorization and recycling and promote the concept of saving the Earth.
- ✧ Adhere to the principle of low-carbon procurement and prioritize sourcing from local suppliers. Produce reports in electronic format to reduce paper waste.
- ✧ Improve the capability of the maintenance team. Maintenance first before replacement, and avoid direct scrapping.
- ✧ Reuse pallets. Pallets that are kept intact from sea freight are then reused in the domestic factory floor.

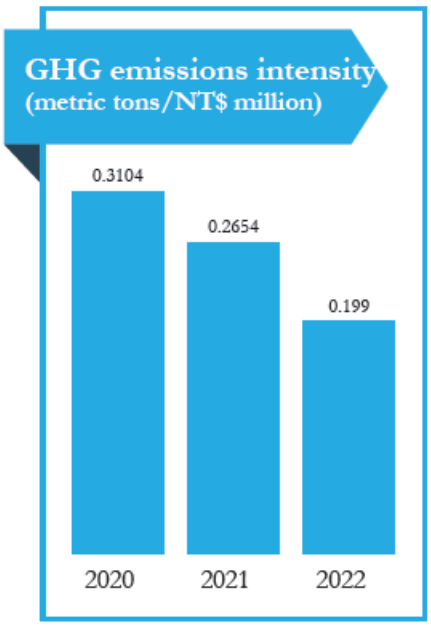
2.3 Current achievements

(1) Greenhouse Gas Emission

For the greenhouse gas emissions between 2020 and 2022, please refer to the table below.







Note:

(1) The scope of inventory covers office in Taichung, Pingtung Plant 1 and Pingtung Plant 2.

(2) In response to the request by the competent authority to present the GHG emissions in terms of "intensity", the relevant data of 2022 is presented for comparison with those from 2019 and 2020.

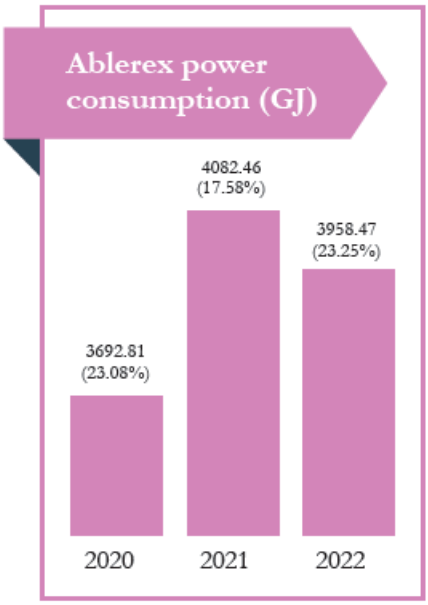
(3) GWP value adopts the IPCC AR5 value.

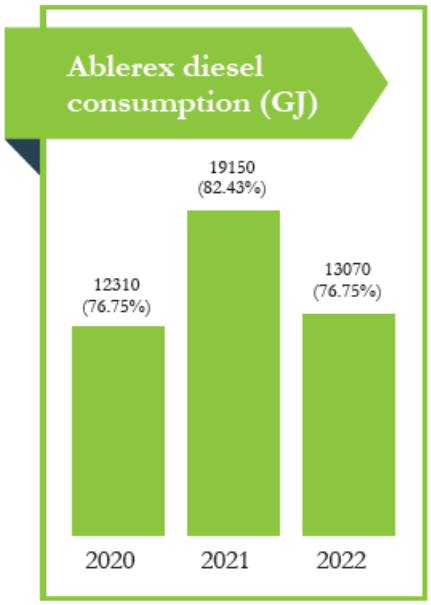
(4) Electricity carbon emission factor: The 2022 electricity carbon emission factor of 0.509 kg CO2e/kWh is used; the other years use the electricity carbon emission factor for those years.

(5) The Company currently collects and aggregates data from Scope 1 and Scope 2, excluding Scope 3.

Analysis: It is identified that the main greenhouse emission sources are electric power, transportation vehicles (diesel), cooling equipment (coolant) etc. The GHG emission intensity in 2022 was 0.199, a decrease of about 25% from 0.2654 in 2021. The management objective has been met. This is due to that the Company's energy conservation and carbon reduction management measures have been implemented effectively, and we will maintain such efforts.

The following is the electricity/oil consumption data of the head office (New Taipei City) and Pingtung plants in 2022:





Note Unit GJ; 1 kWh = 0.0036GJ No use of renewable energy in 2022.

(2) Water management

< 2020-2022 Period Water Intake Status>

Scope Include Taipei Office and Pingtung Plant.

Analysis: The Company offers products in assembly. The waste and sewage discharged at each operating site and factory area are mainly domestic sewage. In order to ensure that the domestic sewage discharged meets the regulations for water pollution prevention, the water quality has to meet the standards for effluent, and then the sewage is discharged to the sewer system. The water use intensity in 2022 was 12.705 thousand liters, a decrease of 0.6% compared with the water use intensity of 12.787 thousand liters in 2021. The implementation of water consumption management measures effectively reduced the waste of water resources, and we will maintain such efforts.

< 2020~2022 Period Waste Type and Treatment Status Overview Table>

Waste code	Item	Unit	2020	2021	2022	Type
D-1801	General industrial waste	Ton	5.020	5.510	5.170	Domestic wastes
E-0217	Hazardous industrial waste	Ton	0.059	0.062	0.090	Waste electronic component parts, scraps and defective parts
E-0221	Hazardous industrial waste	Ton	0.137	0.088	0.110	PCB waste and powder containing metal
Total industrial waste		Ton	5.22	5.66	5.37	
Standalone revenue		NT$ thousand	2,024,768	2,550,234	2,714,622	
Waste intensity		(metric tons/NT$ million)	0.0026	0.0022	0.0019	

Note: Disclosure of product life cycle management:
(1) The weight of related scrapped products and electronic waste is shown in the table above, and qualified third-party vendors are commissioned to clear and transport them.
(2) The generated waste is currently not recycled, so the recycling percentage is 0%.

Analysis: The Company offers products in assembly, and the waste from each operating site and factory area is divided into two categories, general waste and industrial waste. Industrial waste is entrusted to local qualified waste disposal operators to be transported to incinerators or landfills designated by the government. The waste intensity in 2022 was about 0.0019 tonnes per NT$1 million in revenue, which is about 13.6% less than 0.0022 tonnes per NT$1 million in revenue in 2021. The management objective was met. The waste management measures have been effective, and we will maintain such efforts.

2.4 Compliance with Environmental Protection Laws

Based on the characteristics of the industry, Ablerex has obtained the ISO 14001 Environmental management system certification to reinforce the operations management of the environment, safety and health in factory areas, and taken actions to respond to environmental impact.

There is no major source of pollution in the production process. However, in response to changes in laws and the needs of operation and management, we have assigned dedicated personnel in charge of environmental protection who check the status of regulatory changes from time to time to determine whether the Company's operations are affected.

The Company's waste water discharge and waste disposal are handled in accordance with relevant laws and regulations, and the leftover, scrap, and waste generated in the production process are entrusted to qualified recycling operators for further treatment.

All employees follow the management standards for environmental protection, safety and health. In 2022, the Company was not fined or sanctioned for pollution, violating environmental laws and regulations or being involved in litigations.