

2021 Sustainability Report

Inherit the papermaking craftsmanship

Sustain the ecological environment and prosper together



中華紙漿
Chung Hwa Pulp

About this Report

GRI 102-12/102-45/102-46/102-48/
102-49/102-50/102-51/102-52/
102-53/102-54/102-56

This is the 8th Sustainability Report of Chung Hwa Pulp Corporation (hereinafter referred to as “CHP”) (the Corporate Social Responsibility Report was renamed the Sustainability Report in 2021). For years, CHP has fully adhered to the principles of ESG (Environmental: being environmentally friendly & promoting circular economy; Social: employee well-being and co-prosperity with the environment; Governance: integrity and fairness) and steered toward achieving sustainability with carbon neutrality as the final goal. This report describes in detail the ESG-related efforts and achievements of CHP. We hope that the Sustainability Report enables all our stakeholders to better understand and build greater trust in our performance and practices in ESG and sustainability.

Report Writing Principles

Organization	Standard
Global Reporting Initiative, GRI	GRI Standards: Core Option
AccountAbility firm	AA1000 AccountAbility Principles: AA1000AS v3, AA1000AP 2018
International Organization for Standardization (ISO)	ISO 26000 Guidance on Social Responsibility
The United Nations (UN)	United Nations Global Compact (UNGC)
Forest Stewardship Council (FSC)	The FSC Standards
International Accounting Standards Board (IASB) International Sustainability Standards Board (ISSB)	International Financial Reporting Standards (IFRS)
Financial Stability Board (FSB)	Task Force on Climate-Related Financial Disclosures (TCFD)
Sustainability Accounting Standards Board (SASB)	SASB Standards

Scope and Boundaries

The report discloses information relevant to CHP for the year 2021 (from January 1, 2021 to December 31, 2021), including management guidelines, material issues, and performance outcomes. The reporting scope includes environmental, social, and economic issues. The reporting boundary includes our Taipei Headquarters, all operational sites of CHP, production plants (the Kaohsiung Jiutang, Hualien, Taitung, and Taoyuan Guanyin plants), and overseas subsidiaries (Guangdong Dingfeng Pulp and Paper Co., Ltd. and Zhaoqing Dingfeng Forestry Co., Ltd.). The main difference between the reporting boundary of this year and last year was the addition of the Taoyuan Guanyin Plant, which commenced operations in 2021 (scope of data: July 1 to December 31).

Date of Issue and Reporting Cycle

In accordance with the Taiwan Stock Exchange Corporation's Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies, CHP's Sustainability Report is published in June every year and is available on the company's website.

Cover Story

A Promise to Nature

Wetlands offer beautiful scenes of nature adorned with crabs, sunsets, and kites in the sky. Wetlands are also a vital ecosystem, a natural source of clean water, a protector of coastal environments, and the greatest natural carbon sink on earth.

Effluents from CHP are purified and released into the wetlands ecosystem to support ecological diversity, safeguard the environment, and mitigate climate change.

Review and Verification

The report has been third-party verified by the British Standards Institution (BSI) in accordance with the GRI Sustainability Reporting Standards, AA1000AS v3 Assurance Standard, and the Sustainability Accounting Standards Board (SASB). The verification results indicate that the report meets the requirements of the GRI Standards' Core Option and AA1000 Type 1, Moderate level assurance.

Contact Information

For more information, please visit the official websites of CHP (<http://www.chp.com.tw>) and parent company Yuen Foong Yu Investment Holding Co., Ltd. (<http://www.yfy.com.tw>).

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Note: FSC™ CoC verification (License Code: FSC™-C016878, FSC™-C012657, FSC™-C118028)



CHP Website



CHP YouTube

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GRI 102-14

Message from the Chairman

The global response to climate change has shifted development trends. As the leading mill in Taiwan, CHP is committed to becoming a circular economy leader that strives for carbon neutrality. In drawing our Roadmap to Carbon Neutrality, we have committed to compliance with ESG (Environmental, Social, and Governance) principles and the United Nations' Sustainable Development Goals (SDGs) by moving forward with our corporate governance, environmental, economic, and social aspects on the basis of sustainability to become an inclusive and supportive enterprise.

Transforming the Market for Sustainability and Longevity

Transformation is an irreversible path to survival and sustainability.

2021 marks the 55th anniversary of CHP. In the past three years, CHP has spent over NT\$3 billion to re-structure its organization and strengthen our position, with everyone in the company working in concert to transform CHP into a circular supplier of non-plastic materials and striving toward excellence through our vision of achieving a completely circular economy where paper replaces plastics. The key to corporate success is determination and speed.

We keep pace with the times to drive transformation and spearhead industry trends. In addition, our industry has a critical role to play in decarbonization to achieve net zero carbon emissions for the benefit of all humanity. CHP is devoted to developing value-added products for food safety, health care, textiles, and computer, communication, and consumer electronics. We are working intensively to develop the field of fiber materials, scale up our investment in renewable energy and digital transformation, and advance toward artificial intelligence (AI)-based manufacturing to fight this zero carbon war together with everyone in the industry.

CHP purchased its Taoyuan Guanyin Plant in 2020 to serve as our base for the research and development of non-plastic materials. The plant commenced operations in July 2021, marking our entry into the

special materials market. From this point, we have worked to position ourselves as a company with a global presence. The raging pandemic brought on by COVID-19 caused congestion in ports and soaring shipping costs. CHP, however, has remained committed to its customers, sending out ships and deliveries as scheduled to ensure an uninterrupted supply of our products. We respect our customers and always work to the best of our ability to overcome any difficulties. As owner of a powerful database, CHP is able to keep abreast of the international pulse, optimize its global supply chain, and integrate the upstream-to-downstream sectors, from raw materials acquisition to design, manufacturing, transportation and finally sales, with each link making up an indispensable piece of the chain.

Sustainable Forests for a Sustainable Life

Forests as a replacement for fossil fuels and fiber in place of plastics

CHP owns more than 30,000 hectares of forest plantation across Taiwan and China. As the only fully integrated forest, pulp, and paper mill in Taiwan, we have built a complete carbon fixation industry chain. We continuously ramp up our efforts to achieve energy conservation and carbon reductions with the goal of becoming a carbon negative company that forms an integral part of the global green supply chain. Through this process, we hope to create more opportunities for corporate groups and businesses. While fulfilling our environmental responsibility, we also hope to contribute to the development of the green economy, thereby helping the government achieve its goal of carbon neutrality by 2050.

To put circular economy in practice, we have undertaken three major tasks: increasing our use of renewable energy, adopting AI and automated optical inspection (AOI) systems, and designing and developing new products and patent technologies, with a particular focus on our CircuWell product series, a non-plastic food safety solution aimed at achieving zero carbon emissions through circular economy to protect the ecosystem. CHP employees are well aware of the importance of carbon fixation. Through a concerted effort on the part of all of our plants, the company has developed multiple renewable energy sources, including biomass, biogas, wind, and solar energy, to build a sustainable circular system in which zero carbon development is internalized and to achieve the goal of carbon neutrality and reach sustainability.

A Sustainable Operation with People at the Core

Ensure the well-being of employees and encourage them to learn, experience, and break new ground together.

As a listed company, CHP upholds the principles of integrity, fairness, and transparency. We operate on the assumption of absolute responsibility to our shareholders. To show our appreciation for the trust that our investors have in us, we work continuously to improve our customer service, minimize losses and mitigate negative impacts, and provide environmentally friendly products to satisfy market demand and maximize value for shareholders, employees, customers, and all our stakeholders. With a "people-first" mindset, we value the rights of our employees and their learning opportunities, and we encourage our employees to undergo different types of training, which is a testament to our passion for fostering interdisciplinary talent. We emphasize both theory and practice so that everyone will have the confidence to

assume responsibilities and solve problems, thereby helping CHP to break new ground. The Company provides comprehensive benefits that guarantee both a healthy work-life balance and a safe and welcoming workplace for every employee.

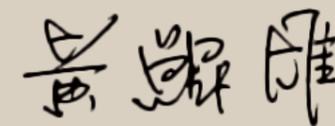
At CHP, we abide by the core ESG principles, and we rely on our R3 (Recycle, Reclaim and Regenerate) strategy to implement a sustainable management system. Through our commitment to the "ECO" business philosophy of integrating forest, paper, and pulp manufacturing processes, we actively communicate and engage with stakeholders to bring them with us every step of the way as we put the idea of circular economy into practice and advance toward sustainability.

Safeguarding Neighbors is Our Responsibility

Prospering with the environment, supporting local communities, and passing on our cultural heritage

Through the pursuit of knowledge transfer and cultural continuity, CHP hopes to show every member of society the truth, goodness, and beauty of different cultures. We support local communities, promote education, and ensure that resources are effectively distributed so that we may safeguard the dreams of future generations. CHP has devoted years of effort to popular science and environmental education, particularly in Kaohsiung, Hualien, and Taitung, where our mills are located. We are particularly involved in supporting education in rural areas, to give children in these areas equal access to learning opportunities and resources, and shrink the urban-rural gap.

Finally, I am grateful to all employees of CHP for their dedication and to all of you for your unstinting support. A robust team is what we rely on to achieve our mission. Without the support of our employees, CHP would not be where it is today. By forging ties with employees, shareholders, and every member of society and complying with the UN SDGs to build a strong and sustainable business foundation, CHP hopes to become a role model of net zero carbon emissions for others to emulate. Let us strive together toward carbon neutrality to fully realize the principles of ESG and sustainability. Thank you and best wishes to you all.



Kirk Hwang
Chairman





Management Team

Transforming the Market for Sustainability and Longevity
Transformation is an irreversible path to survival and sustainability.

The source of our power is people. From raw materials to manufacturing, the members of our company are devoted to the management of the entire value chain. Paper is used in printing and reading. Thanks to technological research and development, fibers are widely used in all aspects of our lives. Our team is committed to sustainability and technological development to improve the utilization of materials, fine-tune manufacturing processes to develop low-carbon-footprint products, and strive for a circular economy to achieve our sustainability goals.

People, earth, air, and water are the roots of CHP. What we take from nature, we give back to society, to achieve sustainability for future generations.

CHP is a people-centric company whose foundation is a circular economy of continuously creating a safe and comfortable living (green) environment for people. Let us all work together.

ESG is an indicator of a company's long-term commitment to business management. CHP will continue to be socially responsible, strengthen corporate governance, and implement energy conservation and carbon reduction measures. By achieving a circular economy, CHP will strive toward carbon neutrality to balance economic development with environmental protection, and thus reach sustainability.

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General Manager
Special Materials Division

林芳隆
Guu-Fong Lin
Chief Financial Officer

Sustainability at Chung Hwa Pulp

1968 <ul style="list-style-type: none"> Officially established the Company; initiated the construction for the Hualien mill. 	1970 <ul style="list-style-type: none"> Began trial at the Hualien mill. 	1975 <ul style="list-style-type: none"> The Company was stock listed [1905]. 	1978 <ul style="list-style-type: none"> The production capacity of the Hualien mill was expanded to 120,000 tons of bleached pulp annually. It was officially put in production in 1980. 	1996 <ul style="list-style-type: none"> Certified by ISO 9002, an international quality assurance certification.
2010 <ul style="list-style-type: none"> Received the PEFC-CoC certification for the kraft hardwood bleached pulp and cultural paper; also received a product carbon footprint certificate for the Paper Star printer paper. 	2009 <ul style="list-style-type: none"> Received the FSC-CoC certification for the cultural paper. 	2006 <ul style="list-style-type: none"> Founded Zhaoqing Dingfung Forestry Co., Ltd. in Guangdong Province, China. 	2000 <ul style="list-style-type: none"> Invested in Guangdong Dingfung Plup & Paper Co., Ltd. Certified by ISO 14001, an international quality assurance certification. 	
2011 <ul style="list-style-type: none"> Eight CHP products were awarded the Taiwan EPA Green Mark ecolabel. 	2012 <ul style="list-style-type: none"> CHP merged with the Paper and Paperboard Division of YFY Inc. CHP received the Award of Excellence in Energy Conservation from the Bureau of Energy, Ministry of Economic Affairs, and the Taiwan EPA's Energy Conservation and Carbon Reduction Action Mark. 	2014 <ul style="list-style-type: none"> CHP was given an Excellent rating by the Taiwan EPA in Voluntary GHG Reductions Performance and an Excellent rating in Green Procurement Performance. 	2015 <ul style="list-style-type: none"> CHP published the company's first Corporate Social Responsibility Report. 	
2017 <ul style="list-style-type: none"> The forestry land of a subsidiary, Zhaoqing Dingfung Forestry Co., Ltd., officially passed the SGS certification in China and obtained the FM/CoC certificate from the FSC (Forest Stewardship Council). Received the TCSA awards: Top 50 Sustainability Comprehensive Performance and Taiwan Sustainability Report Bronze Award (Manufacturing). Signed and published the Forest and Pulp Sourcing Policy, Green Procurement Policy and Human Rights Declaration. 	2016 <ul style="list-style-type: none"> The Company re-elected the 17th Board of Directors and Independent Directors, and set up the first Audit Committee to enter a new era of corporate governance. Received the AREA (Asia Responsible Entrepreneurship Awards) award under the category of Green Leadership. 			
2018 <ul style="list-style-type: none"> The non-fluorescent process was applied for all products. The Company successfully developed the Easy Straw Paper and non-fluorescent cultural paper. Received the TCSA - The Growth Through Innovation Award. Received EcoVadis Silver Rating for sustainability. 	2019 <ul style="list-style-type: none"> Subsidiary Guangdong Dingfung Pulp & Paper Co., Ltd. established Zhaoqing Xinchuan Green Technology Co., Ltd. to develop environmentally friendly processing technology for process waste. Signed and published the Forest and Pulp Sustainability Policy, Corporate Governance Policy and Integrity Management Policy. 	2020 <ul style="list-style-type: none"> CHP purchased land and manufacturing facilities in Taoyuan Guanyin Industrial Park to build a production base for non-plastic materials. At the Guanyin Plant, the CircuWell product series, a non-plastic all-paper recyclable solution, was developed by drawing on the concept of circular economy. CHP won AREA's Circular Economy Leadership Award. 		

Awards and Recognition



2021

- Won a Taiwan Excellence Silver Award (2022; awarded in November 2021), the most prestigious award for products made in Taiwan
- Won the 30th Taiwan Excellence Award (2022; awarded in November 2021)
- Won the TCSA's Taiwan Sustainability Action Awards (TSAA) Gold Award for Responsible Consumption and Production (2021)
- Won the 30th Asia Pacific Enterprise Awards' (APEA) 2020 Inspirational Brand Award (2021)
- Won the 14th TCSA Sustainability Report Bronze Award (2021)



Forest Management Certification



The 14th TCSA Sustainability Report Bronze Award



NT\$40 million in funding to schools in rural areas



37,158 hours of Education and Training

Climate Disclosure Management-Level Company



The 30th APEA 2021 Inspirational Brand Award



3,000 students benefitted from CHP's science education program for rural communities



Felled 16,700 Fewer Trees through Collaboration with Green Supply Chains



Enterprise Asia's AREA Circular Economy Leadership Award



The 30th Taiwan Excellence Award

- Received Enterprise Asia's Asia Responsible Enterprise Awards' Circular Economy Leadership Award (2020)
- Received Taiwan Technical Textiles Association's Taiwan Technical Textiles Achievement Award (2020)
- Rated "Excellent" in Green Procurement Performance by the Taipei City Government Department of Environmental Protection (2009)
- Nine-time recipient of "Excellent" rating in Green Procurement Performance by the Executive Yuan Environmental Protection Administration (2001–2005, 2007 & 2008, 2020 & 2021)
- Three-time recipient of the "Excellent" rating in Green Procurement Performance by the Kaohsiung City Government Department of Environmental Protection (2003–2005)
- Recognized as an Air Quality Purification Zone adoptee for five consecutive years (2017–2021)
- Received Taiwan EPA's Energy Conservation and Carbon Reduction Action Mark for two consecutive years (2001 & 2002)
- Recognized as Benchmark Private Business/Group in Green Purchasing by the Taipei City Government Department of Environmental Protection for two consecutive years (2019 & 2020)

TCSA Taiwan Sustainability Action Awards Gold Award for Responsible Consumption and Production



Taiwan Excellence Silver Award—The Most Prestigious Award for Products in Taiwan



Sustainability & Corporate Governance





Co-Prosperity with Wetlands

Non-Plastics Carnival in Celebration of Jiutang Plant's 70th Anniversary

On March 28, CHP celebrated the 70th anniversary of its Jiutang Plant by hosting a “Non-Plastics Carnival” at the Old Railway Bridge and Wetlands Ecological Park in Kaohsiung’s Dashu District. Over a thousand people, including employees of CHP and their family members as well as neighboring residents, were invited to celebrate this special event. At the carnival, foods were served using CHP’s CircoWell products, a convenient, easy-to-use line of non-plastic food safety paper solutions in which straws, cups, plates, and lunch boxes are all made of a special fiber that is free of the usual plastic coating. All used paper tableware can be recycled without requiring any sorting and subsequently transported to CHP’s Taitung Plant where they are processed into raw materials for paper-making. This all-paper recyclable solution demonstrates our commitment to sustainability and allows Taiwan and the world to witness how 70 years of R&D work enables the company to spearhead the current non-plastic trend and adopt a greener and more sustainable way of life.

<p>The Old Railway Bridge was built in</p>	<p>13 reservoir wetlands reserves</p>	<p>>120 bird species</p>	<p>5-stage purified effluent</p>	<p>The Jiutang Plant celebrates</p>
<p>1913</p>				<p>70 years of history</p>

Sustainability



Sustainable Development Strategy

GRI 102-12/102-32/103-2/103-3



Core Strategy

Sustainability ensures a balance between environmental, economic, and social objectives and facilitates the longevity of corporate competitiveness. In response to the complex and ever-changing challenges of the global economy and world markets, we accelerated the transformation of our products, business approaches, and factory management, and integrated upstream, mid-stream and downstream suppliers to recycle used products back into our manufacturing processes to form a complete product cycle. Each cycle not only lowers social costs, but also strengthens connections between industrial development and nature, as we embrace ESG and share the benefits with the environment and all stakeholders.

Sustainable development is the highest common denominator of our corporate operations. Our core policy is built on the R3 sustainable management system. With the “3R cycle” (Recycle \ Reclaim \ Regenerate) as our core strategy, we are working to develop a production system that integrates the forestry, paper, and pulp manufacturing processes. In the future, CHP hopes to become a global paper and pulp industry leader through its establishment of a streamlined service platform. As a part of our “ECO” business philosophy, we maintain communication with stakeholders and are steadily implementing a new roadmap for circular economy.



Dimension	Strategic Goals	Performance in 2021	Corresponding SDGs	Performance
Governance Eco-Service	<ul style="list-style-type: none"> Increase information transparency and actively participate in corporate governance evaluations to safeguard the rights and interests of investors. Publish annual sustainability report to maintain communication with stakeholders. Respond to global advocacy and issues relevant to sustainable development. Uphold the core values of business integrity, strengthen corporate governance, and establish ethical management mechanisms. 	<ul style="list-style-type: none"> Consolidated revenue of NT\$22 billion. Ranked top 21-35% in the corporate governance evaluation of public companies. Reached CDP Management Level. Adopted SASB standards. Transformed CSR Office into ESG Office. Formulated risk management strategies in accordance with the TCFD framework. 		<p>Reached CDP Management Level</p> 
Environment Eco-System Eco-Economy	<ul style="list-style-type: none"> Improve energy efficiency, reduce dependence on fossil fuels, and invest in renewable energy. Increase resource re-utilization rate, reduce waste generation, and advance toward zero waste goal. Invest in projects that involve environmental protection and production optimization, reduce the use of energy resources, and improve productivity. Refer to the TCFD Recommendations. Make plans to adopt SBTi. 	<ul style="list-style-type: none"> Invested NT\$138 million in environmental protection in 2021. Green procurement of Taiwan plants reached NT\$4.3 billion. Reduced fuel consumption by 23% (compared with 2018). Reduced total electricity consumption by 3% (compared with 2018). Received rebate for 5.16 million kWh of electricity. Reduced water consumption by 12% (compared with 2018). Replaced 38,000 tons of coal with renewable energy (equivalent to an annual carbon reduction of 96,000 tons CO₂e). 		<p>Replaced coal with renewable energy, reducing CO₂e by</p> <p>96,000 tons, equivalent to</p> <p>259 Da'an Forest Parks</p>
Economy Eco-System Eco-Economy	<ul style="list-style-type: none"> Establish partnerships with suppliers. Conduct customer satisfaction surveys. Continue to engage in R&D and innovation, focusing on the development of fiber technologies and innovative pulp and paper applications. 	<ul style="list-style-type: none"> Developed sustainable materials Increased the degree of AI-based transformation. Developed a supply chain that offers all-paper recyclable solutions. Invested NT\$104,750,000 in R&D. Opened the Taoyuan Guanyin Plant, which specializes in the development of fiber technologies. 		<p>Introduced a new facility for the production and development of sustainable materials</p>
Society Eco-Friendly	<ul style="list-style-type: none"> Conduct employee satisfaction surveys. Strengthen occupational safety training and contractor management system. Establish volunteer system. Create a healthy, safe, friendly work environment in which human rights are protected. Continue to be a sponsor of rural education programs and an advocate of environmental, science, and social education/issues. 	<ul style="list-style-type: none"> Scored 3.65 out of 5 on employee satisfaction survey (i.e., employees were satisfied). Launched workplace safety inspection system. Trained 12,325 people for a total of 37,158 hours (an increase of 983 people and 2,694 hours compared with 2020). Provided over 1,000 job opportunities in the Hualien and Taitung regions. Sponsored the Chemistry in Rural Areas popular science education activity, organized by Tamkang University Center for Science Education; over a hundred students benefited from this activity. Donated 10,000 tons of 500 ppm (diluted) sodium hypochlorite disinfectant for pandemic prevention. Funded the participation of 1,000 students in the Yuan T. Lee Foundation Science Education for All nationwide tournament. Assisted with the promotion of artificial intelligence education in rural areas; 274 hours of AI courses were offered in 6 elementary schools in rural areas of Taitung. 		<p>Fighting the Pandemic Together: Donated</p> <p>10,000 tons of sodium hypochlorite disinfectant, equivalent to</p> <p>4 Olympic-standard swimming pools</p>

*The carbon sequestration of Da'an Forest Park is 384.6 tons/year (source: Environmental Information Center); therefore, a reduction of 96,000 tons CO₂e in 2021 is equivalent to the carbon sequestration of 250 Da'an Forest Parks.

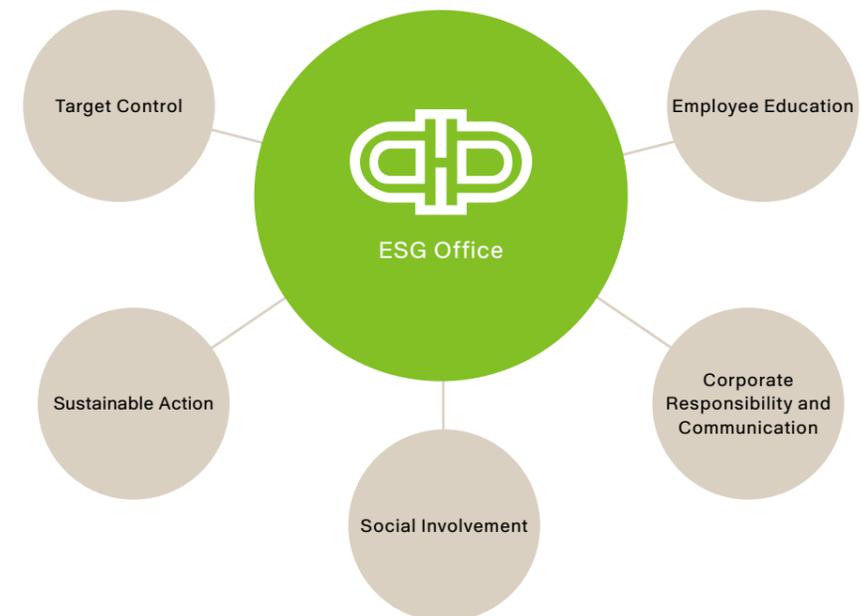
“Co-prosperity in society” is an inherent principle that we abide by to fulfill our social responsibility.

Implementation Principles

With “people” at the core of our values, CHP developed a learning culture to demonstrate the truth, goodness, and beauty of nature and achieve our vision of pursuing knowledge transfer and cultural continuity. We have drawn on the concept of the tree of life to describe the spirit of sustainability in business operations, the product life cycle, and the circularity of energy resources; and emulate the laws of nature to transform raw materials into finished products in a never-ending, infinite loop process that encompasses cultural heritage, communication, education, commitment, harmony, and sustainability.



- Adhere to honesty and integrity in dealings with shareholders, employees, customers, and the general public.
- Obey the rule of law and act in accordance with the law.
- Oppose corrupt and unlawful behavior.
- Emphasize the importance of corporate governance and strive to achieve a balance of interests among shareholders, employees and all stakeholders.
- Care for the well-being of communities and continue to sponsor education and cultural activities.
- Actively conserve energy and reduce carbon emissions to protect earth and the environment.





Stakeholder Engagement

GRI 102-40/102-42/102-43/102-44

Stakeholder Engagement

CHP employs multiple communication channels to strengthen its interaction with stakeholders and increase the speed and accuracy of information disclosure. Representatives of business departments and production units are called on to jointly identify stakeholders. A range of channels are used to determine issues of concern, ensure the speedy delivery of operations- and finance-related information, and communicate key issues. These channels include company spokespersons, the Market Observation Post System (MOPS), annual reports, investor conferences, and the company website. In addition, contents related to key issues are posted on the company's website to facilitate the exchange of opinions and enable stakeholders to stay informed on the current status of CHP.

Stakeholder Identification

CHP's ESG Office designed stakeholder identification questionnaires based on the five principles of the revised AA1000AP (2018) stakeholder engagement standards: dependency, responsibility, influence, diverse perspectives, and tension. Accordingly, seven categories of stakeholders were identified, namely, the community members, employees, shareholders/investors, customers, suppliers, government agencies, and non-government organizations (NGOs). Issues of concern to stakeholders are addressed by publishing Sustainability Reports and also through the regular use of existing communication channels.

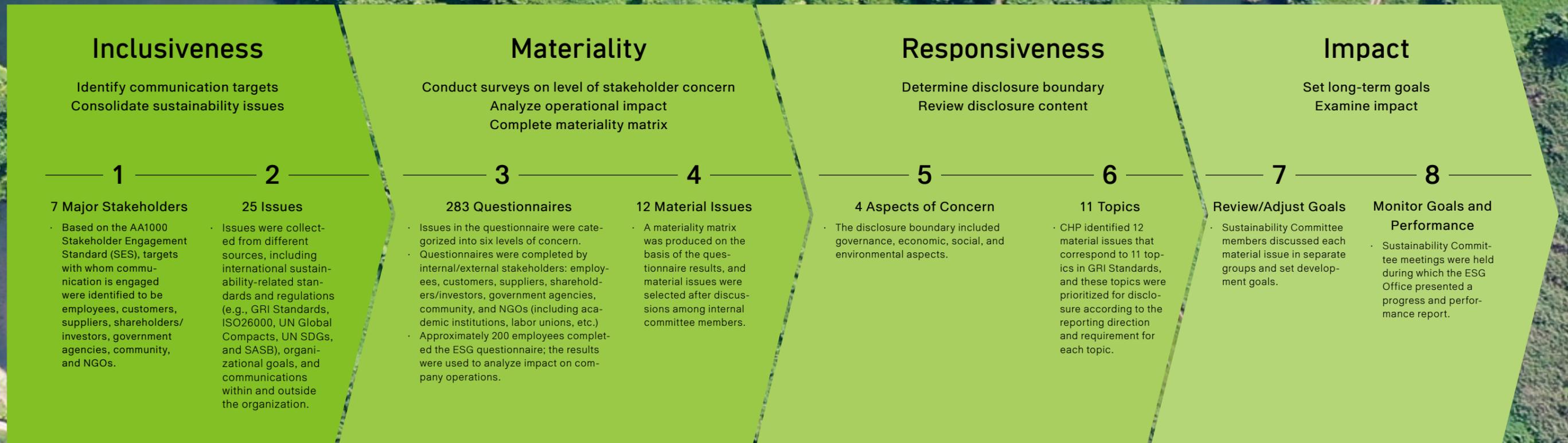


Stakeholder	Issues of Concern	Communication Method/Frequency
Employees	<ul style="list-style-type: none"> Occupational safety and health Employee rights, diversity, and equality Talent recruitment, retention, and development Labor-management communication 	<ul style="list-style-type: none"> Employee complaint mailbox / real-time Board of supervisor meetings (employee feedback issues) / quarterly (also ad hoc meetings as needed) Meetings of Safety Operations Management Committee / every 2 months Interviews with human resources / as needed Employee Welfare Committee meetings / quarterly Labor Safety Committee meetings / quarterly Labor-management meetings / quarterly Company newsletter / monthly
Customers	<ul style="list-style-type: none"> Green consumption promotion (green products) Product quality Customer relations and service 	<ul style="list-style-type: none"> Customer satisfaction survey / annually Product launch events or exhibitions / as needed Market research, visits to customers / as needed Technical analysis or guidance / as needed Customer Service section on company website / as needed
Suppliers	<ul style="list-style-type: none"> Supply chain management Green procurement Regulatory compliance (environment, economy, society) 	<ul style="list-style-type: none"> Meetings by phone, in-person business meetings, email correspondence / as needed Supplier assessments / every 4 months
Shareholders/ Investors	<ul style="list-style-type: none"> Sustainable operations Risk management and opportunities Technology innovations Operational and financial performance Information disclosure and transparency Dividend policy 	<ul style="list-style-type: none"> Investor conferences / quarterly Annual general meeting / annually Disclosure of financial information on company website / updated as needed MOPS / updated as needed Visits to investors / multiple times yearly
Government Agencies	<ul style="list-style-type: none"> Energy management Greenhouse gas and air pollution management Water resource management Regulatory compliance (environment, economy, society) 	<ul style="list-style-type: none"> Monitoring of regulatory amendments and compliance with government laws / real-time Audits by government agencies / as needed Labor inspections / regularly Attendance at policy meetings / as needed
Community	<ul style="list-style-type: none"> Community communication and care 	<ul style="list-style-type: none"> Organization and assistance with community charitable activities / as needed Documentation of and responses to the opinions of community residents / real-time Volunteer activities / as needed
NGOs	<ul style="list-style-type: none"> Green procurement Community communication and care Biodiversity and forest conservation 	<ul style="list-style-type: none"> Communication with news media / as needed Hosting or support of community activities / as needed

Material Issues

GRI 102-47/102-49/103-1

To ensure that this report covers issues that are material to sustainable development activity within and outside CHP, we referred to specific topics of the GRI Standards and domestic and foreign industry benchmarks to compile a list of issues that pertain to the company's operations. Each issue was then evaluated by the relevant department representatives to determine its degree of influence on the economic, environmental, and social aspects of the organization, and its degree of influence on stakeholders' evaluations and decisions. In total, 283 questionnaires were retrieved from within and outside of the organization. We examined the degree of impact of each material issue on the organization's internal and external financial, non-financial, strategic integration, and opportunity competitiveness, and scored its impact on stakeholders, responsiveness, and transparency. Material issues were then preliminarily identified and ranked. The perspectives of senior management were integrated to determine the material issues for this year's report. For issues that elicited a high level of concern and were associated with a strong degree of impact, management directives and performance corresponding to such issues were presented in this report, and these issues have been prioritized in our annual planning.



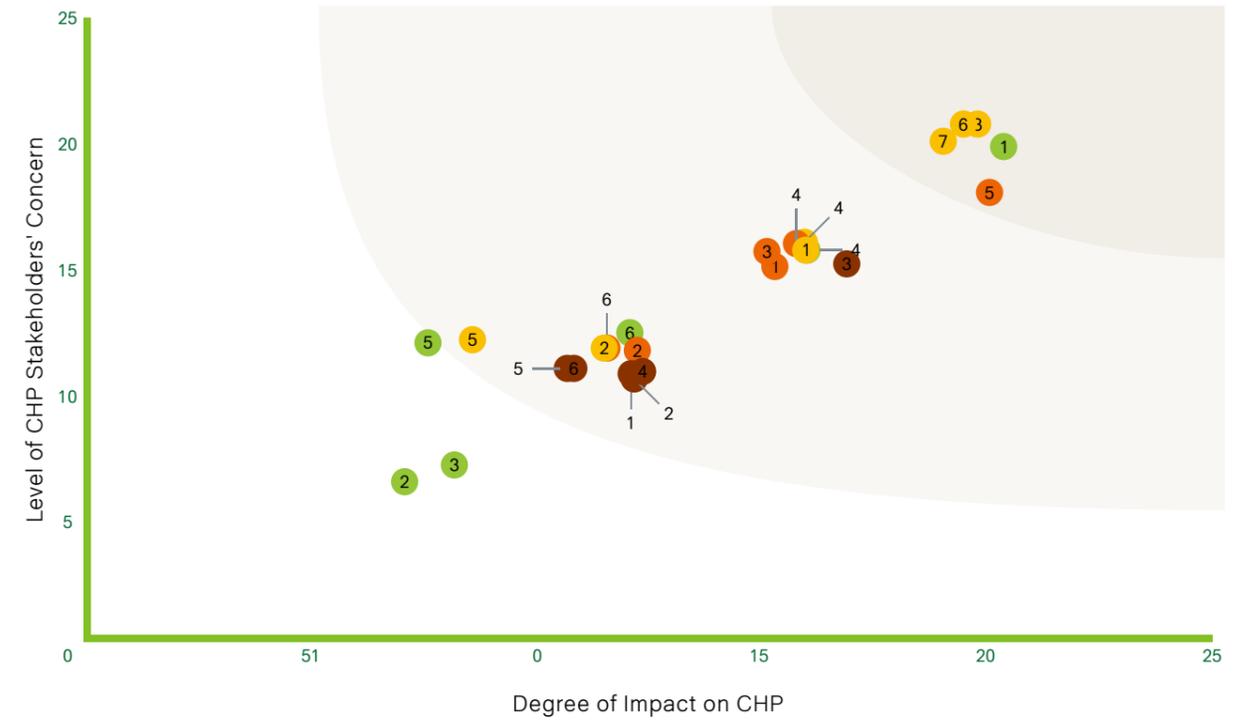
Significance of Material Issues to CHP

The key issues in CHP's sustainable development strategy are important to the environment, economy, and society because they are able to create a balance between and the mutual prosperity of people and the environment/society. After several rounds of transformation focusing mainly on business strategy, new product development, risk response, and environmentally friendly practices, the resulting paper applications have decreased the gap between the natural environment and human life. The forestry, pulp, and paper industry has created a cycle that incorporates civilization, nature, and the economy, in a holistic manner. CHP's ECO philosophy enables us to reimagine our business operations and move toward a circular economic model that exerts a positive influence on all stakeholders. As CHP undergoes transformation, we endeavor to integrate paper products into the daily lives of people, and move society toward low-carbon and sustainable development.

- Governance Aspect**
 1. Sustainable operations
 2. Dividend policy
 3. Operational and financial performance
 4. Risk management and opportunities
 5. Information disclosure and transparency
 6. Regulatory compliance (environmental, economic, social)
- Economic Aspect**
 1. Technological innovation
 2. Product quality
 3. Green procurement
 4. Green manufacturing
 5. Green products (green consumption promotion)
 6. Customer relations and service
- Social Aspect**
 1. Labor-management communication
 2. Talent recruitment, retention, and development
 3. Occupational safety and health
 4. Employee rights, diversity, and equality
 5. Community communication and care
 6. Social innovation strategy and application
- Environmental Aspect**
 1. Circular economy
 2. Materials management
 3. Energy management
 4. Water resources management
 5. Biodiversity and forest conservation
 6. Greenhouse gas and air pollution management
 7. Carbon footprint management
 8. Customer relations and service



CHP Materiality Matrix



We reviewed all material aspects in light of global policy trends, industry characteristics, industry experience, and national laws and regulations, assessed their internal and external impacts, and defined the boundaries of information disclosure according to GRI Standards to address the concerns of CHP's stakeholders. Seven material issues were added in 2021: Risk Management and Opportunities, Green Manufacturing, Technological Innovation, Greenhouse Gas and Air Pollution Management, Carbon Footprint Management, Circular Economy, and Water Resources Management.

	2020	2021
Terminology Changes	Sustainability Strategy	Sustainable Operations
	Global Climate Change, Adaptation to Economic Changes	Risk Management and Opportunities
	Promotion of Green Consumption	Green Products (Green Consumption Promotion)
	Green Products	Circular Economy
New Issues Added		Green Manufacturing Technological Innovation Greenhouse Gas and Air Pollution Management Carbon Footprint Management Water Resources Management

Aspect	Stakeholder	Internal Boundary		External Boundary						Chapter in Report	Corresponding GRI Standards	Management Approaches
		CHP	Subsidiaries	Shareholders/ Investors	Customers	Suppliers	Government Agencies	NGOs	Community			
		Degree of Impact and Involvement ● Direct ◎ Indirect ○ Business										
Governance	Sustainability Strategy	●	●	●	○	○	◎			1.1 Sustainable Development Strategy	GRI 201 Economic Performance	<ul style="list-style-type: none"> Place people and the natural environment at the core of our business operations. Use the "R3" core strategy as our circular economy roadmap to facilitate resource recycling and regeneration and value creation. Develop non-plastic materials to achieve a complete circular economy. Increase the depth of AI transformation to strengthen digital manufacturing. Respond to the 17 UN SDGs. Retool CSR Office as ESG Office.
	Risk Management and Opportunities	●	●	●	○	○	◎			2.4 Risk Management 4.5 Environmental Protection Investments and Regulatory Compliance	GRI 307 Environmental Compliance GRI 419 Socioeconomic Compliance GRI 416 Customer Health and Safety GRI 417 Marketing and Labeling	<ul style="list-style-type: none"> Introduce the TCFD framework; schedule completion by 2023. Reduce operational risks by setting up related management systems. Identify risks with the help of the Risk Management Committee. Assess future risks and formulate counterstrategies with the assistance of the Sustainability Committee.
Economic	Green Procurement	●	●	◎	○	○	◎	◎	◎	3.1 Products and Market 3.4 Supply Chain and Customer Service	GRI 301 Materials	<ul style="list-style-type: none"> Carefully select suppliers. Control the sources of raw materials and ensure that sources are approved by local governments and certified by FSC/PEFC. Actively support the government's green procurement policies. Give priority to green-certified products.
	Green Products (Green Consumption Promotion)	●	●	◎	○	◎	◎			3.1 Products and Market 3.2 Green Economy	GRI 301 Materials GRI 302 Energy GRI 306 Waste GRI 416 Customer Health and Safety	<ul style="list-style-type: none"> Invest NT\$104,750,000 in technological R&D to develop papers and fibers as well as recyclable materials and increase the scope of application of these materials. Ramp up efforts to promote CircuWell, the company's all-paper recyclable brand, expand its presence in domestic and foreign markets, and raise environmental awareness of paper recyclability. Establish product footprint and environmental labels to meet market trends and customer needs. Ensure that CHP sells sustainable products with environmental certification (e.g., FSC, carbon footprint, and other environmental marks). Impose strict controls on materials procurement, afforestation, and production/manufacturing processes, and ensure that these processes meet responsible procurement and production certification requirements. Improve manufacturing efficiency and satisfy the needs of customers and consumers.
	Green Manufacturing	●	●	◎	○		◎	◎	◎	4. Green Production	GRI 301 Materials GRI 302 Energy GRI 303 Water and Effluents GRI 306 Waste GRI 416 Customer Health and Safety	<ul style="list-style-type: none"> Comply with domestic and local environmental protection laws. Formulate short-, medium-, and long-term goals for energy conservation and carbon reduction. Pursue zero waste and zero emissions goals by recycling and reusing resources and reducing waste gas generation. Adopt environmental risk and carbon management systems. Adopt ISO management systems.
	Technological Innovation	●	●	◎	○	◎	◎			4. Green Production	GRI 302 Energy GRI 303 Water and Effluents GRI 306 Waste	<ul style="list-style-type: none"> Keep abreast of technological changes and technical difficulties. Actively develop green energy. Develop new sustainable materials through industry-academia collaborations. Obtain patents for green products developed by the company.
Environmental	Energy Management	●	●	◎	○	○	◎			4.1 Energy Management	GRI 302 Energy	<ul style="list-style-type: none"> Develop energy-savings strategies. Increase the use of renewable energy.
	Circular Economy Strategy	●	●	◎	○		◎	◎	◎	3.3 Green Economy 4.4 Resource Reuse	GRI 306 Waste	<ul style="list-style-type: none"> Pursue zero waste and zero emissions goals by seeking out, recycling, and reusing all leftover materials from production processes or using them as raw materials for recycled materials. Build a closed-loop supply chain with upstream and downstream sectors.
	Greenhouse Gas and Air Pollution Management	●	●	◎			◎	◎	◎	4.2 Emissions Management	GRI 302 Energy GRI 305 Emissions	<ul style="list-style-type: none"> Adopt ISO 14064 management system, and conduct plant inspections every year. Continue to introduce new air pollution control facilities and carbon reduction management strategies to meet regulatory emissions standards. Adopt ISO 50001 energy management system and set energy-savings targets. Actively expand the use of biomass and renewable energy and reduce the use of fossil fuels.
	Carbon Footprint Management	●	●	◎	○	○	◎	◎		3.2 Green Economy	GRI 302 Energy GRI 305 Emissions	<ul style="list-style-type: none"> Establish carbon footprint information according to market and customer needs. Monitor EU's carbon border tariffs and the carbon fee policies of various countries, perform carbon risk assessment of CHP's products, and formulate corresponding management strategies.
	Water Resource Management	●	●	◎			◎	◎	◎	4.3 Water Resource Management	GRI 303 Water and Effluents	<ul style="list-style-type: none"> Comply with national environmental regulations and discharge standards. Achieve CHP's water conservation and reuse target of reducing water usage by at least 1% every year.
Social	Occupational Safety and Health	●	◎	◎			◎	◎		5.3 Occupational Safety and Health Management	GRI 403 Occupational Health and Safety	<ul style="list-style-type: none"> Ensure that dedicated members and units of the occupational health and safety platform (established in 2021) implement occupational health and safety management policies. Pass certification for ISO45001 occupational safety and health management system. Comply with national labor safety laws and regulations.

Note: The topic boundaries of where the impacts of a material topic occur and CHP's involvement with these impacts are described according to GRI Standards. The boundary of impact is based on stakeholders in the value chain. CHP's involvement with the impacts of a topic is characterized by whether CHP has caused the impacts or contributed to the impacts through other units, or is directly linked to the impacts through its business relationships.

Corporate Governance



Vision	Integrating new paper and pulp applications into everyday activities
Mission	Achieving balance and symbiosis between the environment and society
Business Philosophy	Increasing the value of circular economy and technology
Core Values	Integrity and a people-oriented, innovation-driven culture

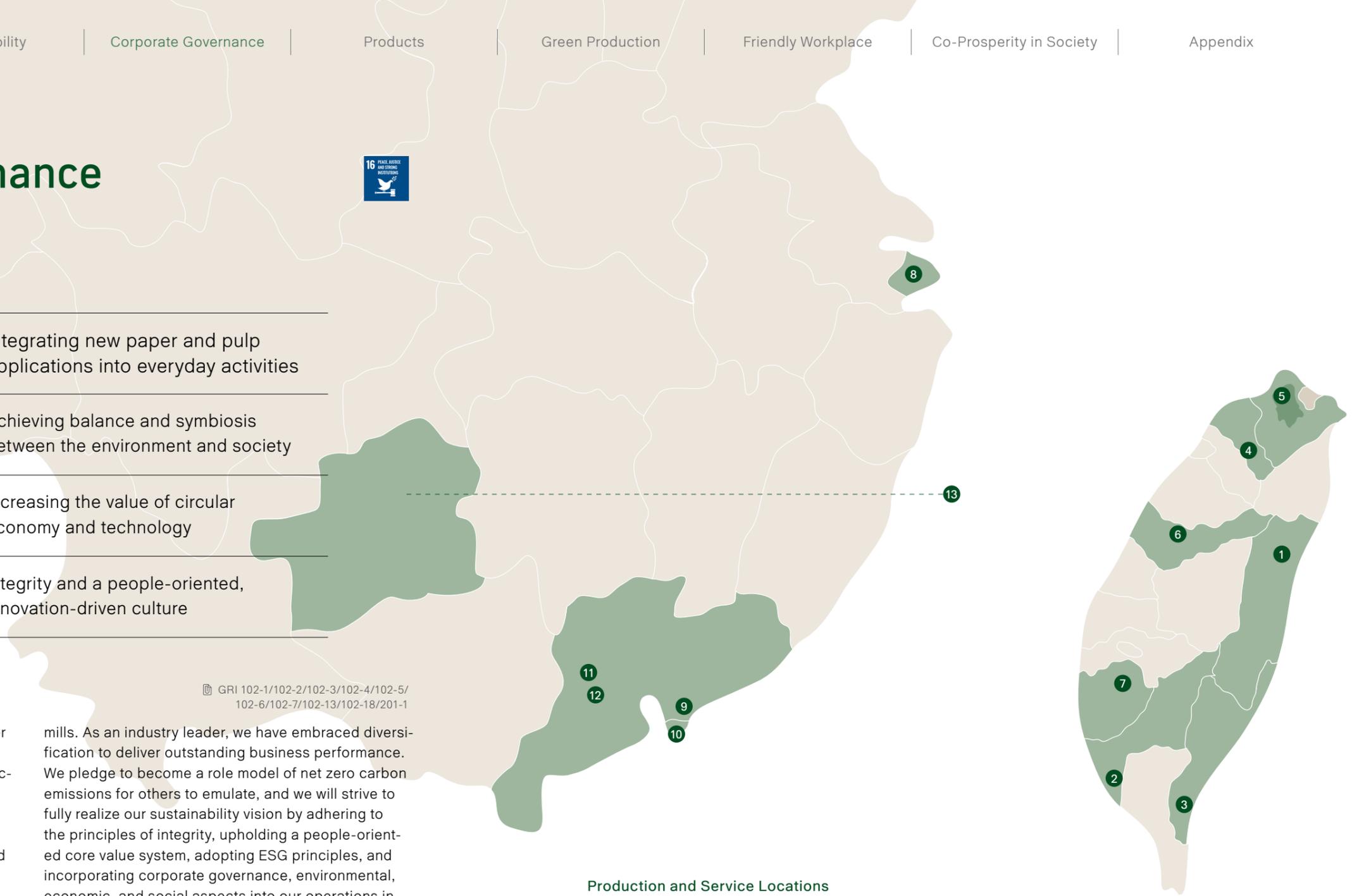
About CHP

CHP was founded in 1968 and merged with the paper and cardboard department of YFY Inc. in October, 2012. The Company is committed to becoming a practitioner of carbon neutrality and a circular economy leader. CHP currently owns/operates subsidiaries and factories in China (Guangdong Dingfeng Pulp and Paper, which specializes in integrated paper and pulp manufacturing), Kaohsiung Jiutang (specialty papers), Hualien (integrated papers and pulp manufacturing), Taitung (recyclable eco-friendly papers), and Taoyuan Guanyin (special fiber materials). As a major paper/pulp manufacturer in Taiwan, the Company mainly engages in the production and sales of pulp, cardboard, printing paper, and specialty papers, as well as value-added products for food safety, health care, textiles, and computer, communication, and consumer electronics. We are also focused on developing the field of fiber materials by introducing biotechnologies and chemical modification technologies, and on improving our environmental practices so that eco-friendly pulp-making methods are adopted, energy is used more efficiently, and waste is more effectively recycled. CHP is a benchmark enterprise in Taiwan's paper industry with the island's most comprehensive, integrated line of forestry, pulp, and paper

As an industry leader, we have embraced diversification to deliver outstanding business performance. We pledge to become a role model of net zero carbon emissions for others to emulate, and we will strive to fully realize our sustainability vision by adhering to the principles of integrity, upholding a people-oriented core value system, adopting ESG principles, and incorporating corporate governance, environmental, economic, and social aspects into our operations in accordance with the United Nations SDGs.

Chung Hwa Pulp Corporation	
Date of Establishment	July 5, 1968
Capital	NT\$11 billion
Operating Revenue	NT\$22 billion (2021)
Address	12F, No. 51, Chongqing S. Road Sec. 2, Taipei City
Chairperson	Kirk Hwang
General Manager and Spokesperson	Ray Chen, General Manager of Fibrous Materials Division
General Manager	Yoshihiro Akiyama, General Manager of Special Materials Division
Telephone	(02)2396-2998

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Production and Service Locations

Chung Hwa Pulp Corporation		Chung Hwa Pulp Corporation	
Location	Nature of Business	Location	Nature of Business
1 Hualien Paper Mill	Integrated Pulp and Paper Mill	8 Syntax Communication Shanghai Representative Office	Service Location
2 Kaohsiung Jiutang Paper Mill	Specialty Paper Mill	9 Shenzhen Jing Lun Paper Co., Ltd.	Service Location
3 Taitung Paper Mill	Recyclable Eco-Friendly Paper Mill	10 Syntax Communication (HK) Ltd.	Service Location
4 Guanyin Paper Mill	Non-Plastic Materials Production Base	11 Guangdong Dingfeng Pulp and Paper Co., Ltd.	Integrated Pulp and Paper Mill
5 Taipei Branch	Service Location	12 Zhaoqing Dingfeng Pulp and Paper Co., Ltd.	Reforestation and Afforestation
6 Taichung Branch	Service Location	13 Guizhou Yuanfeng Pulp and Paper Co., Ltd.	Reforestation and Afforestation
7 Tainan Branch	Service Location		

Overview of Affiliates

Name	Date of Establishment	Address	Paid-In Capital (NT\$ Thousand)	Main Business or Production Items
CHP INTERNATIONAL (BVI) CORP.	March 15, 1990	Citco Building, P.O.BOX 662, Road Town, Tortola, British Virgin Islands	US\$61,040	Investment
Hwafeng Investment Ltd.	February 4, 1994	12F, No. 51, Chongqing S. Road Sec. 2, Taipei City	NT\$36,000	Investment
Genovella Renewables Inc.	August 30, 2010	No. 100, Guanghua St, Ji'an Township, Hualien County	NT\$5,000	Fertilizer, retail sale of food products and groceries, growing of crops etc., refractory materials manufacturing, cement and concrete products manufacturing, wholesale and retail sale of building materials and refractory materials, manpower services, wholesale and retail sale of chemistry raw materials
Guangdong Dingfeng Pulp and Paper Co., Ltd.	August 18, 2000	Shouyue Village, Nanjie Town, Guangning County, Zhaoqing City, Guangdong Province	US\$85,630	Production and sales of pulp, writing and printing paper, and wood-free paper
Zhaoqing Dingfeng Pulp and Paper Co., Ltd.	April 1, 2006	Shouyue Village, Nanjie Town, Guangning County, Zhaoqing City, Guangdong Province	US\$21,880	Cultivation and sale of seedlings, afforestation, logging, and sale and processing of timber
Shenzhen Jing Lun Paper Co., Ltd.	June 24, 2008	Rm. 1705, 17F Tongxing Building, No. 5020, Binhe Boulevard, Futian District, Shenzhen City, Guangdong Province	RMB3,200	Paper sales and import/export of goods or technology
Syntax Communication (HK) Ltd.	May 31, 1985	2F, Sha-Tin Industrial Building, No. 22-28, Wo Sui Street, New Territories, Hong Kong	HK\$34,088	Trade, printing, and sales of paper products, and management of paper and associated businesses
Zhaoqing Xinchuan Green Technology Ltd.	September 19, 2019	Shouyue Village, Nanjie Town, Guangning County, Zhaoqing City, Guangdong Province	RMB2,000	Environmental protection equipment and technology R&D; construction of wastewater, waste gas, noise, solid waste treatment facilities; solid waste treatment and water purification projects; installation and operation of environmental protection equipment; environmental technology consulting; sale of environmental protection equipment and chemical raw materials; import/export of goods and technology
Guizhou Yuanfeng Pulp and Paper Co., Ltd.	December 3, 2021	Room 4, 1F, Zone B, Qiandao Lake Hotel, Wuxing Village, Longping Town, Luodian County, Qiannan Buyei and Miao Autonomous Prefecture, Guizhou	RMB10,000	Cultivation and sale of seedlings, afforestation, logging, and sale, processing, and transportation of timber and other forest products

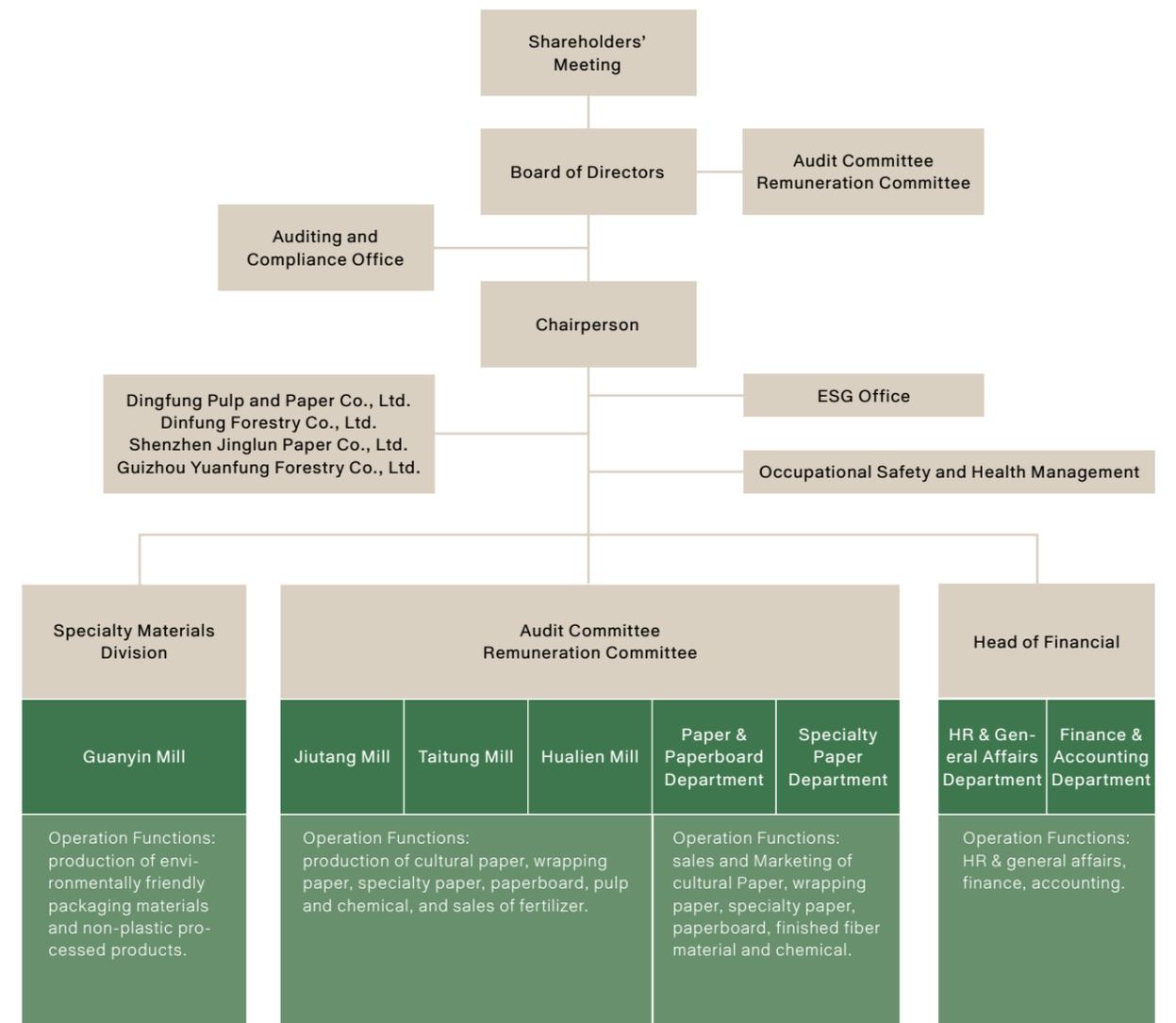
Association Memberships

Association Memberships		
Taiwan Paper Industry Association (Director/Chairman)	Tainan Paper Commercial Association	Taiwan Technical Textile Association
Taiwan Technical Association of the Pulp & Paper Industry (Director)	Kaohsiung Paper Commercial Association	Taiwan Institute of Chemical Engineers
Media Business Association of Taipei	Taiwan Acid and Alkali Industries Association	Taiwan Institute of Directors
Taiwan Digital Publishing Forum	Taiwan Stock Affairs Association (Director)	Taiwan Hydrogen Industrial Development Alliance
Taipei Paper Commercial Association	Taiwan Carbon Capture Storage and Utilization Association (TCCSUA) (Director)	Taiwan Regional Association of Adhesive Tape Manufacturers (Honorary Member)
Taichung City Industrial Association	Chinese National Association of Industry and Commerce	
Taichung Paper Commercial Association	Taiwan Institute for Sustainable Energy (Director)	

Organizational Structure

The Board of Directors is CHP's highest governing body. The Chair of the Board of Directors plays a vital role in helping the company to identify and manage economic risks, the ever-changing risk environment faced by the company, risk management focuses, risk assessments, and countermeasures. The Company's Board of Directors is committed to integrating and managing all potential strategic, operational, financial and critical risks that may affect operations and profitability in a proactive and cost-effective manner. A unit in charge of corporate governance has been established within the organization, and a Chief Corporate Governance Officer with more than 3 years of experience in finance and management has been appointed to oversee the unit. The Chief Corporate Governance Officer works in conjunction with staff members from the CFO, Legal, Stock Affairs, Accounting, Auditing,

and ESG Offices to handle corporate governance, including matters related to board meetings and shareholders meetings, assisting in the continuing education of directors, furnishing information required by directors for business execution, and assisting directors with legal compliance, as well as other matters set out in the Articles of Incorporation or contracts, and establishing rules and procedures for board of directors performance assessments. Our Chief Corporate Governance Officer completed the minimum number of hours of continuing education courses within the specified time period after their appointment to that position. Details regarding the continuing education courses are provided on the company's website (http://www.chp.com.tw/about_3) under Information on the Chief Corporate Governance Officer.



Overview of Operations

CHP's consolidated operating income for 2021 amounted to approximately NT\$22.03 billion, which is an increase of approximately NT\$3.41 billion from NT\$18.62 billion in 2020. The net profit after tax attributable to the Company in 2021 is approximately NT\$490 million, which, compared with the net loss of NT\$200 million in 2020, is an increase of about NT\$690 million. Facing many uncertainties in the international economy in 2022, CHP will continue to improve product quality, strengthen the stability of raw material sources, prices, and supply, expand product application markets, and strengthen services

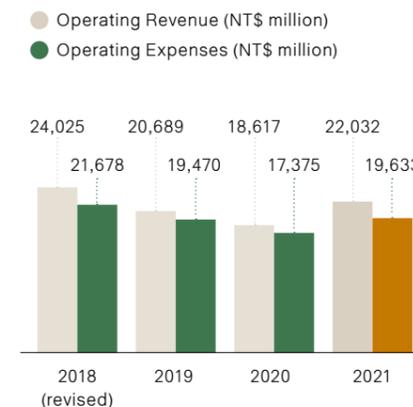
to enhance market competitiveness. In 2021, the total of community investment was NT\$1,464,095.

2021 Domestic/Export Sales Performance				
	Production Volume	Domestic Sales Volume	Export Sales Volume	Total Sales Amount
Pulp	364,218	92,576	121,635	214,211
Paper	395,713	188,644	233,376	422,020
Paper-board	136,838	162,441	36,181	198,622

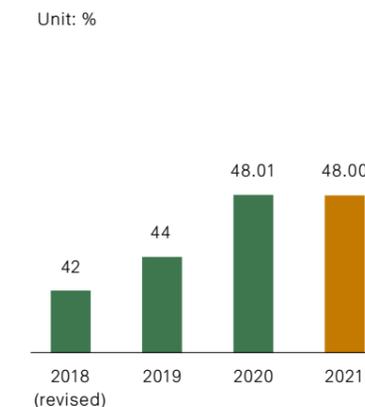
Item	2018 (Renewed) [Note]	2019	2020	2021
Operating Revenue (Unit: NT\$ thousands)	24,025,221	20,689,397	18,616,694	22,031,850
Number of Employees (Note)	2,683	2,642	2,614	2,723
Sales per Employee (Unit: NT\$ thousands)	8,955	7,831	7,122	8,091
Total Assets (Unit: NT\$ thousands)	31,377,572	31,098,417	32,670,233	33,968,456
Current liabilities (Unit: NT\$ thousands)	9,173,037	11,116,249	12,035,465	13,203,844
Non-current liabilities (Unit: NT\$ thousands)	4,140,427	2,587,144	3,649,014	3,131,048
Equity attributable to shareholders of the parent (Unit: NT\$ thousands)	15,621,710	15,117,231	14,784,979	15,469,412
Equity Attributable to Former Owner of Business Combination Under Common Control	13,440	-	-	-
Non-controlling interest	2,428,958	2,277,793	2,200,775	2,164,152
Capital Stock (Unit: NT\$ thousands)	11,028,353	11,028,353	11,028,353	11,028,353
Net Asset Value per Share (Unit: NT\$)	14.17	13.71	13.51	14.23
Return on Assets (%)	1.96	-0.73	-0.74	1.61
Return on Equity (%)	3.38	-1.97	-2.09	2.68
Pretax Income/Capital (%)	6.03	-3.29	-2.75	4.76
Profit Margin	2.2	-1.46	-1.68	2.1
EPS	0.4	-0.22	-0.18	0.45
Cash Dividend	0.35	-	-	0.4
Stock Average Price	10.49	9.62	8.8	21.33
Price-Book Ratio	0.74	0.70	0.65	1.50

Note: Guangdong Dingfeng Pulp and Paper Co., Ltd. and CHP INTERNATIONAL (BVI) CORP. acquired Shenzhen Jinglun Paper Co., Ltd. and Jinglun Quansun (Hong Kong) 100% equity of the company. The first two transactions are organizational reorganizations under common control. Therefore, with reference to the IFRS Questions and Answers and (101) Ji Mi Zi No. 301 published by the Accounting Research and Development Foundation of the Republic of China, when preparing the consolidated financial report, it is deemed as Consolidated and restated 2017 and 2018 consolidated financial statements from the beginning.

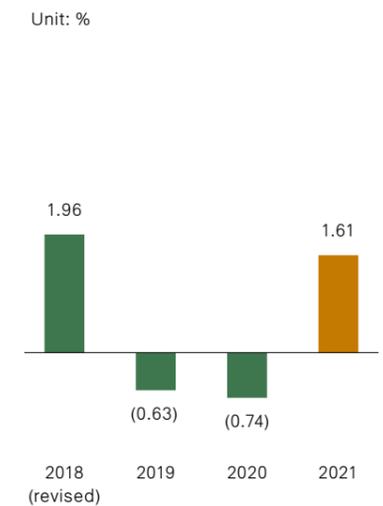
Operating Revenue and Expenses



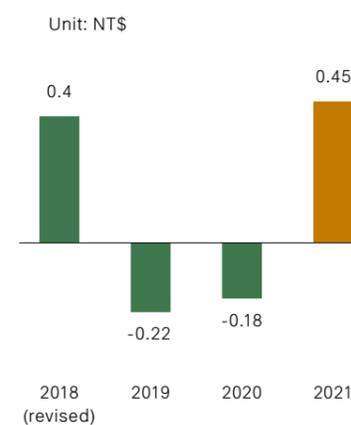
Liabilities to Assets Ratio



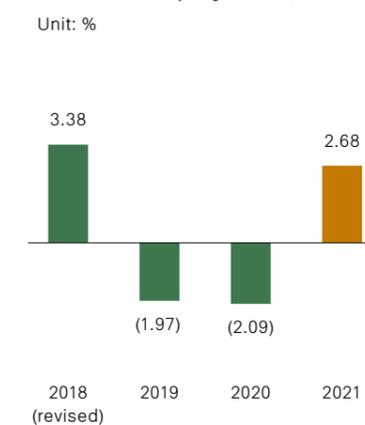
Return on Assets (ROA)



Earnings Per Share (EPS)



Return on Equity (ROE)



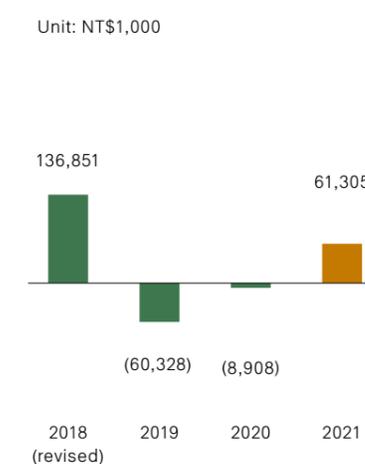
Long-Term Fund to Fixed Assets Ratio



Hiring Costs and Number of Employees



Income Tax



Net Income after Tax



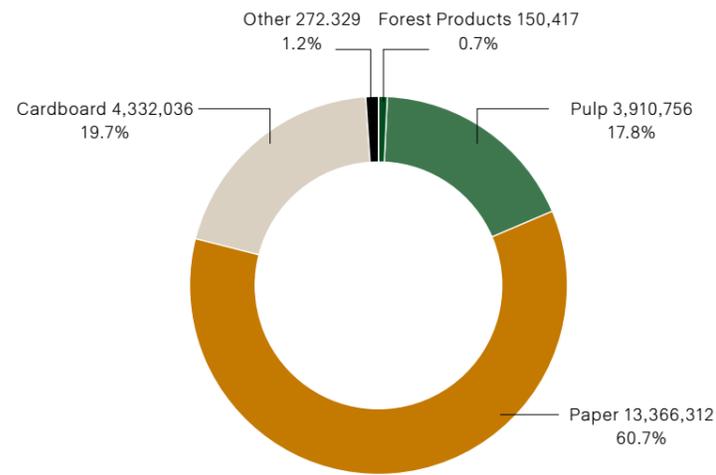
Overview of Affiliates

Unit: NT\$1,000

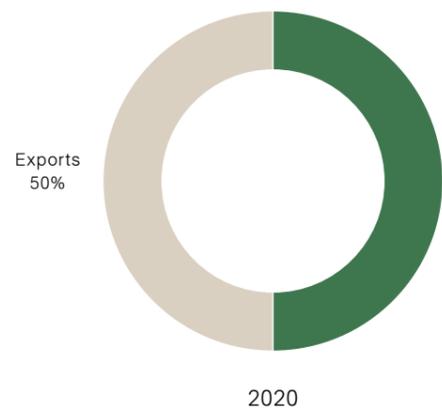
Product	Operating Revenue in 2021
Forest Products	150,417
Pulp	3,910,756
Paper	13,366,312
Cardboard	4,332,036
Other	272,329
Total	22,031,850

Operating Revenue in 2021

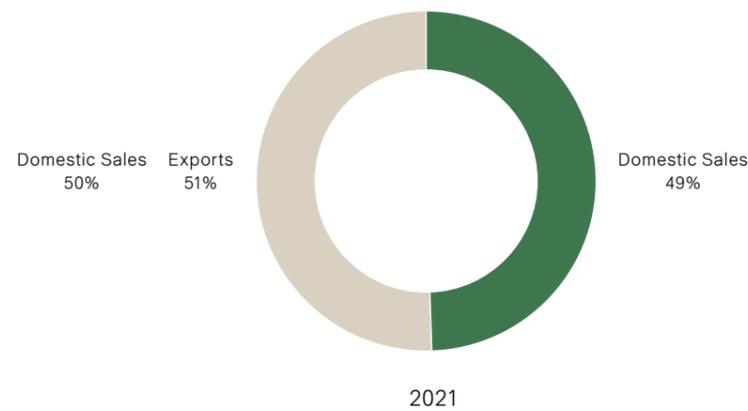
Unit: NT\$1,000



Domestic Sales/Exports in Past 2 Years

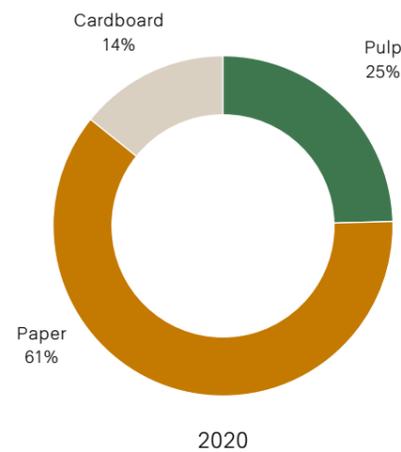


2020

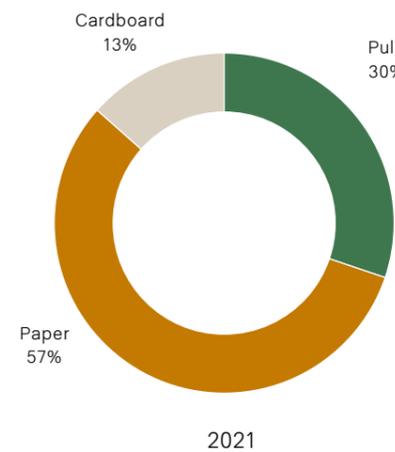


2021

Output Distribution in Past 2 Years



2020



2021

Board of Directors

GRI 102-18/102-19/102-20/102-23/102-24/102-25/102-26

As the highest strategic and management body of CHP, the Board of Directors formulates regulations and rules in accordance with relevant laws and regulations and the authority granted by the shareholders meeting, and also oversees implementation results. Apart from improving corporate governance plans, the Board of Directors is also charged with formulating the company's long-term development strategies, shaping corporate culture, and fostering talented executives. The Board of Directors convenes meetings at least once every three months to effectively achieve the aforementioned objectives. In addition, board members take turns attending work discussions with the various department heads. This arrangement not only assists the Board of Directors in gaining a deeper understanding of the company's operational status, but also gives board members the opportunity to ask department heads questions and make decisions accordingly. The Chairman and General Manager track the progress of planning and implementation. The 18th Board of Directors consists of nine (male) directors (including three independent directors).

Six meetings of the Board of Directors were convened in 2021, with an attendance rate of 100%. Independent directors are nominated and elected by the Board of Directors from candidates who have a great breadth of experience as business leaders and professionals in related industries. The Company envisions a board that is composed of highly experienced professionals who are able to contribute their experience and expertise when the company makes major business decisions and formulates long-term development strategies. For this reason, an Audit Committee and Remuneration Committee have been established to assist the Board of Directors. With the support of both committees, tasks and responsibilities are effectively allocated and more meetings can be convened, thereby enabling the Board of Directors to engage in a broader scope of operation. The Board of Directors employs a range of means to better understand the company and become more involved in company operations, so as to implement corporate governance and transform CHP into a role model of corporate governance for others to emulate.

Members of the Board of Directors

Title	Name	Academic Background	Gender	Age Range
Chairperson	Kirk Hwang	Ph.D. in Materials Chemistry, University of Wisconsin	Male	50+
Director	S. C. Ho	M.A. in Mechanical Engineering, University of Wisconsin	Male	50+
Director	Felix Ho	M.B.A., Sloan School of Management, Massachusetts Institute of Technology (MIT)	Male	50+
Director	Cheng-Hsien Chu	Ph.D. in Mechanical Engineering, National Cheng-Kung University	Male	50+
Director	Guu-Fong Lin	M.B.A. Program, National Taipei University	Male	50+
Director	Ray Chen	M.A. in the Department of Forestry and Resource Conservation, National Taiwan University	Male	50+
Independent Director	Donald Chang	B.A. in Chemical Engineering, Chinese Culture University	Male	50+
Independent Director	Shih-Lai Lu	Ph.D. in Chemistry, Iowa State University	Male	50+
Independent Director	Yi Lee	M.A in Finance, University of San Francisco	Male	50+

Employee, Director, and Supervisor Remuneration

Article 31 of the Company's Articles of Incorporation states that if the Company shall distribute no less than 1% of its fiscal year profits as remuneration for employees and no more than 2% as director remuneration; however, an amount must first be set aside to cover cumulative losses, if any.

Directors' remuneration may be distributed via cash dividends, and employee remuneration may be distributed as cash or stock dividends. The Board of Directors is authorized to define the qualification requirements for employees (including the employees of subsidiaries of the company who meet certain specific requirements) who are entitled to receive shares or cash. The distribution ratio of directors' remuneration and the method of distribution and ratio of employee remuneration shall be resolved by a majority vote at a meeting attended by more than two thirds of the directors and shall be reported at the shareholders meeting.

Remuneration of the President and Vice Presidents

Unit: NT\$ thousands

Title	Holding of Shares	Salary (A)	Severance Pay (B)	Bonuses and Allowances (C) (Note 2)	Employee Compensation (D) (Note 3)	Ratio of total compensation (A+B+C+D) to net income (%)	Remuneration from ventures other than subsidiaries or from the parent company
	Shares	Companies in the consolidated financial statements					
CFO	49,132						
President of Cellulosic Materials Division [Note 1]	45						
President of Specialty Materials Division [Note 1]	-	13,982	3,286	10,639	15	5.72	320
Executive Vice President of Cellulosic Materials Division	-						

Note 1: Appointed on March 1, 2022

Note 2: Relevant expenses such as company car rental fees have been listed. The total expenses were approximately NT\$879.6 thousand.

Note 3: Number of resolutions passed by the Board of Directors on 3/15/2022.

Recusals due to Conflicts of Interest

For directors or those who serve as a director of other companies that engage in related businesses or business similar in scope to the business of CHP but whose role has been found to pose no hindrance to their duties and responsibilities at the company, the Board of Directors will submit a proposal at the shareholders meeting to seek approval for removing the non-competition restriction on the directors and the institutional entities they represent. This process serves as a preliminary means of addressing issues of competition and conflicts of interest. If any director or a juristic person represented by a director is an interested party with respect to any agenda item proposed at a meeting of the Board of Directors, the director shall recuse themselves from discussion and voting on that item. The cross-ownership status of other stakeholders or any controlling shareholders and related parties is disclosed on the Market Observation Post System (MOPS) or in the CHP annual report.

Functional Committees of the Board of Directors

CHP is committed to ensuring fairness and real-time access to transparent information on the corporate governance and financial status of the company. To improve and strengthen operational mechanisms, we established the Audit Committee and Remuneration Committee, both of which report to the Board of Directors. To further strengthen corporate governance, the Company established the Sustainable Development Committee and the Business Development and Strategy Committee, both of which are independent of the Board of Directors.

Audit Committee

CHP elected three independent directors during the shareholders meeting on June 21, 2019. The Company established the Audit Committee in place of supervisors in accordance with the Securities and Exchange Act. Pursuant to the Audit Committee Charter, the Audit Committee convenes meetings at least once every three months. The committee is responsible for assisting the board of directors in reviewing the company's financial statements, internal control systems, audit practices, accounting policies and procedures, major asset transactions, and appointments/dismissals of external auditors, finance officers, accounting officers, and internal auditors so as to ensure that the company operates in accordance with government laws and regulations. Effective internal control systems and auditing operations are the cornerstone of sound corporate governance. To maintain an effective internal control system, particularly in the area of risk management and financial and operational control, the Audit Committee regularly reviews reports submitted by internal auditors and assesses the independence of the company's certified public accountant (CPA), thereby ensuring the utmost integrity in accounting, auditing, and financial reporting. In 2021, the 2nd Audit Committee convened four meetings. The attendance rate of independent directors was 100%.

Remuneration Committee

The Remuneration Committee is responsible for reviewing the performance and remuneration policies and system of directors, senior executives, and managers, as well as employee incentives and bonuses. The committee consists of three independent members chosen for their ability to maintain the objectivity, professionalism, and fairness of the committee while avoiding any conflicts of interest with the company.

The Remuneration Committee reviews the company's remuneration policies and plans on a regular basis to ensure that remuneration is sufficient to attract, motivate, and retain talent. The committee is authorized by the Board of Directors to annually review and resolve remuneration for directors, the CEO, and senior managers, including salaries, bonuses, employee bonuses, employee stock options, and other compensation packages. To ensure that the company's remuneration is reasonable and remains competitive, the Company regularly commissions professional consultants to conduct an overall comparison and analysis of the company's remuneration and market rates. The analysis results are duly submitted to the Remuneration Committee. Directors' remuneration is distributed according to the duties and the independence of the directors and the duties associated with concurrent service as committee convener. Furthermore, the total amount of directors' remuneration is linked to business performance as a percentage, and there is a cap on the amount, which is reviewed by the Remuneration Committee and must be resolved and approved by the Board of Directors. Pursuant to the Remuneration Committee Charter, the Remuneration Committee convenes at least two meetings every year. In 2021, the Remuneration Committee convened two meetings. The attendance rate of committee members was 100%.

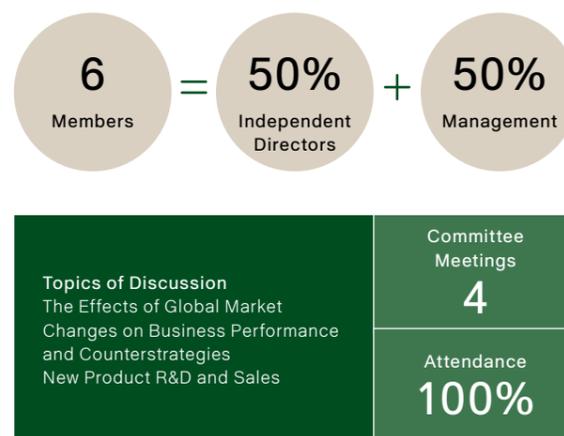
Sustainable Development Committee

The Sustainable Development Committee is charged with promoting environmental sustainability policies, devising and implementing resource reutilization and improvement plans, communicating and promoting policies, organizing education and training programs, and reporting to the Chairman and General Manager. On November 6, 2018 and November 8, 2018, the Sustainability and Social Responsibility Guidelines were approved by the Audit Committee and Board of Directors, respectively, thus providing a set of guidelines for handling matters related to corporate social responsibility (CSR) and sustainable development. After the Financial Supervisory Commission (FSC) promulgated the Corporate Governance 3.0-Sustainable Development Roadmap, CHP renamed the CSR Office as the ESG Office and reorganized the organizational tasks of the Sustainable Development Committee. In 2021, the Sustainable Development Committee set up six task forces: Environmental Sustainability and Climate Change, Sustainable Products and Technological Innovation, Corporate Governance, Customer Relations and Supply Chain Management, Employee Care, and Social Care. Each task force is supervised by various department heads, and the ESG Office assists the task forces with horizontal communication and sustainable development work.



Business Development and Strategy Committee

CHP established the Business Development and Strategy Committee on October 19, 2020 to strengthen the company's short-, medium-, and long-term business development strategies and improve business performance. The committee consists of three independent directors and executives, with Chairperson Kirk Hwang as convener. The committee convenes four regular meetings every year, during which progress and performance reports are presented by various task forces. Employees are invited to the meeting as necessary. In 2021, four committee meetings were held, and the attendance rate was 100%.



Board Performance Evaluations

To improve corporate governance and the performance of the Company's Board of Directors, the Rules for Board Performance Evaluations were approved at the 3rd meeting of the 18th Board of Directors on November 13, 2019. In 2021, a self-assessment method was adopted to evaluate the performance of the board as a whole, individual board members, the Audit Committee, and the Remuneration Committee. The evaluation results were "excellent," indicating that all directors (independent directors included) positively evaluated the efficiency and effectiveness of the board as a whole, individual directors, and the functional committees.

Evaluation Scope	Evaluation Factors	Indicators	Location
Board as a Whole	A. Understanding of and recommendations for Company operations	45 evaluation indicators	Excellent
	B. Improvements to the quality of the board's decision making		
	C. Composition and structure of the board of directors		
	D. Election and continuing education of the directors		
	E. Internal system		
Individual Directors	A. Understanding of company goals and missions	23 evaluation indicators	Excellent
	B. Director's understanding of their duties and responsibilities		
	C. Understanding of and recommendations for Company operations		
	D. Internal relations management and communication		
	E. Directors' professionalism and continuing education		
	F. Internal system		
Audit Committee	A. Understanding of company goals and missions	22 evaluation indicators	Excellent
	B. Understanding of duties and responsibilities of the audit committee		
	C. Improvements to the quality of the committee's decision making		
	D. Composition of audit committee and election/appointment of members		
	E. Internal system		
Remuneration Committee	A. Understanding of and recommendations for Company operations	19 evaluation indicators	Excellent
	B. Understanding of duties and responsibilities of remuneration committee		
	C. Improvements to the quality of the committee's decision making		
	D. Composition of remuneration committee and election/appointment of members		

Operations and Governance

GRI 102-12/102-29/102-33/205-2/205-3

Ethics and Integrity

At CHP, we abide by the principles of honesty and integrity in business management. In 2018, the Board of Directors resolved to approve the Corporate Governance Best Practice Principles and Ethical Management Best Practice Principles, faithfully disclosing the company's ethical management policies and methods, which include a prohibition on offering or accepting of any form of improper benefit or of bribery in the guise of charity donations or sponsorships and respect for intellectual property rights and the rules concerning recusal due to conflicts of interest. The rules are explicitly stated in the company's internal regulations, which include the Employment Contract, the Agreement on Integrity, Confidentiality, and Intellectual Property, the Statement of Commitment to the Prevention of Insider Trading, the Employee Code of Conduct, and the Rules of Procedure for Board of Directors Meetings.

In addition, the Employee Code of Conduct clearly states the principles and measures for the prevention of unethical conduct as well as detailed information on disciplinary action and reporting systems. The Company has set up an Unethical Conduct Reporting Mechanism to provide a channel for employees or any whistleblowers with relevant evidence to report financial, legal, or ethical irregularities. Should an employee find or suspect a breach of regulations, he/she must report it immediately to either their supervisor or the functioning head of human resources.

Implementation of Ethical Management

In accordance with the company's Ethical Management Best Practice Principles, CHP has established an Ethical Management Task Force that regularly reports to the Board of Directors. The implementation status of the task force is regularly audited by internal auditors, and the audit report is presented to the Board of Directors. If any director is an interested party with respect to any agenda item proposed at a meeting of the board of directors, the director shall voluntarily recuse themselves. The functions and duties of users of accounting and internal control systems are clearly defined to avoid giving any persons the opportunity to engage in unethical behavior. Internal auditors include personal integrity as a factor in relevant audits.

Awareness courses are scheduled on an irregular basis as part of CHP's in-house training. In addition, new employees must sign the Agreement on Integrity, Confidentiality, and Intellectual Property when they report for duty. To implement the principles of ethical management, our procurement contract explicitly states a zero tolerance rule for the offering and accepting of bribes, among other unethical conduct, and requires suppliers to sign the Statement of Commitment to Integrity and Honesty.

Regulatory Compliance

CHP continues to monitor domestic and foreign policies and laws that might exert a significant impact on the company's operations, business, and finance. Regulatory compliance is achieved through follow-up assessment, education and training, and an open reporting system. To promote a culture of ethical awareness, we require all employees to be trained in our core values and compliance regime. The Company also announces rules and regulations on issues involving ethics. We also require our stakeholders including suppliers, vendors, and other partners to accept and abide by the same high ethical standards to which we hold all of our managerial officers and employees. For example, we require our major suppliers in Taiwan to declare in writing that they will commit to the principles of honesty and integrity.

Anti-Corruption and Anti-Bribery Policy

CHP has an Employee Code of Conduct in place. We send employees weekly notices to raise their awareness of the company's ethical management policy, and all employees have signed a statement of commitment to ethical management. After the election of directors this year, we plan to have all directors sign these documents. We have developed a Code of Ethics for Employees, which was approved by the Board of Directors. Portions of the code of conduct, particularly the rules concerning anti-corruption and anti-bribery, have long been declared in the company's Work Rules. All of our new suppliers or business partners have been informed of the company's anti-corruption policies, and have signed a statement of commitment to honesty and integrity, so as to eliminate any fraudulent conduct in procurement transactions.

New employees are informed of the company's anti-corruption policies by the Human Resources and Administration Department, and are required to sign an agreement on integrity and honesty. Should the company obtain proof of corruption, we convene a meeting with the ombudsman committee and take disciplinary action according to the materiality of the event and the position of the parties involved. If a corruption incident involves a criminal offence, the company's legal officers will forward the case to a court of justice for subsequent handling. In 2021, the Company found no major corruption incidents, which is a testament to CHP's long-term commitment to the values and goals of our anti-corruption efforts.

Privacy Protection

Trade secrets in business dealings are protected. Any data containing personal information are also protected under the Personal Data Protection Act and other laws and regulations. Confidentiality rules must be strictly adhered to in the protection of customer privacy. Apart from the signing of confidentiality agreements, internal management mechanisms are employed to reinforce customer privacy protections. Employees sign the Agreement on Integrity, Confidentiality, and Intellectual Property, and are trained in and made aware of relevant topics as needed. Rules for preventing unethical conduct have been formulated, adopted, and implemented.

Information Disclosure

CHP complies with all applicable laws and regulations, the Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities, and the Procedures for Press Conferences Concerning Material Information of Listed Companies. The Company's Chairman discloses material information on MOPS and on the company's website to increase information transparency. Investor conferences are held at least once every quarter. Pursuant to law, relevant information is disclosed on the company's website for investors to access (In 2021, 22 items of material information were published. For access, visit http://www.chp.com.tw/news/list?news_type=4).





Risk Management

GRI 102-11/102-30/102-31/413-2



CHP develops management measures in accordance with laws and regulations and, for the purpose of internal management, formulates rules for the relevant units to follow. Operational risks are managed by each department within the scope of its functions. A department's implementation of and compliance with the rules, systems, and regulations is subject to both regular and special audits by the Audit Office.

Preventive Measures and Crisis Management	
Prevention and Communication	CHP adopts active communication methods, such as hosting regular investor conferences, issuing press releases to announce the company's operational status, and updating the company website.
Crisis Management	The Company has a dedicated task force in charge of crisis response and management. In day-to-day operations, members of the task force are mobilized to handle relevant matters, and a spokesperson and the ESG Office are appointed to communicate the company's decisions, so as to keep the general public and employees fully informed of developments at the company.

Risk Management Framework		
Unit	Business (Function)	Risks
Fibrous Materials Division	Production of paper for household use, paper stationery products, specialty papers, cardboard, pulp, and chemical products	Production, workplace safety, labor management, market, and laws
Special Materials Division	R&D and production of non-plastic products	Production, workplace safety, labor management, market, and laws
Human Resources & Administration Department	Human resources management; talent and organizational development	Laws and regulations, policies, and organization
Finance & Accounting Department	Data analysis of investment targets, financial management and fund operation management, and handling of accounting matters	Interest rates, exchange rates, inflation, investments, mergers and acquisitions, laws, shares, and policies
Audit Office	Internal system planning and systems auditing and research	Laws and policies

Business Risks

The Company does not engage in high-risk or highly leveraged investments. When the Company has short-term idle funds, these funds are primarily used in the trading of notes or bonds with repurchase agreements and money market fund subscriptions. The Company engages in derivative transactions in accordance with the Procedures for Engaging in Financial Derivative Transactions, so as to clearly define the purposes of each transaction, which must be primarily hedging. With a dedicated information security management platform and team, CHP and its subsidiaries are able to adopt optimal approaches to utilize resources, centralize management in an appropriate and timely manner, and upgrade existing information security network equipment and mechanisms, so that the company's information is kept secure and in line with current practice. In 2021, there were no major cyberattacks or incidents, nor involvement in any relevant legal cases or investigations.

Risk Item	Description and Mitigation Measures
Major changes in policies and laws at home and abroad	<ul style="list-style-type: none"> The Company has signed a legal services contract with the Legal Department of YFY Inc. and employed an external legal consultant to assist in handling matters related to the management of risks involving changes in law. When important policy and legislative changes have an impact on the Company's finances or business operations, the responsible departments cooperate with the Legal Department to devise mitigation measures or revise the company's rules and operating procedures in compliance with new laws promulgated by the government. Following the implementation of amendments to the Labor Standards Act, the Company revised its regulations and work rules, and also convened labor-management meetings every three months to discuss and communicate response measures. In addition, we adjusted working hours and shift arrangements, and granted employees special annual leave or payment in lieu of unused leave to comply with relevant laws and regulations.
Changes in corporate image	<ul style="list-style-type: none"> Our management team considers sustainability to be of the utmost importance and forges a prosperous relationship with stakeholders by upholding the values of putting people first, encouraging community mutual assistance, and protecting the environment. We have worked proactively to establish a positive corporate culture by organizing talent development programs, encouraging community members to participate in charitable activities, and contributing to local communities. In terms of supply chain management, we include environmental protection and labor safety standards in our regulations and agreements and require our suppliers to comply. To protect labor rights and interests, we continuously improve workplace standards to create a work environment that ensures the safety and health of our employees. Effective internal communication channels are provided as well to promote our business philosophy and employee well-being initiatives.
Technological and industrial changes	<ul style="list-style-type: none"> We continuously introduce technological innovations to diversify fibrous material applications. We introduce new technological tools to improve operational and managerial efficiency and adopt assistive tools to keep pace with the rapidly changing market. We promote circular economy to maintain our sustainable competitiveness.
Information Security	<ul style="list-style-type: none"> The Company's information security policy is focused on the use of technology and information governance. By using a human-machine interface, software, and hardware configurations and systems of inspection and balance, we construct a network of information security management and subsequently implement various aspects of the policy through firewall setup, information server room management, user information management, and plant information security management. The Company conducts yearly discussions with IT technicians from each plant to talk about information security problems, trends, and reinforcement measures. Education and training programs are organized to increase employees' awareness towards the environmental maintenance of information security and risks. The professional IT management and service platform is responsible for the governance, planning, supervision, and policy implementation relating to the information security of the Company and its subsidiaries. The platform simultaneously evaluates and selects potential risks and proposes corresponding plans as needed. An external consultant is hired when necessary in hopes of keeping in pace with current trends and facilitating immediate response to various IT demands. Reporting of information security risk management is conducted periodically, and information security policies and plans of action are inspected every six months. In addition, information security protection mechanism review and counseling is occasionally conducted at production sites to develop a total information security protection capability and educate employees on the importance of information security. Complete information security auditing system: Auditing departments of the Company and its subsidiaries regularly conduct auditing of information security tasks to ensure the completeness of information security systems and the effective implementation of relevant policies. Relevant audit results are periodically reported to the senior managers as required by law. The Company not only endeavors to comply with government policies and in-house regulations regarding information security. The Company also fulfills responsibilities to complete routine tasks related to information security management so as to minimize the IT-related operational risks of the Company and its subsidiaries.
Purchases	<ul style="list-style-type: none"> When purchasing raw materials for our products, we choose suitable suppliers and flexibly adjust our inventory period based on supplier quality, price, delivery date, and the potential for global shortages. We have maintained long-standing, positive relationships with more than two suppliers of our main raw materials. Currently, the Company is not at risk of centralized procurement.
Sales	<ul style="list-style-type: none"> The Company endeavors to develop new pools of customers to expand and diversify its sources of revenue. CHP does not have customer concentration risk because we have maintained a sales ratio of 10% or less to any single customer for the past three years.

Environmental Risks

Risk Item	Impact and Risks	Prospect and Mitigation Measures
Interest Rate	<ul style="list-style-type: none"> The global economy will recover strongly in 2021 due to the gradual popularization of the COVID-19 vaccine in major countries around the world, and the continued monetary easing in the United States, Europe, and Japan for stimulating the economy. However, funds flooded the world, the global supply chain and logistics are still deeply affected by the pandemic, and the pressure on prices rose. Thus, the Federal Reserve will start to reduce the scale of bond purchases in November 2021, and release the message that they will begin to tighten the monetary policy. In 2021, Taiwan will benefit from the transfer of orders because of its success in controlling the epidemic. Taiwan will become one of the few economies with sustained high growth. Coupled with the stable domestic prices, the central bank kept interest rates unchanged in 2021 and the NTD interest rate market will remain stable as a whole. 	<ul style="list-style-type: none"> As the impact of the COVID-19 pandemic on the global economy is gradually easing, but the flood of funds, supply chain bottlenecks, and tight labor market have also led Fed officials to shift their focus from monetary policy to controlling inflation. They will initiate multiple interest rate hikes in 2022. The Central Bank of the Republic of China (Taiwan) will follow suit by gradually increasing the interest rates to keep prices stable. The Company will evaluate the liability positions and financing policies regularly and flexibly to effectively reduce the Company's interest expenditures.
Exchange Rate	<ul style="list-style-type: none"> As the impact of the pandemic on the United States gradually eased in 2021, economic activity and the labor market rebounded significantly. The tight labor market and global supply chain bottleneck triggered persistent and high inflation. Since the second half of the year, the Federal Reserve raised the prospects of US dollar interest rates several times, causing USD exchange rates to rise while major non-U.S. Currencies like the EUR, JPY, and AUD depreciated. China, due to outstanding foreign trade performance, guided the RMB to appreciate slightly to about 6.37. Taiwan continued its excellent economic and trade performance since 2020, so overseas funds continued to flow in, causing NTD to continue to appreciate. Major exchange rate risks faced by the Company are USD and RMB receivables from exports. In 2021, the Company continued to dynamically adjust the hedging ratio and implement response measures for hedging and cost control in order to reduce the fluctuations in currency exchange gain or loss. 	<ul style="list-style-type: none"> Looking ahead to 2022, we will continue to susceptible to the high risk of changes as the global economy and financial markets are affected by monetary policy tightening by central banks and uncertainties in the development of the COVID-19 pandemic. Related foreign currency exchange rate fluctuations are full of variables. The Company will take into account exchange rate risks and hedging costs, and make appropriate financial and hedging strategies to reduce the negative impact of exchange rate fluctuations on the Company's overall operations.
Inflation	<ul style="list-style-type: none"> In 2021, although the overall CPI was 1.96%, the highest in 13 years, core CPI (excluding the CPI of energy and fruits and vegetables) was 1.33%, suggesting commodity prices remain stable. 	<ul style="list-style-type: none"> Looking ahead to 2022, the central bank estimated the annual growth rate of CPI and core CPI in 2022 to be 1.59% and 1.45%, respectively. As the prices of commodities have generally risen sharply in 2021, the market originally expected relatively stable commodity prices this year, and international inflation pressure is expected to gradually decline. Up to the printing date of the CHP's annual report, inflation does not exert a material impact on the Company. However, due to factors such as the impact of the pandemic on global logistics and supply chains and geopolitical tensions, there is still a risk of substantial fluctuations in raw material prices. In the future, we must pay close attention to the risks caused by related factors.

Environmental Risks

Countries worldwide have introduced increasingly stringent environmental, safety, and health policies and laws. Therefore, risk issues (e.g., GHG emissions controls, water resource management, energy management, resource recycling/reuse, and the carbon tax) are likely to have an impact on company operations in the future. Turning risks into opportunities will be a crucial sustainability topic. The international community has continued to ramp up environmental monitoring efforts. The U.S.-China trade war has resulted in the relocation of supply chains. Raw material prices remain at risk of significant fluctuations. The impact of the pandemic on the global economy after the development of vaccines for COVID-19 still requires further evaluation. Changes in raw material prices, U.S.-China trade negotiations, and risks arising from the COVID-19 pandemic must all be closely monitored.

Risk Item	Impact and Risks	Mitigation Measures
Water Resources	<ul style="list-style-type: none"> Discharge volume and water quality control Lignin concentration in effluent Impact of extreme climate, water shortages 	<ul style="list-style-type: none"> Take inventory of water consumed, continue to implement water-savings plans, reduce water consumption, strengthen water quality monitoring, and formulate preventive measures. Introduce artificial wetlands to promote ecological restoration.
Energy Resources	<ul style="list-style-type: none"> Global carbon reduction policies and government policies Risk of outsourced electricity and power shortages Risk of power outages 	<ul style="list-style-type: none"> Propose energy-savings plans and equipment improvement measures. Increase the use of biomass energy and improve energy efficiency. Build green electricity generation facilities: Increase the capacity of power generators that use lignin-based biomass energy.
Production Byproduct	<ul style="list-style-type: none"> Increase in the stringency of laws and regulatory control Rise in outsourcing costs 	<ul style="list-style-type: none"> Promote circular economy by recycling leftover materials from manufacturing processes and using technology to transform them into usable materials; develop a diverse array of materials; strive toward the goal of zero waste and zero emissions
Emissions	<ul style="list-style-type: none"> National carbon reduction plans aimed at achieving net zero emissions by 2050. International carbon border tax trends Implementation of new laws and regulations 	<ul style="list-style-type: none"> Form emissions reduction plans and set targets. Regularly service, repair, and replace machinery and equipment. Improve energy-saving measures for production facilities and power generation systems. Develop emission pollutant reduction plans.

Managing Climate Change Risks and Opportunities

In 2021, we adjusted our management mechanisms according to the Task Force on Climate-Related Financial Disclosures (TCFD) framework, and established a Climate Change Task Force under the Sustainable Development Committee. The Task Force is made up of employees from various paper mills/units; together, they identify climate-related risks, formulate response strategies that lower risk, and determine potential opportunities.



The Climate Risk Management Task Force is tasked with the following:	Paper mill divisions/units that are involved in climate risk management:
<ul style="list-style-type: none"> Identifying possible climate-related transition and physical risks and opportunities Forecasting the intensity of climate-related financial impacts Evaluating the likelihood of financial impacts Formulating resolutions for major climate-related risk and opportunity items Developing short-, medium-, and long-term response measures Implementing procedures and in-plant ISO management systems that are integrated into the risk management policy 	<ul style="list-style-type: none"> Administrative Division Accounting Division Production Division Finished Products Section Quality Control Section Raw Materials Section Environmental Resources Task Force



Climate Risk Identification			
	Risk Item	Risk Identification	Risk Item
Transition Risks	Policy and Legal Risks	Increased operating costs due to changes in EU carbon border tax and amendments to Taiwan's emissions laws	<ul style="list-style-type: none"> Regularly monitor climate-related laws Increase the use of renewable energy Apply for green energy certification
	Technology Risks	Loss of opportunities, increased costs, and reduced profitability due to slow technological development and insufficient technological innovation	<ul style="list-style-type: none"> Continue to attend climate forums/seminars. Conduct research on the latest technology developments in the industry. Regularly collaborate with external experts/scholars on R&D projects.
	Market Risks	Impact on sales due to changing attitudes toward climate change	<ul style="list-style-type: none"> Maintain long-standing positive cooperative relationships with customers Commit to developing new pools of customers
	Reputational Risks	Climate change may affect customer or community perceptions of the organization's contributions to the transition to a low-carbon economy.	<ul style="list-style-type: none"> Forge a mutually prosperous relationship with stakeholders. Establish positive corporate culture by organizing charitable activities that contribute to local communities. Protect labor rights by creating a friendly and safe workplace environment.
Physical Risks	Severe Events	Impact on operations due to increased frequency and severity of extreme climate or weather events, such as typhoons, flooding, drought, sea level rise, etc.	<ul style="list-style-type: none"> Develop management strategies and conduct monitoring. Establish preventive measures for emergency management. Develop water recycling technologies. Regularly maintain an emergency water reservoir Regularly check inventory

Climate Opportunity Identification		
Item	Opportunities	Potential Financial Impacts
Products and Services	<ul style="list-style-type: none"> Shift in consumer preferences Development/expansion of low-carbon product/service portfolios 	<ul style="list-style-type: none"> Increased revenue due to increased demand for products and services
Resource Efficiency	<ul style="list-style-type: none"> Improved efficiency across production processes 	<ul style="list-style-type: none"> Reductions in direct costs
Markets	<ul style="list-style-type: none"> Access to new markets 	<ul style="list-style-type: none"> Increased opportunities to access capital

Auditing System

The Audit Office is responsible for the auditing of all financial, business, and other operational and management systems. Apart from routine audits carried out in accordance with annual auditing plans, other special audits are also performed as needed. This is to ensure that any possible deficiencies in the company's internal control system can be identified immediately to facilitate the proposal of recommendations for improvements. Implementation status or results are regularly reported to the Board of Directors and the Audit Committee.

The Audit Office checks whether the relevant units are in compliance with laws and regulations and meet the competent authority's corporate governance requirements and expectations. The Audit Office is also charged with urging internal departments to improve their management systems; assisting with the establishment of systematic and preventive controls; reviewing and streamlining operating procedures to set control points and integrate control mechanisms into operational processes; and improving processes to optimize and enhance the operational efficiency of the organization.

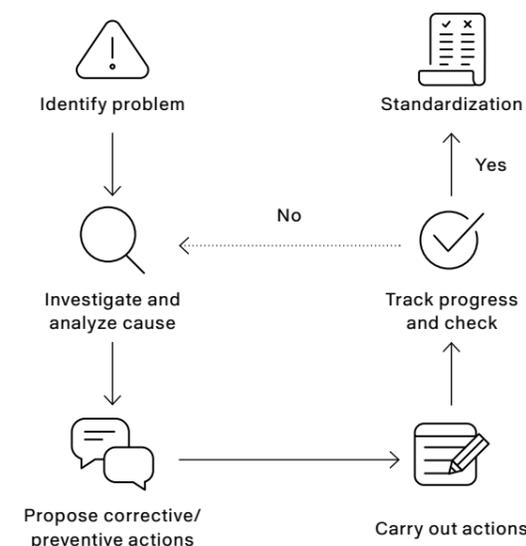
The management and operating system is used to develop working papers, integrate auditing methods, and implement special audits and risk audit mechanisms. The purpose of these systems is to ensure the quality of audits, including risk auditing, improved sampling models and computer assisted auditing techniques, the optimization and feasibility of improvement recommendations, and the reasonableness of improvement completion dates. The system is independent of all other systems, allowing management to obtain complete transparency for company-level problems and to establish preventive system controls to support the implementation of system projects.

All internal departments and subsidiaries of CHP perform self-assessments at least once a year. Relevant units check system operations to identify any problems or instances of human error. The units being audited are required to take corrective and preventive action and implement improvement measures. The Audit Office tracks progress, and the results are organized and compiled into a report that is presented to senior executives to keep them informed of current system operations and the appropriateness and effectiveness of the systems. This entire internal audit procedure ensures that our environmental management systems are continuously effective. Each unit is given guidance on operations and the law, and related operations are coordinated so as to achieve company goals and increased profits.

CHP's internal audit department regularly audits the compliance of the Company and our vendors, suppliers, and customers with relevant laws and regulations. The department also assists the Board of Directors and management in inspecting the company's internal control system and reviewing the adequacy of its design and its operational effectiveness to ensure that:

- Financial, managerial, and operating information is accurate, reliable, and timely
- Legislative or regulatory issues impacting the company are recognized and addressed properly
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations
- Resources are acquired economically, used efficiently, and adequately protected.

Emphasis on Preventive Measures



Environmental Friendliness & Circular Economy



Circular Economy in Cities

Use of Non-Plastic Cups in a Marathon

The Taipei Marathon— with more than 30 years of history, the most iconic event in Taiwan—kicked off on December 19. This year, the event, tagged Run the City: The Day We (are) Reborn, attracted 28,000 runners. CHP contributed 550,000 CircuWell non-plastic cups to replace traditional plastic-coated paper cups. We collaborated with President Packaging to supply non-plastic paper cups that are biodegradable and completely recyclable. If the cups used during the event were stacked up, the stack would be as tall as 103 Taipei 101 buildings. At the end of the marathon, all used paper cups were

recycled and transported to CHP's Taitung Mill. The use of non-plastic cups led to a 1.34 ton decrease in CO2 emissions, which is equivalent to the amount of CO2 absorbed by 0.067 ha of forest land.*

Running events in Taiwan have turned to electronic operations in recent years, and the use of silica gel water cups, among other eco-friendly practices, is encouraged. However, refueling stations generally use polyethylene (PE)-coated cups and plastic bottles, all of which end up as waste. A marathon covers a distance of 42 km, along the length of which a refueling station is set up every

3 to 4 km. For each race, tens of thousands of PE-coated cups and plastic bottles are required; together with other waste discarded along the race course, this means that a single race will generate millions of waste items. As a marathon sponsor this year, CHP supplied the event with the company's CircuWell eco-friendly non-plastic paper cups, and thereby contributed to a significant lowering of CO2 emissions levels.

The Glasgow Climate Pact reached at the 2021 United Nations Climate Change Conference (COP26) is the first climate agreement focused on reducing coal



Scan to watch the video
Run with the City, in a Circular Pace
CircuWell X 2021 Taipei Marathon

usage. It highlights the value that countries worldwide are placing on carbon reduction. The Taipei Marathon has begun moving toward carbon neutrality as well. For this reason, it was presented with a certificate from the British Standards Institute (BSI), becoming the first carbon footprint-certified marathon in the world. CHP will continue to strive for carbon neutrality and work in concert with all to provide carbon/plastic/waste-reducing solutions to realize our sustainability vision of achieving a zero waste circular economy.

*Using the US EPA's Waste Reduction Model (WARM) and IPCC standards, the Energy Bureau of the Ministry of Economic Affairs determined that tropical forests absorb roughly 12-30 metric tons of CO2 per hectare per year, which is approximately 20.2 tons per year based on changes in Taiwan's forest stand.



Alex Chen, Vice President of the Specialty Paper Division, collects a certificate of appreciation (from the Department of Sports, Taipei City Government) on behalf of the company at a press conference before the marathon.

Ray Chen, General Manager of the Fibrous Material Business Unit, and other runners toast at the marathon.



Products

GRI 103-2/103-3/416-1



Products and Market

An integrated paper and pulp operation model enables the company's paper mills to produce at a capacity that allows the company to maintain a steady supply to meet domestic demand, thereby reducing the risk of fluctuations in the global market. In recent years, we have focused on increasing the value of our R&D capacity by bringing about successful technological transformation. As our way of responding to environmental trends, the Company has actively invested in the development of eco-friendly products that apply hybrid materials to create papers that can be used not only for reading and writing, but also for a whole range of everyday activities, thus helping CHP to become a valuable industry that specializes in non-plastic papers and special-use papers.

In response to the changing global market, CHP continues to be proactive in the process of transformation. In 2021, we expanded our business in special

materials by setting up two new business units: the Fibrous Material Business Unit and Special Material Business Unit. We also opened a new paper mill in Taoyuan Guanyin, where R&D work is focused on developing fiber technologies, turning paper and pulp into fibrous materials, innovating pulp and paper applications, developing eco-friendly, recyclable fibrous materials, and steering the company's development toward a circular economy. Our paper mill in Hualien also expanded its pulp and paper product applications and introduced a new pulp production line. In 2022, the Company began expanding into new product markets and services to reinforce our competitiveness, and is seeking ways to reduce packaging materials and develop a product life cycle (design, production, manufacturing, packaging, and transportation) that is in line with green design concepts.



*CHP does not sell controversial products or violate laws and regulations related to marketing promotion.

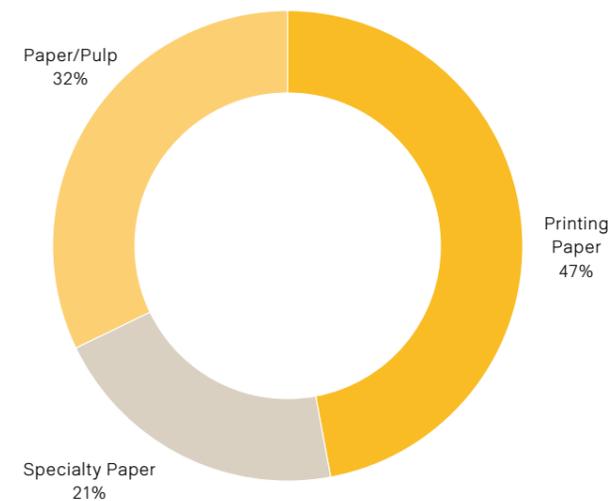
Business Development

CHP has transformed its business in recent years to produce specialty papers, which is why the company has been able to maintain business growth in the global market. As a response to volatile pulp prices across the world, the Company reduced the impact of market price volatility on our profits and losses by supplying short-fiber pulp to the group's production plants. We employ a flexible production/sales policy for the printing paper market, and are expanding our trade-based sales model to ensure the company's profitability and market share. Furthermore, we are

continuing to develop food safety solutions, new types of specialty paper, and new applications to expand our presence in the specialty paper market. In anticipation of the easing of the pandemic and global economic recovery in 2022, we will prioritize pandemic prevention efforts while monitoring the international situation and changes in the pandemic, so as to ensure smooth production operations, ensure a steady supply of raw materials for production, and enhance our product competitiveness.

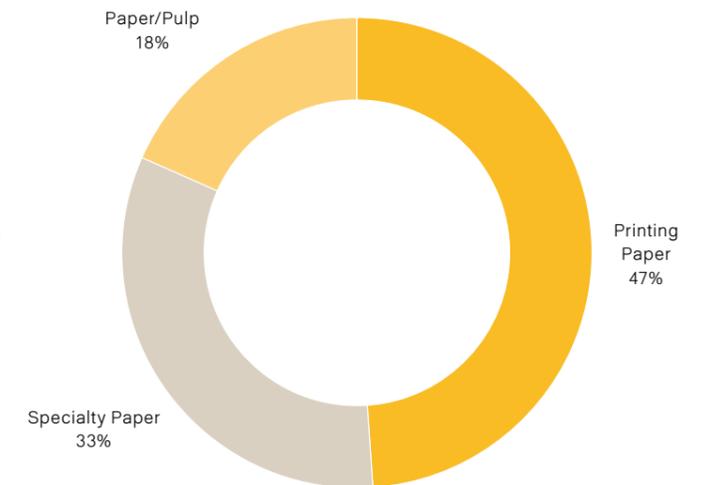
Sales Volume

Unit: Tons



Sales Value

Unit: NT\$



- | | |
|-----------------------|--|
| Short-Term Plan | <ul style="list-style-type: none"> Actively improve manufacturing processes and management, and enhance transformational capacity. Strengthen the research and development of niche products, develop alternatives to plastic product applications, and gain a firm foothold in the eco-friendly product market. Vertically integrate the supply chain, forge stronger ties with downstream processing plants, and increase the competitiveness of the entire industry. Strengthen information integration, make use of big data analytics, and improve procurement and production/sales processes. Provide customers with innovative payment and logistics services and strengthen our ability to keep abreast of market conditions. |
| Medium/Long-Term Plan | <ul style="list-style-type: none"> Develop environmentally friendly, sustainable, and high value-added fiber-based products, and continue to promote the transformation in product composition. Commit to sustainable recycling, using the R3 cycle (recycle, reclaim, regenerate) to maximize material utilization rate and diversify product portfolios. Implement talent development plans to build a team of successors who can transform CHP into a world-class materials producer. |

Sale / Supply of Main Products

Our pulp is exported to mainland China, South Korea, and Thailand.

Our paper products are exported to mainland China, Japan, South Korea, Southeast Asia, Australia, India, South Africa, the United States, and South America.

- Countries from which raw materials are imported
- ⊙ Countries to which CHP pulp is exported
- Countries to which CHP paper products are exported



Fibrous Material Business

Pulp, Papers, and Cardboard

CHP mainly produces short-fiber pulp using wood chips from broad-leaved trees or eucalyptus radiata as the main component for pulp-making. Tree species are selected according to the paper mill's requirements. Different types of pulp are produced through a series of processes, including digestion, washing, bleaching, pulp dispersing, and drying. Because of its fiber characteristics, pulp products are used to produce toilet paper and paper for printing, industrial use, and special uses.

Market Overview	<p>COVID-19, inflation, and climate change are the three major factors influencing the world in 2021, and these influences will continue into 2022. In 2021, the world bounced back quickly. Although the economic recovery was apparent, it was still affected by shipping logistics and energy shortages. Despite a continuous increase in vaccination coverage in major countries, the economy will face a new wave of challenges in the post-pandemic era. In the global paper-making industry, the pulp market regained its strength before the end of the year after bottoming out in the second half of 2021. However, the continuous surge in sea freight rates has led to price increases for wood chips. International pulp and paper prices are projected to change very little in spite of cost pressures in 2022.</p>
Strategies	<p>Strategy 1: Digital transformation and smart management Introduce automated equipment to save labor and energy resources and increase production efficiency.</p> <p>Strategy 2: Customized services Be the first provider of product customized services in Asia, develop customized pulps and products that meet the various needs of customers and differentiate CHP from other competitors.</p> <p>Strategy 3: Integrated forest, pulp, and paper production Equip paper mills with both paper-making machinery and technologies to make paper directly without having to go through intermediary processes (digesting, drying), thereby saving costs and reducing carbon emissions.</p> <p>Strategy 4: Energy transformation through conversion of lignin to power Recover leftover lignin and ozone gas from manufacturing process and convert them into electricity, thus opening up a new path to energy transformation.</p>

Packaging Papers	Cardboard for a variety of packaging applications such as cosmetics, medicine, toys, candy, cookies, tissues, shoes, and spare parts
Printing Papers	Our paper can be coated or calendered, depending on user needs. Coated and calendered products can range from a matte look to a smooth and glossy finish; these products are suitable for albums, magazines, children's picture books, cosmetic advertisements, catalogues, calendars, posters, and cover pages. Micro-coated or uncoated papers are suitable for textbooks, reference books, product manuals, reference works, notebooks, loose-leaf paper, and other writing paper.
Office Papers	Paper for office use and communication purposes.

Specialty Papers

CHP's transformation was focused on specialty paper products, with plans to transform our product portfolio of printing paper into specialty materials for industrial use in the health care, packaging, food products, and electronic products fields. We have achieved significant breakthroughs in product technology, quality, and specifications, and are gradually replacing some import markets. Today, CHP's specialty papers are in wide use in labeling, adhesive tapes, health care,

food products, interior decoration, and the electronics industry. Specialty paper is frequently found in "unexpected" places—glass, metal, plastic products, adhesive labels on daily necessities, writing tables/chairs/cabinets, disposable surgical gowns, clothing patterns, etc. Even tech industries such as display and solar panel manufacturers are heavily reliant on specialty papers produced by CHP.

Market Overview	<ul style="list-style-type: none"> With respect to the sale and development of specialty papers, global trends in plastic reduction and the impacts of COVID-19 have resulted in increased demand for medical supplies and packaging paper. In addition, the demand for paper food safety products has grown substantially, as people switch to online shopping and delivery services in an effort to minimize outdoor activities. In 2021, CHP actively promoted a non-plastic food packaging paper that has no plastic coating and is completely recyclable, so as to achieve the three goals of plastic reduction, carbon reduction, and waste reduction.
Strategies	<ul style="list-style-type: none"> Focus on the development of specialized paper products, and gradually realize the plan to transform our product portfolio of printing papers into specialty materials for industrial use in packaging, food products, electronic products, etc. Continue to refine product quality, strengthen control over the stability of raw material and import supplies, expand product applications, and improve local services in 2022. Continue to strengthen expansion plans for non-plastic food safety papers and paper straws, etc. to take advantage of our pulp-making processes to produce fully recyclable products and develop a circular economy. Proceed with application for ISO22000 certification to keep pace with global trends in food safety development.

Cross-Industry	Features	Product Applications
CircuWell non-plastic food safety paper	<p>In response to the global calls to reduce the use of plastics, CHP has developed an innovative product line called CircuWell, which is a non-plastic food safety paper solution that is free of plastics (5 types) and can be directly recycled, making life more convenient and environmental protection simpler.</p> <p>*Products: CircuWell non-plastic food safety paper products, Sealing Board, Film Paper, Straw Paper.</p>	
Label Industry	<p>CHP provides surface paper for labels and release base papers. These products feature excellent processing and adhesion properties, which can help downstream customers to improve their processing efficiency and cut manufacturing costs.</p> <p>*Products: Glassine, Clay Coated Kraft (CCK), release base paper for PE-lamination, one-sided coated papers.</p>	

Cross-Industry	Features	Product Applications
Adhesive Tape Industry	<p>CHP offers papers for tape-making including double-sided paper and masking tape base paper as well as tape papers for medical use. These products are widely applied in real life in various industries and offer suitable options for processing to allow adhesive tape manufacturers to meet their printing and adhesive application needs, among other processing procedures.</p> <p>*Products: masking tape base paper (crepe) and latex-impregnated masking tape paper.</p>	
Medical Industry	<p>CHP provides total solutions for medical applications. Our products serve as an effective bacteria barrier in steam or γ-ray radiation sterilization procedures. In addition, our medical-grade papers are clean and lint-free and exhibit excellent printing and heat-sealing properties. All products are in compliance with EN868 and ISO11607 standards.</p> <p>*Products: Hi Lead and Hi Peak series, both in compliance with EN868 and ISO11607 standards.</p>	
Food Packaging Industry	<p>CHP has developed special grease-proof papers and grease-proof paper bags to reduce the use of plastic packaging while ensuring both food safety and environmental protection. All packaging papers for food products are SGS-certified in compliance with FDA regulations and are safe to use and non-toxic.</p> <p>*Products: Easy-series non-plastic food-safe paper, food packaging paper; flexible packaging paper; and grease-proof paper and paperboard.</p>	
Specialized Applications in Industry	<p>Our interleaving products developed for specialized industrial applications are already in use in both Taiwan and overseas. Interleaving papers protect metal and glass surfaces during the manufacturing, storage, and transportation processes to ensure product quality for clients.</p>	
Interior Decorating Industry	<p>Both environmentally friendly and durable, Saturating Kraft is made from recycled pulp, can be used as a construction material and in furniture applications such as room partitions and tables, and serves as an alternative to plastic and wood board. Products made from Saturating Kraft paper are characterized by superior stiffness and impact resistance and are eligible for the FSC Recycled label, making the construction materials and furniture that we use in everyday life sustainable.</p> <p>*Product: Saturating Kraft paper</p>	

A Revolution in Sustainable Materials: CircuWell Series An All-Paper Recyclable Food Container Solution



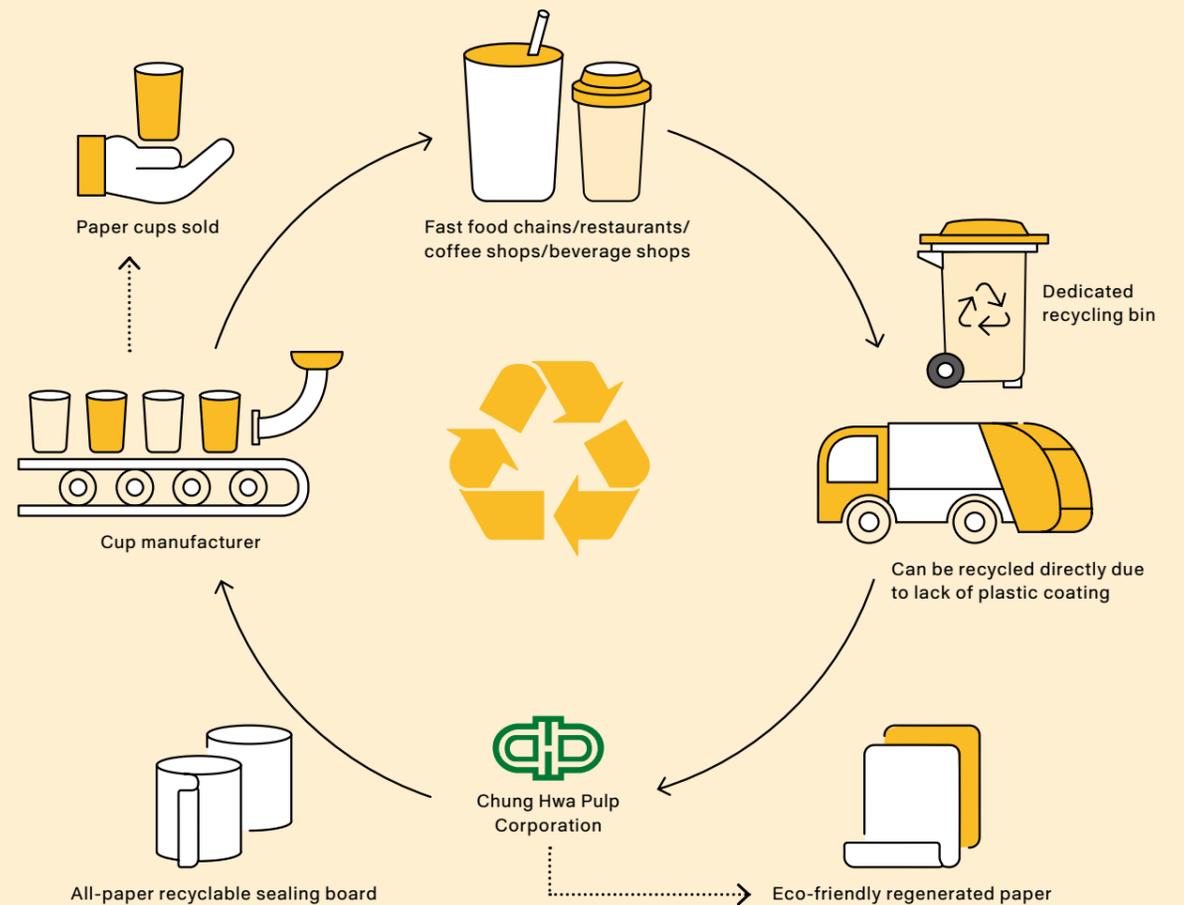
In Taiwan, two billion single-use drinking cups are used each year, creating not only a mountain of waste but also challenges in waste recycling. Specifically, the need to recycle paper containers and general waste paper separately is quite difficult and can lead to greenwashing practices. For this reason, CHP developed a series of all-paper containers that can be directly recycled, thereby making recycling easier for recycling companies and consumers. Our CircuWell products are a one-stop all-paper recycling solution.



CircuWell, CHP's all-paper recycling food container solution, won the Taiwan Excellence Silver Award in 2022, the highest honor achievable for products made in Taiwan. Mr. Ray Chen, General Manager of the Fibrous Material Business Unit, collected the award on behalf of CHP.



Scan to learn about
The CircuWell Family
(Facebook Page)



For earth, for us.:

Respond to environmental protection and reduce the harm of disposable plastic products

Milestones in CHP's Transition to Plastic-Free Production	
2018/10	CHP launched raw paper for paper straws, taking the first step to plastic-free production.
2020/07	CHP launched a line of non-plastic food-safe paper products, called CircuWell, that includes paper cups, sealing film, disposable tableware, and fluorine-free grease-proof paper.
2020/10	The Board of Directors of CHP approved an investment of NT\$2 billion to purchase land for the Guanyin Paper Mill, with plans to construct a production base for non-plastic materials.
2021/03	CHP announced the launch of the company's largest transformation plan yet. CHP established the "Fibrous Material Business Unit" and "Special Material Business Unit," demonstrating its full commitment to going plastic-free.
2022-	CHP plans to develop more non-plastic products in the future.

CircuWell Sealing Board	This water-proof and grease-proof product can be used to make coffee cups and drinking cups.		
CircuWell Film Paper	This plastic-free film paper offers an alternative to plastic-coated films, and can be used in sealing machines that are designed for use with plastic-coated film.		
CircuWell Straw Paper	This Made-in-Taiwan water-resistant straw paper has been verified by a third-party testing agency to be free of plasticizers and heavy metals. It is safe to use and free of the hazards that arise from the use of plastic straws.		
Fluorine-Free Grease-Proof Paper	Regarding oil resistance, printability, and physical strength, it is great for fried food, ice cream, etc. It is safe to eat and use at ease.		

Certification	
FSC Certification	AF&PA Re-pulping Voluntary Standard
Compliance with FDA	Non-plastic component
Biodegradable	



Forestry and Agriculture

CHP's sustainable business encompasses afforestation, pulp and paper-making, and agriculture and forestry. Our agriculture and forestry business plays a pivotal role in the economic cycle of the paper-making industry. Considered a starting point in the paper-making industry, our agriculture and forestry business is responsible for cultivating seedlings for afforestation and environmental restoration. It also represents a terminal station in which organic waste from manufacturing processes is reintroduced to nature, so as to build a completely connected industry chain.

Forestry

In 1980, the government implemented a 20-year policy to encourage comprehensive regional development in Eastern Taiwan. In response, CHP began promoting afforestation in Eastern Taiwan. To date, the Company owns five forest land sites and has planted approximately two million tree species.

The main tree species found in forest lands in Taitung Country include Acacia confusa, Taiwan Zelkova, and Eucalyptus. For years, CHP has collaborated with forestry research institutes and forestry departments of domestic universities to cultivate a botanical garden in Guanshan's Dianguang Forest that is home to hundreds of tree species native to Taiwan, including two of the four relict species from Taiwan, Cycas taitungensis and Phoenix loureiroi, as well as a rich diversity of animal species such as the Reeves's muntjac, ferret-badgers, the collared scops owl, and the Taiwan blue magpie.

CHP's subsidiary, Dingfeng, operates a forestry business in mainland China. It grows and maintains forest land that supplies raw materials for paper-making. Dingfeng currently owns 501 forest compartments or 434,000 mu (28,933 ha) of forest land stretched across 9 counties and 52 townships in Guangxi and Guangdong Provinces. The subsidiary has built two plant nurseries of more than 100 mu (6.67 h) in area, where 1.75 million government-approved seedlings are planted annually to provide the seedlings needed for afforestation. Due to growing ecological awareness in recent years, CHP has been working hard

to preserve ecological diversity and has accumulated 1.33 million m3 of growing stock according to a forestry survey.

Forestry provides economic benefits. Afforestation for the purpose of supplying raw materials for papermaking is meaningful in that it not only replenishes regional forest resources and enriches regional ecosystems, but it also raises our ability to develop a local wood supply and enables us to protect and preserve the ecosystems that live within these forests. Intensive management and purposeful cultivation of forested areas improves the quality of forest stands and strengthens forest ecology. The most prominent ecological benefits of afforestation are environmental greening, water conservation, soil and water maintenance, air purification, and ecological barriers to farming and animal husbandry activities.

To promote harmony between forest lands and neighboring regions, all of our forests are managed through manual labor, which requires a large workforce. We hire locally, giving priority to residents who live near our forests. We also prioritize local contractors and local farmers and workers when contracting our work. Before carrying out forestation work in culturally significant areas, we ascertain whether there are areas under special management (e.g., cultural relics, culturally significant landscapes, etc.). If such areas exist, we mark them on the map, reserve a buffer zone around the area, and ban any forestation activities in that zone, so as to preserve the original

landscape of the area.

Our forestry operations in mainland China conform with the principles of reasonable logging and sustainable use. Our annual logging volume is based on the resources in our existing production base in order to scientifically and rationally manage our forest resources and ensure the reasonable consumption of wood materials. Ecological logging is a core aspect of our operations. We implement a gradient management system that facilitates structural adjustments and the optimization of forest resources, the quantification of wood production, biodiversity protection, and soil and water conservation and maintenance and adjustment of the forest carbon sink balance in forested catchment areas, all of which are conducive to minimizing the impacts of deforestation on the environment.



The picture shows Guimin, Wang of Taitung Mill's Agriculture and Forestry Team doing a regular mountain patrol.



Dingfeng Pulp and Paper Co., Ltd., an overseas subsidiary of CHP, launched FSC-certification efforts in January, 2016 and obtained an FSC Certificate (SGS-FM/COC-010955) on February 22, 2017.

Horticulture

Fertile Soil for a Sustainable Life

The natural organic fertilizers made by CHP can be used to grow fruits, vegetables, and plants. They effectively improve soil quality, have diverse applications, and create green spaces. We built a green park that links production to the ecosystem and the ecosystem to daily life, where people can co-exist and form a symbiotic relationship with nature, thereby realizing our goal of environmental sustainability.



Agriculture

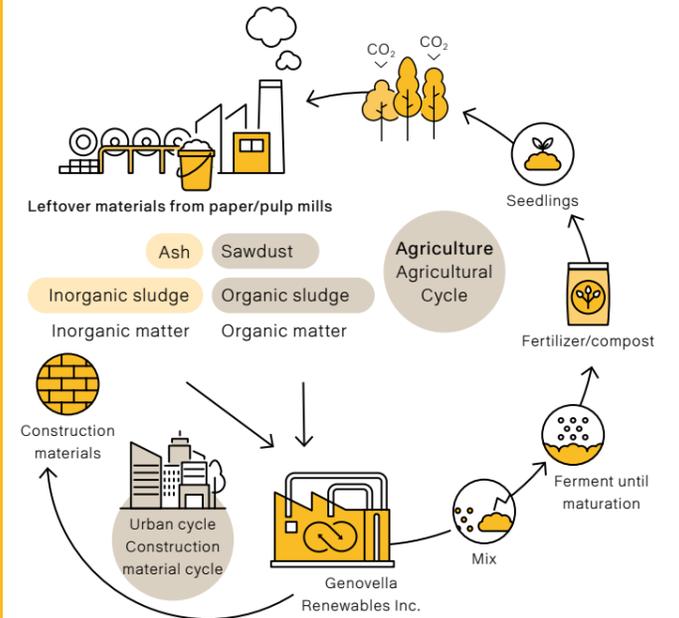
CHP strives for sustainability by adhering to the principle of giving back to nature and endeavoring not to produce waste. The paper-making industry usually generates fibrous waste. Sawdust, high concentrations of lignin from mixing wood chips with rainwater, and sludge from water treatment facilities are all rich in organic matter. While other manufacturing sectors may view organic matter as useless substances, in the eyes of CHP, such matter comprises “leftover” raw materials for which we have not yet found a purpose. However, mixing sludge from water treatment facilities with leftover sawdust from the pulp-making process and allowing the mixture to ferment for some time eventually turns it into a natural compost that contains neither hazardous substances nor heavy metals and that increases soil porosity, which contributes to a more stable product quality. Utilizing such fertilizer in nature gives soil the most balanced nutrient supply, improves barren land, and nurtures saplings, thereby creating new value and more business opportunities. CHP’s sawdust and fertilizer products are in compliance with laws and product labeling regulations.

Technology Research and Development

Technology industries across the world are growing rapidly. In light of this trend, CHP has been investing in innovative R&D projects to transform the paper industry and develop diverse product applications. Through industry-academia collaborations, we develop products from recycled materials to increase the efficiency of our resource utilization. In 2021, the Company invested a total of NT\$104,750,000 into R&D in two industry-academia projects. This amount is projected to reach NT\$110-130 million in 2022.

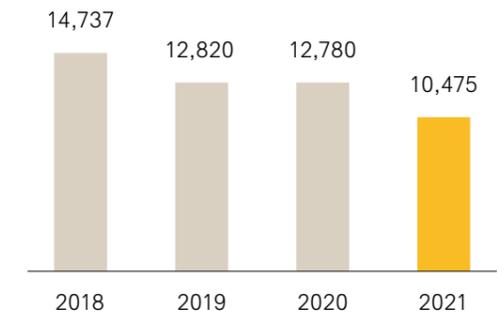
A Circular Economy Hub

Genovella Renewables Inc. develops and designs secondary raw materials and introduces them into a new product life cycle to create economic value.



R&D Expenses

Unit: NT\$10,000



Pulp Products	Our pulp products are developed with a focus on reducing energy consumption and stabilizing production efficiency.
Paper Products	We employ new technologies to develop multi-purpose, high value added specialty paper products can be applied in multiple fields. We have also developed food-safe paper and other specialized materials. Our future R&D focus will be on plastic-free products, including food-safe papers and pulp-based products.

Products with Environmental Certification



FSC certified products

CHP was the first papermaking company in Taiwan to be certified by the Forest Stewardship Council in 2007, and began producing FSC-certified paperboard in 2008.



PEFC certified products

CHP was verified by the Programme for the Endorsement of Forest Certification (PEFC) in 2010, when the company launched our PEFC-certified eco-friendly paperboard. These products can be used for carton packaging or in books.



Carbon footprint certified products

CHP launched Paper Star Printing Paper, the first carbon footprint-certified office paper. A life cycle assessment has been performed on this product, including an inventory of its raw materials and transportation, pulp-making, papermaking, packaging, consumer use, and recycling processes. This is the first EPA carbon mark that we have applied for our printing papers.



Eco-friendly recycled photocopy papers

Our Hyacinth series photocopy paper is made of 60% recycled paper to save forest resources.



Plastic-free paperboard

Our CircuWell Seal Board, a plastic-free paperboard, received the EPA's Type 2 Green Mark, which indicates that our products conform to the environmental principles of recycling, pollution reduction, and resource conservation.

*FSC™ CoC verification (License Code: FSC™-C016878, FSC™-C012657, FSC™-C118028)

Products with the Green Mark

Mark No.	Product Name	Specifications and Standards/Environmental Appeal
1972	Clear Lotus series recycled paper (for office automation)	Recycled paper for office automation (OA)
6004	Hyacinth series photocopy paper	
16873	Clear Lotus series wood-free paper	Stationery and writing paper made of recycled paper
16875	Clear Lotus series recycled paper board	Packaging products made of recycled paper
16874	Recycled Kraft paper (wrapping paper and paper bags)	
16876	Clear Lotus series recycled two-side coated solid board	
16877	Kraft top liner	
16878	Coated duplex board	
16879	Chip board	
16880	Chip board (grey)	
16881	Core board	Environmentally friendly product
0516	CircuWell Seal Board (for processing)	

Product Responsibility and Quality Management

PAll of our production bases in Taiwan and overseas have received FSC Chain of Custody (CoC) certification and PEFC certification, and have conducted an inventory of their carbon footprint to implement carbon management. Products manufactured by CHP have passed green product, food safety, and medical device certifications, which are regularly renewed to ensure that our products comply with relevant

regulations. The Company has installed a Finished Product Quality Control Management System that features a distributed control system (DCS), quality control system (QCS), online stain detector equipment, and color sensor, to manage and check the quality of our paper products in real time and ensure that the paper we produce is printable and of good quality.

	Pulp	Printing Paper	Packaging Paper	Specialty Paper	Chemical Products
PEFC-CoC	o	o	o	o	
FSC™-CoC	o	o	o	o	
FSC™-Recycled		o	o	o	
ISO 9001	o	o	o	o	o
ISO 14001	o	o	o	o	o
ISO 45001	o	o	o	o	o
ISO 50001		o	o	o	
ISO 11607				o	
ISO 22000				o	
HACCP				o	
FDA.TFDA				o	
CNS Mark		o	o		
Restriction of Hazardous Substances Directive (RoHS)		o	o	o	
Dimethyl fumarate (DMF)		o	o	o	
Substance of very high concern (SVHC)		o	o	o	
Perfluorooctane sulfonic acid/ Perfluorooctanoic acid (PFOS/PFOA)		o	o	o	
Halogen		o	o	o	
EN 868				o	
Green Mark		o	o	o	
Carbon Footprint Mark		o	o	o	
Biodegradable Industrial Compost				o	

*FSC™ CoC verification (License Code: FSC™-C016878, FSC™-C012657, FSC™-C118028)



Environmental protection and sustainable development are issues of global concern, and the papermaking industry is viewed as a sector that is friendly to the environment. Given our corporate responsibility, CHP cares deeply about environmental issues. By practicing green procurement and purchasing green products (e.g., raw materials, production equipment, and office supplies with environmental labels, energy-saving marks, and FSC certification) CHP seeks to reduce environmental impacts and achieve sustainability, and thereby transform the papermaking industry into a sector that contributes socioeconomic benefits as well as greater value to all of society.

HP's Taitung Paper Mill received the 2021 Taitung County Outstanding Enterprise in Green Procurement, which was awarded by the Taitung County Department of Environmental Protection. The person on the left is Mr. Yong-Shun Chen, Chief of our Taitung Mill (photo accessed from the Taitung County Government website).

Green Procurement

As a member of the global green supply chain, we purchase locally and encourage our suppliers to supply locally made products. Apart from cost savings considerations, support for local industries is another reason why we purchase locally. For example, 92% of our recycled paper is sourced from local suppliers. CHP's production bases are located in rural areas. For repair and maintenance work, we purchase equipment and materials from domestic or local suppliers as much as possible.

This practice boosts local development, supports industrial transformation in Taiwan, and creates more job opportunities for locals, thereby achieving regional population equilibrium and steady industrial development. CHP supports green procurement by taking part in the government's green procurement programs and purchasing raw materials and general materials with green labels. In 2021, green procurement at our plants in Taiwan totaled NT\$4.3 billion.

Supply Chain and Customer Services

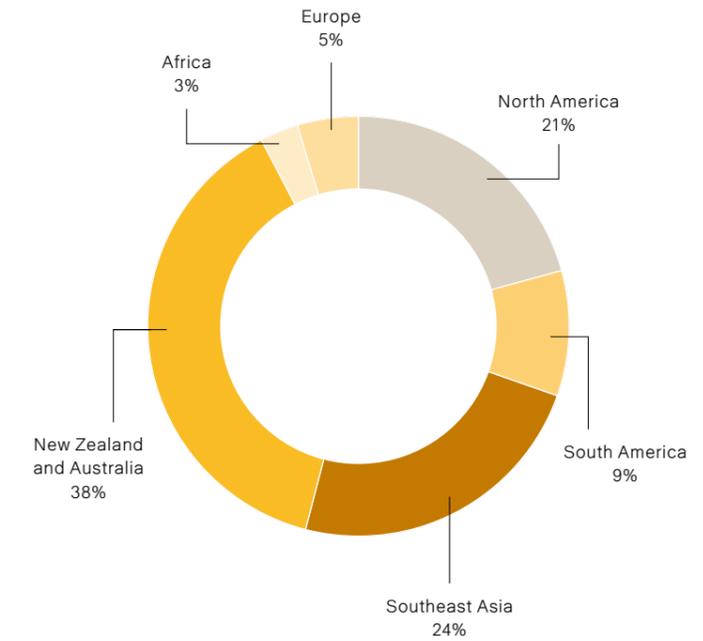
Raw Materials Procurement

CHP imports woodchips and paper pulp to make paper; therefore, our production costs are susceptible to international market fluctuations. In 2021, the Company imported approximately 600,000 tons of raw materials (woodchips and pulp) from Australia, Chile, Brazil, Vietnam, Thailand, Indonesia, Malaysia, South Africa, Canada, the United States, and Europe. We closely monitor the volatility of raw material prices, keep abreast of changes in market supply and demand, and monitor the quality of sources to ensure stability in the cost of raw materials. The raw materials purchased by CHP are all government-approved or certified products and 100% renewable. The traceability of raw materials must be ensured in order to provide responsible products. Our product information is registered with international environmental protection alliances for approval to provide customers with transparent information and fulfill our corporate social responsibility.

Supply Chain Management

Supply chain management is particularly important in a world filled with environmental issues and social challenges. Because CHP relies on natural resources to operate its business, we have an obligation to fulfill our social responsibility. To do so, supply chain management is a major challenge that we must tackle. Because illegal logging occurs frequently around the world, we are extremely particular about who we purchase our raw materials from. To avoid impacting the rainforest ecosystem, we only work with suppliers who are internationally certified and comply with local regulations. Our mission is to be a sustainable and responsible company that purchases and uses raw materials responsibly and endeavors to develop more environmentally friendly technologies to protect earth's resources. We have developed a Procurement Policy that demonstrates our commitment to protecting ancient and endangered forests, peatlands, and high carbon stock (HCS), high conservation value (HCV) areas. We ensure that our operations and procurement practices promote sustainable forestry. With respect to human rights regulations, CHP requires its suppliers to declare their commitment to responsible purchasing and human rights protections and to comply with local labor safety and human rights regulations. We also prohibit any form of discrimination as well as the use of child labor or forced labor.

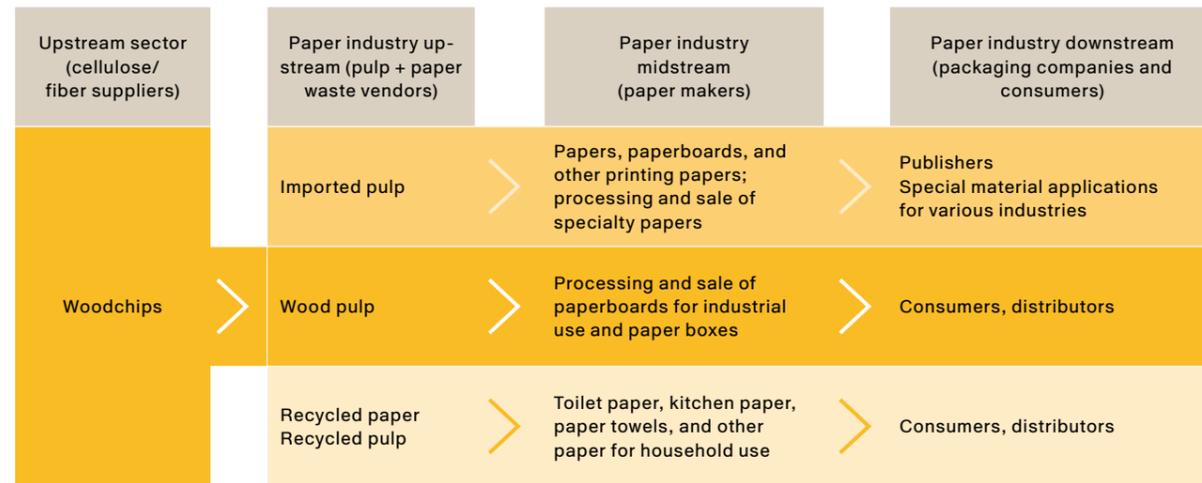
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Supply Chain Management

- Core Values:**
- Support responsible forest management
 - Reduce GHG emissions from operational processes
 - Respect and protect the rights of individuals, communities, and employees

Upstream, Midstream, Downstream Flow in the Papermaking Industry



New Supplier Selection and Evaluation

CHP cooperates with a considerable number of suppliers and contractors. Most of our materials are purchased from local suppliers and vendors, except for fibers, which suffer from insufficient production in Taiwan as well as fiber quality. Thus, we are able to support local businesses and concurrently reduce the impact that the transport of raw materials has on the environment. Our selection and procurement of our primary raw materials is 100% based on social standards. We maintain favorable relations with at least two suppliers. CHP has developed a Declaration of Human Rights, and we comply with the requirements

stipulated in this declaration and ensure that our suppliers do the same. For example, the declaration includes a statement of commitment to compliance with labor laws enforced in the location or country where the business is registered, the prohibition of child labor, and an adherence to the spirit of human rights for sustainable development. It also states that CHP will only work with suppliers who commit to this declaration and will sever ties with those with risk potential. Furthermore, CHP has formulated management procedures to select new suppliers and evaluate existing suppliers.



New suppliers are required to complete a Supplier Survey Form (which includes a Statement of Commitment to Honesty and Integrity). Once a supplier is internally reviewed and approved, purchases can be made from that supplier through the logistics system. New suppliers are regularly evaluated (twice a year); 256 suppliers were evaluated in the first half of 2021, and 278 in the second half, for a total of 534 suppliers. In 2021, all suppliers passed the evaluation (total score was 100; passing mark was 70 or higher). Our procurement contract explicitly states that suppliers are strictly prohibited from offering and accepting bribes, among other unethical behavior.

Supplier Evaluation Items



Customer Service

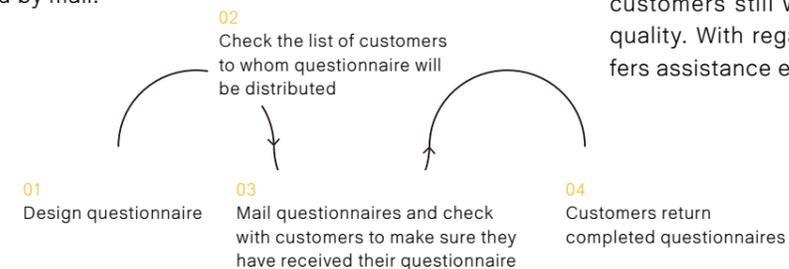
CHP is the largest maker of printing papers and paperboards in Taiwan. In a highly competitive environment where relatively homogenous products can easily be substituted, we actively develop niche products and maintain our brand image in order to differentiate ourselves from a crowd of competitors. We pay visits to our customers regularly as needed to gather their opinions of our products and services and align our sales strategies with market trends. For new customers or new products, new product launches and quality conferences are held to provide technical analysis and guidance in a timely manner, help customers address their problems, and provide e-services. Distributors can place orders online by connecting to our sales system. We hold commendation ceremonies to reward well-performing distributors. To improve customer service, the Company regularly conducts customer satisfaction surveys, and we have introduced a customer relationship management (CRM) system that is updated with quarterly customer satisfaction survey results to provide a basis for service improvements.

On-Time Delivery

To deliver products on time, CHP has implemented a digital order placement system. When a customer places and order online, our production unit arranges and plans our production schedule based on the quantity of the order and desired delivery date. Orders and production progress can be tracked by customers on the digital system to check the status of inventory and delivery from the day the order is submitted, thereby achieving maximum customer satisfaction.

Research Process

The questionnaire design is based on customer characteristics (direct seller, distributor, processing plant, specialty papers) and the essential elements of our service processes. The questionnaires were distributed by mail.



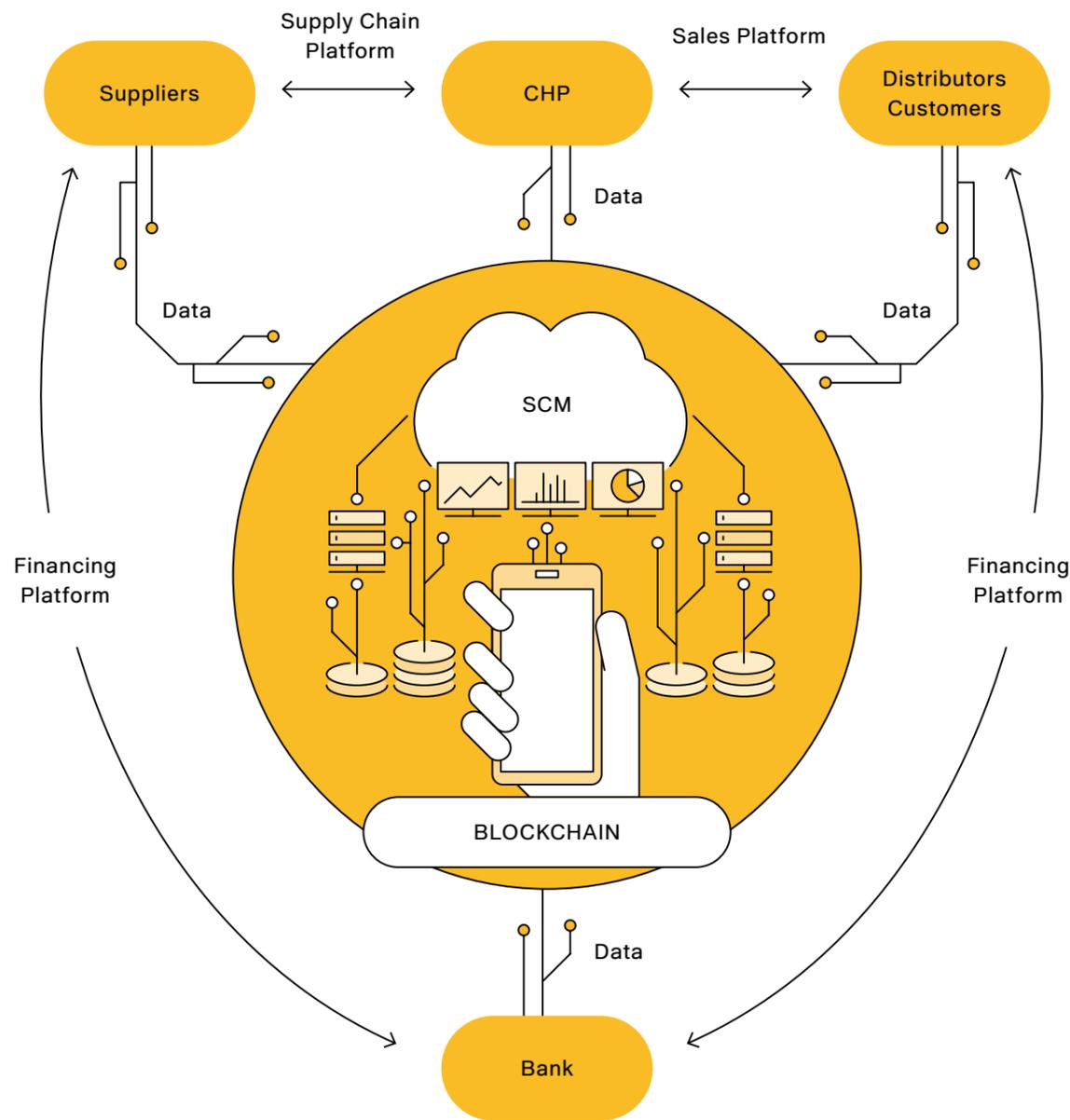
Item	Overall Satisfaction	Technical Assistance	Product Information	Product Quality	Order Processing	Transport Services
2020	3.63	3.64	3.64	3.57	3.74	3.90
2021	3.65	3.68	3.75	3.53	3.78	3.8

Customer Feedback

The papermaking industry in Taiwan has matured. Despite being the largest maker of printing papers and paperboards in Taiwan, CHP must still tackle the challenges of globalization. In addition to actively developing niche products, the Company must build an excellent brand image as well. To ensure our brand image is consistent with customers' perception of our brand, we conduct a satisfaction survey covering every stage of service. In 2021, CHP distributed 76 satisfaction questionnaires and retrieved 40 valid samples, for a retrieval rate of 52.6%.

The satisfaction survey consisted of six dimensions, each with a total score of 5. In 2021, the respondents were on average "satisfied" with the services of CHP. The scores and satisfaction rate were slightly improved compared with 2021. In general, customers were relatively more satisfied with our product information, order processing, and transportation services. In terms of production information, the customers rated the following four pieces of information as most crucial: product samples, product physical specifications, quality comparisons with competitor's products, and new product information. In addition, 39% of customers were satisfied with our product information service because we demonstrated a good service attitude. With respect to order processing, customers were satisfied with the speed and accuracy of our customer service response. Customer satisfaction with the accuracy of our order fulfillment also improved considerably from 2020. Regarding transportation services in 2021, 75% of respondents were satisfied or extremely satisfied with the transport services that we offer at our paper mills and transfer hubs, despite the recurrent pandemic. CHP has purchased a GPS management system that enables smoother, uninterrupted traffic flow. We also installed new equipment to strengthen quality control and testing; approximately 45% of respondents were satisfied with the quality of our products, including our coated papers, molded papers, and paperboards, but some customers still wished for more consistent product quality. With regard to technical assistance, CHP offers assistance exactly as needed.

Digital Development for Triple Win Outcomes

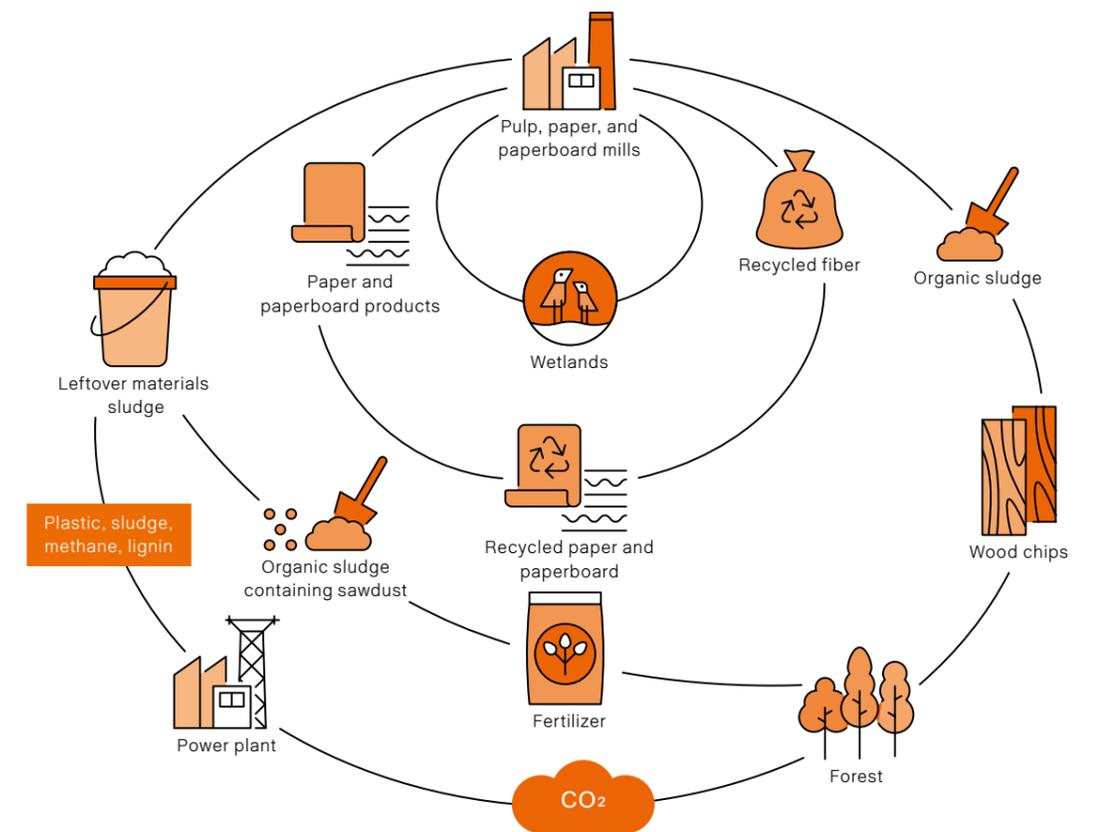
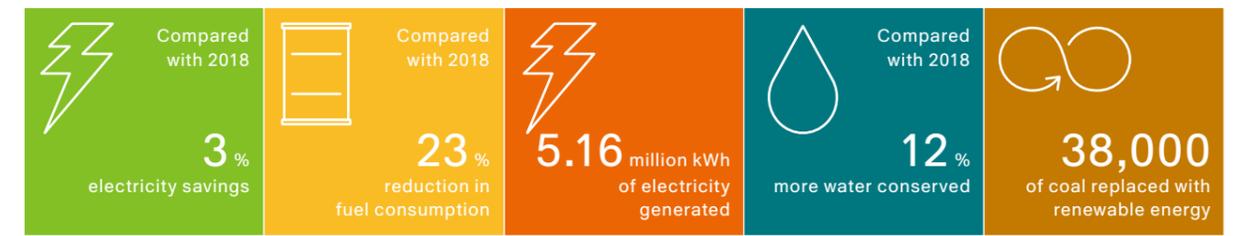


In 2018, CHP joined the group's supply chain management project to develop and install and SCM platform and engage in training. To date, 117 suppliers have been incorporated into the system, and this project will be continuously improved. CHP greatly values supply chain management; therefore, the supply chain management project was rigorously implemented to maximize benefits. Through the supplier management platform, we connected upstream and downstream partners, enhanced overall competi-

tiveness, and achieved outcomes that benefited all involved. This year, blockchain was used to set up a supply chain financing platform, with CHP at the core linking upstream and downstream vendors (suppliers and distributors), and the bank as the funds provider. External system developers were employed to collectively develop this platform. The information is digitally managed to quickly organize and clearly display various types of data, thereby ensuring complete transparency and increased efficiency.

Green Production

GRI 103-2/103-3/302-3

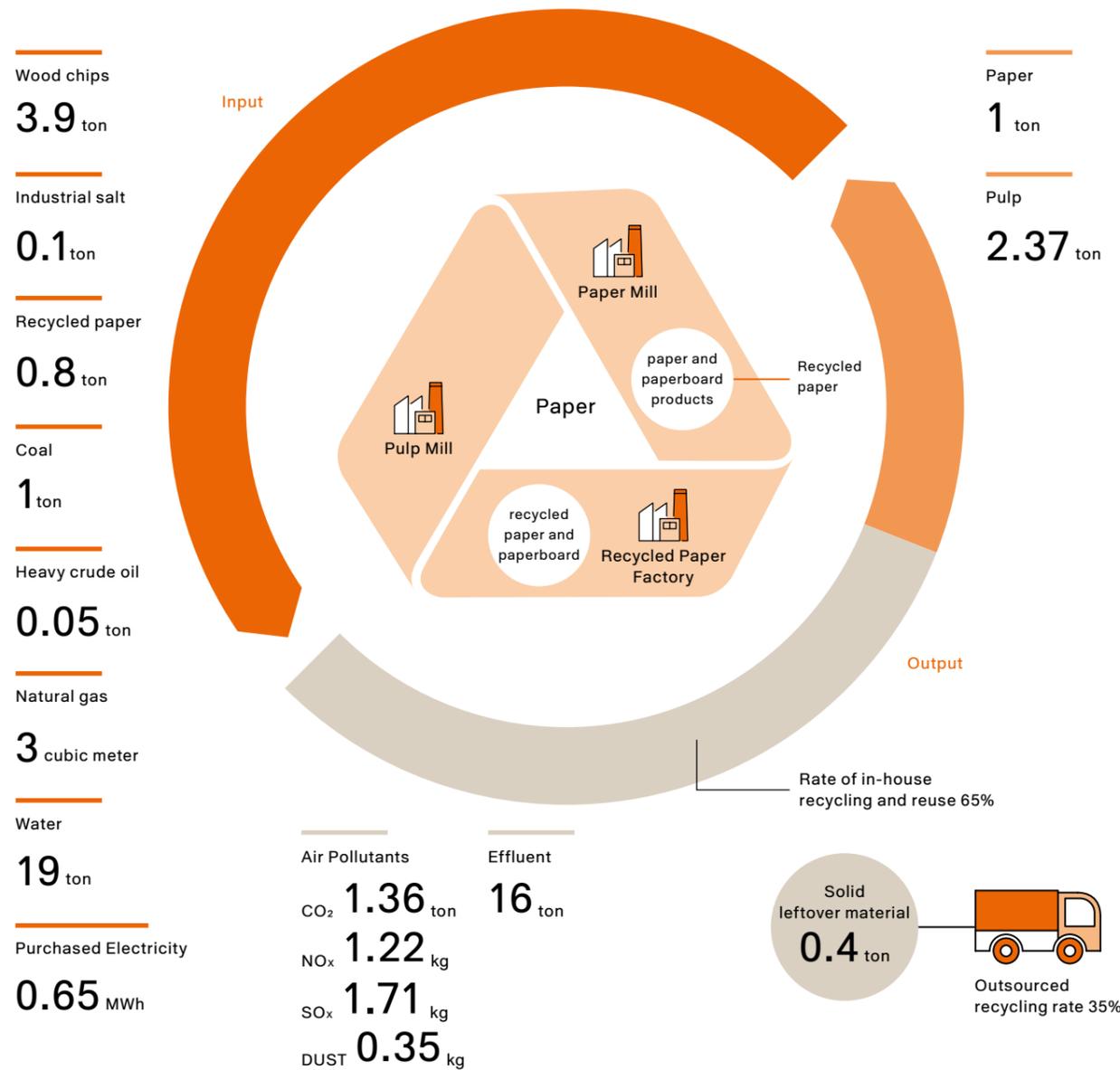


Environmental protection and sustainable development issues have garnered attention worldwide. It is the corporate responsibility of the papermaking industry to address these issues. The key to sustainable growth is transforming a linear economy that traditionally relies on the use of resources into a circular economy. Speeding up the adoption of an innovative circular bio-economic model is the challenge that will

determine the sustainability of the papermaking industry. The papermaking industry is an environmentally friendly sector that gives a positive green corporate image. In future manufacturing processes, the carrying capacity of natural ecosystems must be adequately considered when introducing or making improvements to new production concepts. Natural resources must be conserved and utilized as efficiently as possible.

Resources must be efficiently used at the source and throughout the production process, so that every production step is hazard-free and characterized by minimal input, minimal emissions (waste), and maximum (resource) utilization. In doing so, green industries such as papermaking can be transformed into a sector that contributes socioeconomic benefits as well as greater value to the entire society.

Energy Input and Output



In line with global sustainability policies, CHP has voluntarily implemented a series of clean production plans in an effort to improve our water and energy efficiency, thus bringing us one step closer to our zero waste and zero emissions goals.

Cutting Energy Costs and Transportation Costs and Reducing Water Wastage

Time Period	Type of pulp	Details
Past	Dry pulp	<ul style="list-style-type: none"> Paper pulp must be properly stored during transportation to ensure quality. Finished products must be dried before selling them to a paper mill. To make paper, pulp must be diluted before use.
Present	Semi-wet pulp or liquid-pumped pulp	<ul style="list-style-type: none"> Semi-wet pulp can be used directly to make paper. It does not need to be pre-processed (e.g., drying and diluting), which saves energy (e.g., steam), water, and labor. If a paper mill is adjacent to the pulp mill, semi-wet pulp can be transported directly via a pipeline, which greatly reduces the cost of pulp digestion, processing, packaging, and transportation.

Management Systems

CHP has set up a committee that is in charge of managing ISO-based quality standards, the environment, workplace safety, and FSC and PEFC certifications. In addition, quality, environment, safety, and health policies and commitments have been established. In addition to being continuously involved in community development, we ask our suppliers and vendors to commit to, comply with, and fulfill their environmental and integrity obligations. In terms of management and implementation, we have adopted a bottom-up management model in which environmental considerations are put forward by employees and regularly meet up

with the management committee to communicate environmental information to senior management. We identify material environmental aspects and regularly meet up with relevant committees to review the implementation status of these aspects and evaluate laws, regulations, and other rules and requirements. Subsequently, we put procedural controls into place or implement improvement projects after studying technical trade-offs, finances, operations, business activity, and stakeholders' views. CHP has obtained the following management system certifications:

Plant	ISO 9001	ISO 14001	ISO 14064	ISO 50001	ISO 45001	ISO 22000	HACCP	FSC Certificate	PEFC Certificate	Enterprise with Level-2 Work Safety Standardization (China)	High-Tech Enterprise (China)
Pulp/Paper Mill (Hualien)	2020.05	2019.05	2021.09	-	2021.06	-	-	2021.02	2020.09	-	-
Paper Recycling Plant (Taitung)	2020.12	2019.12	2021.09	-	2019.12	-	-	2018.10	-	-	-
Specialty Paper Mill (Jiutang)	2019.06	2020.06	2021.08	2014.12	2020.06	2021.10	2021.10	2018.11	-	-	-
Paper Product Mill (Guanyin)	2022.05	2022.05	-	-	-	-	-	-	-	-	-
China Paper Mill (Dingfeng)	2020.07	2020.08	-	-	-	-	-	2022.02	-	2020.05	2021.12

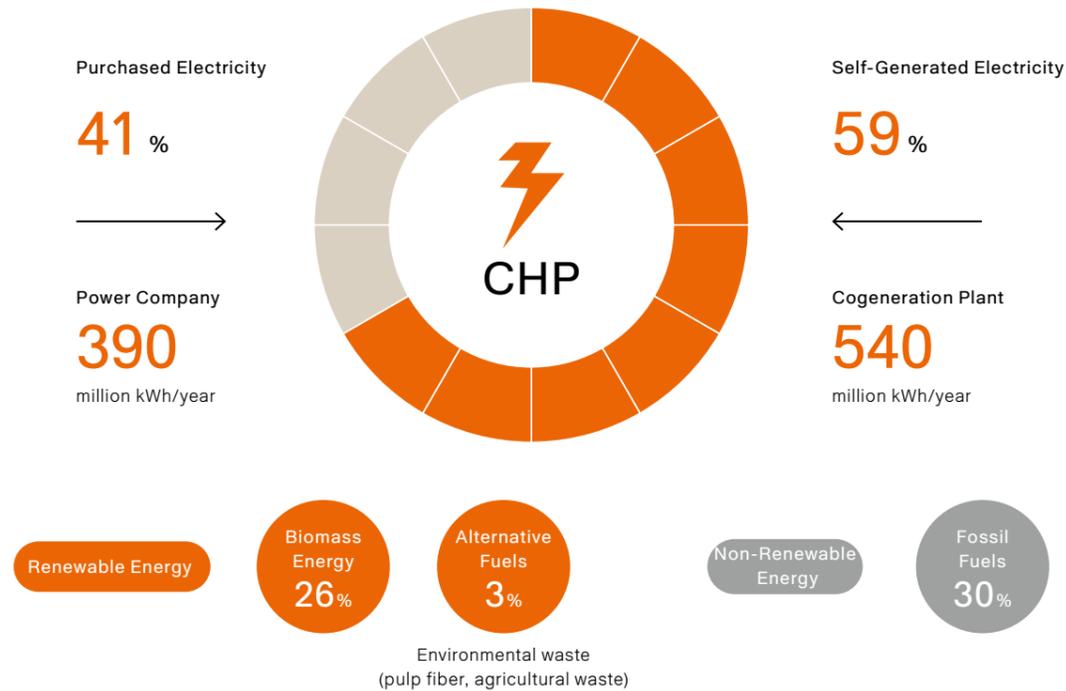
*FSC™ CoC verification (License Code: FSC™ -C016878, FSC™ -C012657, FSC™ -C118028); PEFC verification (Certificate SGS-PEFC/COC-1176)

Energy Management

GRI 103-2/103-3/302-1



CHP's Energy Structure

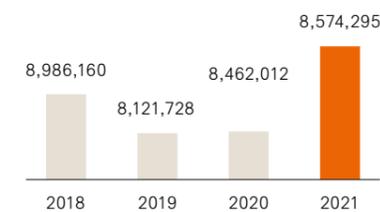


CHP's power is generated by a cogeneration system that supplies 50%–90% of the electricity required to run operational activities and provides electricity during off-peak hours to balance the pressures of regional power consumption. Combined heat and power, also known as cogeneration, is characterized by its ability to generate both thermal and electrical energy. Unlike traditional power generation methods that emit waste heat into the atmosphere, the fuel

costs invested in a cogeneration system can be transformed into both power and useful thermal energy, effectively reducing waste heat emissions and reliance on fossil fuels while increasing energy efficiency. The gross heating value of CHP's cogeneration system is sourced from coal, biomass, pulp sludge, and mixed recycled plastic. Through rational power distribution, we are able to maximize our energy efficiency.

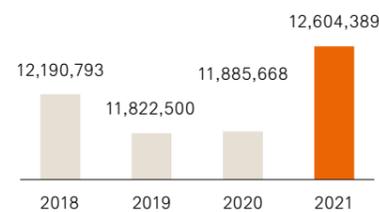
Renewable Energy

Unit: GJ



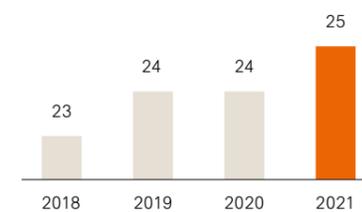
Non-Renewable Energy

Unit: GJ



Energy Intensity

Unit: GJ/ton (product)



A Low-Carbon Hydrogen-Powered Paper Mill in Hualien

CHP has set a precedent for the manufacturing industry in Taiwan. Currently, hydrogen is produced by converting hydrocarbon fossil fuels and water electrolysis. Hydrogen produced from fossil fuels has a low purity of 75%. Our integrated pulp and paper mill in Hualien produces hydrogen using the salt water byproduct of electrolysis (produced during the production of recycled pulping agent), which sets a precedent in the manufacturing industry. In 2021, approximately 490 tons of hydrogen byproducts with 95% purity were produced.* Through this clean energy technology, auxiliary energy is supplied to our lime kiln, replacing heavy crude oil.

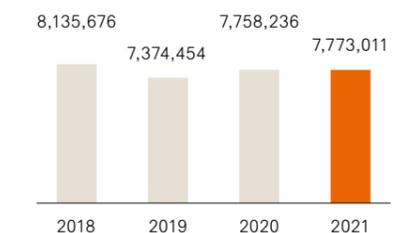
Renewable Energy

CHP is committed to recycling and reuse. Sludge, wood materials, bark, and plastic residue from recycled paper are materials that neither be reused in the production line nor regenerated into usable products. These materials are crushed, sieved, and granulated to form fuel for use as a substitute for coal, and as an alternative fuel for multi-fuel-fired boilers and also for the cogeneration system to supply the electricity required for operations.

Alternative Fuels	Amount of Coal Replaced (In terms of Heating Value)
Sludge	6,000 tons/year
Slag	8,000 tons/year
Discarded wood/bark	24,000 tons/year

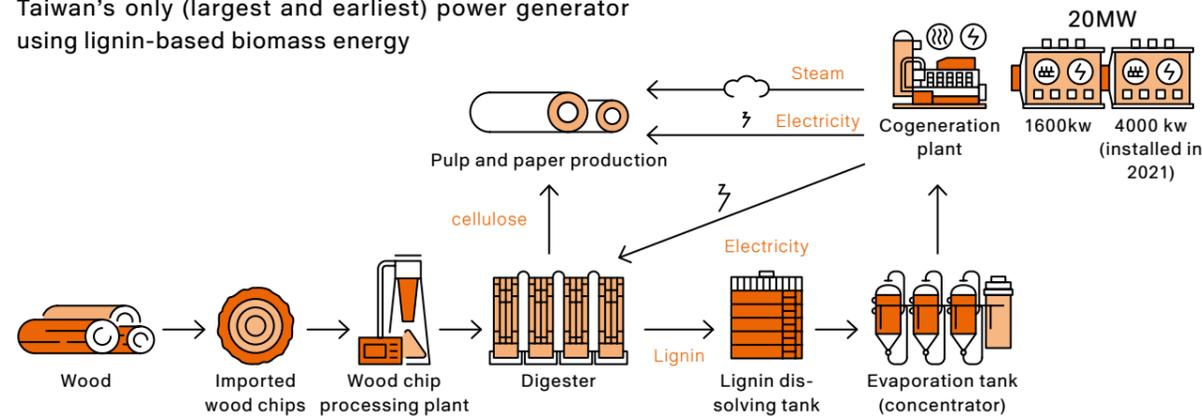
Renewable Energy

Unit: GJ



Lignin-Based Biomass Energy

Taiwan's only (largest and earliest) power generator using lignin-based biomass energy



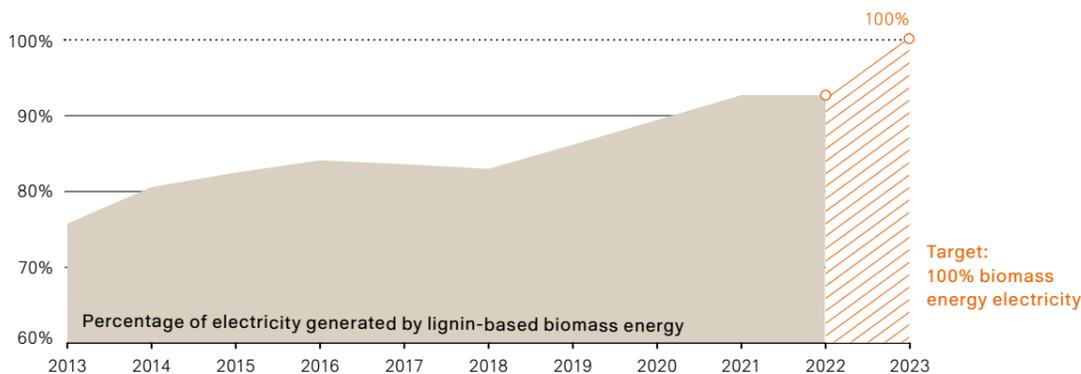
At CHP, pulp is produced by digesting wood chips to extract cellulose that is used to make pulp and paper. The resulting solution (also called black liquid) contains lignin as well as other organic substances, such as wood essential oils, pectin, starch, hemicellulose, and trace amounts of cellulose. The solution is concentrated in an evaporation tank to produce 63%-70% lignin concentrate, which is transferred to a recycling furnace for combustion to produce steam that replaces heavy oil and then processed in a cogeneration system to provide steam and electricity for manufacturing processes. CHP has a complete set of guidelines to manage gas emissions resulting from

the combustion of biomass energy. Emissions are processed in a dust collector to prevent air pollution. Due to fluctuating raw material prices, biomass fuel may be affected by procurement and financial management risks.

Lignin-based biomass energy supplies 92.7% of the electricity used in the integrated pulp and paper mill in Hualien. In terms of heating value, this is equivalent to 230,000 kcal of coal fuel. CHP actively invests in biomass energy technologies and aims to increase the installed capacity to 20,000 kW in 2022 as our way of contributing to Taiwan's target of achieving net zero emissions.

Item	Description
Black Liquid Recovery	After pulp washing, the diluted black liquid is concentrated and then transferred to a recycling furnace for combustion. The concentrate reacts with sulfur to form sodium sulfide, which is subsequently used in the manufacturing process. SO _x and NO _x emissions are lower than that found in ordinary furnaces.
Combustion in Lime Kiln	The lime kiln uses heat from oil combustion to convert sludge into lime. Because the chemicals in the sludge have sulfur and nitrogen fixation functions, sulfur oxide and nitrogen oxide emissions are reduced.

Percentage of electricity in Hualien Paper Mill generated by lignin-based biomass energy from cogeneration system



Emissions Management

GRI 103-2/103-3/305-1/305-2/305-3/305-4/305-5/305-7

GHG Management

To provide more eco-friendly products, we engage in continuous GHG reduction planning with a focus on seeking more efficient production models and technologies. CHP's boundary for GHG reporting encompasses paper mills and production plants in Taiwan and China. Our goal is to reduce carbon emissions by 7% by 2025 (in 2021, we reduced our emissions by 28,000 tons or 2.7%, compared with 2018; see Note 4).

Goals

Emissions Reduction Goals with 2018 as Base Year (Scopes 1 & 2)	
Short-term (1-2 years)	Reduce emissions by 1% annually starting from 2019
Medium- and Long-term (3 years or longer)	Achieve 7% in emissions reductions by 2025 compared with base year

Management Approach

CHP has set up a GHG Reduction Task Force that is responsible for taking an inventory of GHGs emitted from our production bases and formulating reduction measures. Inventory results are verified by a reputable third-party agency and subsequently registered on the national GHG registration platform (for production bases in Taiwan) and disclosed in our sustainability reports. In accordance with the Greenhouse Gas Reduction and Management Act promulgated by the Environmental Protection Administration (EPA), Executive Yuan in 2015, the pulp and paper industry participates in the Voluntary GHG Emissions Reduction scheme, a program launched by the Industrial Development Bureau of the Ministry of Economic Affairs. In 2005, CHP's GHG emissions totaled 1.02 million tons CO_{2e} (the Guanyin paper mill was not included in this boundary).

Management Approach	
Renewable Electricity Development	Installation of solar panels and increases in the installed capacity of power generators that use lignin biomass energy (integrated pulp and paper mill).
Carbon Reduction Strategies	Reduced use of fossil fuels, increased use of alternative fuels, and investment in biomass fuels.
Forestry Management	Afforestation, reforestation, and forest management to achieve carbon storage and carbon fixation functions to increase carbon reduction.

Management Performance

Inventory of Scope 1 and 2 Emissions

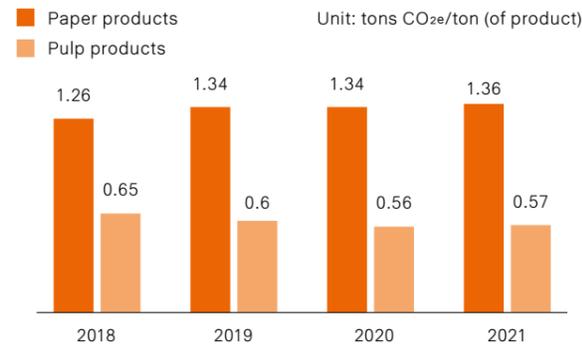
Inventories of GHG emissions from CHP's production bases are conducted in accordance with international and domestic regulations, including Taiwan's ISO/CNS 14064-1, the GHG Protocol (amended in March 2004), the Greenhouse Gas Reduction and Management Act, and the latest regulations stipulated on Taiwan's GHG Registry platform, as well as China's laws for addressing climate change. The Global Warming Potential (GWP) figures were obtained from the IPCC Fourth

Assessment Report (Climate Change 2007: Impacts, Adaptation, and Vulnerability). The emissions factors are based on the GHG Emissions Factor Management Table Version 6.0.4 announced by the EPA. After the inventory results are generated, the information required to support our results is provided to third-party verification agencies such as SGS and DNV, then registered on the EPA's GHG inventory platform and disclosed in our sustainability report.

Greenhouse Gas Emissions



Emission Intensity of Pulp and Paper Products



- Notes:
1. GHGs include carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆), and nitrogen trifluoride (NF₃).
 2. Scope 2 emissions were based on the carbon emissions factors announced by the Bureau of Energy.
 3. Emission intensity only covers Scope 1 and 2 GHG emissions.
 4. The production base in Guanyin commenced operation on July 1, 2021; therefore, the scope of boundary was changed, which affected our emissions reduction performance in 2021.

Inventory of Scope 3 Emissions

According to our Scope 3 GHG emissions in 2021, the total GHG emissions resulting from the transportation of upstream raw materials, including domestic and overseas procurement of wood chips and pulp, was estimated to be 14,080 tons CO_{2e} (Scope 3 emissions have not been verified by a third party).

*Calculation was based on the emissions factors provided on the Carbon Footprint Calculation Platform. emissions reduction performance in 2021.

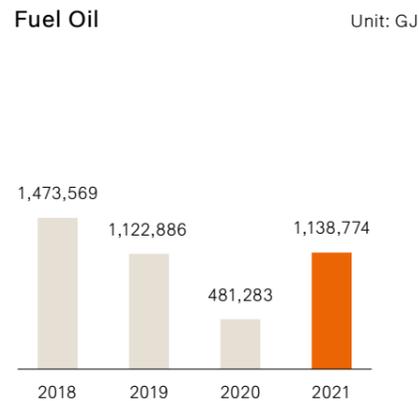


The picture shows Rong-Ming Lin, Director of CHP's Jiutang Mill, holding the "EPA 2021 Outstanding Adopters of Air Quality Purification Zones Recognized to Encourage Air Quality Protection - Special Contribution Award" (awarded by the Environmental Protection Agency, Executive Yuan).

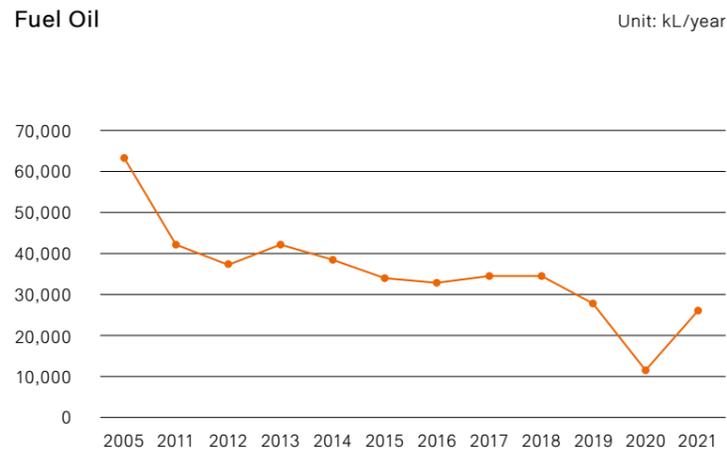
Carbon Reduction Performance

CHP is voluntarily working to reduce carbon emissions. Besides upgrading our production facilities and motor performance, we have also adopted energy-saving measures such as taking an inventory of our electricity and steam consumption. In recent years, we have installed energy-saving pulp-making machinery and recovered thermal energy (from steam/flue

gas) to reduce heat dispersion, effectively improving our energy efficiency and lowering our fuel oil demand. In addition, we introduced a lignin concentrator to increase the benefits of our biomass power generators. Our fuel oil consumption was reduced by 23% in 2021 compared with 2018, significantly lowering our carbon emissions by 120,000 tons of CO_{2e}.



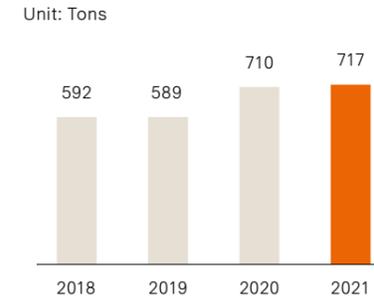
*The Guanyin plant commenced operation in July, 2021.



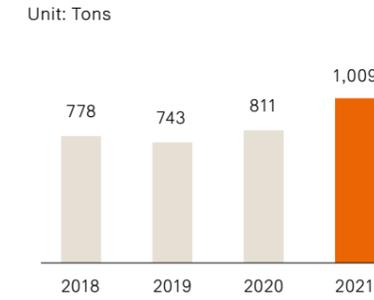
Air Quality Management

CHP's air quality management is in compliance with government laws and regulations, and we put a great deal of effort into evaluating and improving our technology. CHP does not emit hazardous air pollutants.

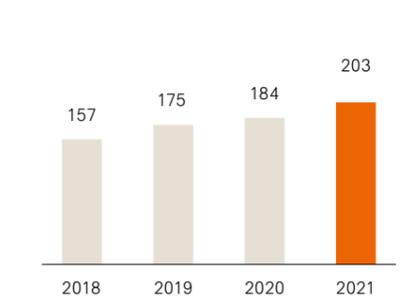
Total Nitrogen Oxide (NO_x) Emissions



Total Sulfur Oxide (SO_x) Emissions



Total Dust Emissions



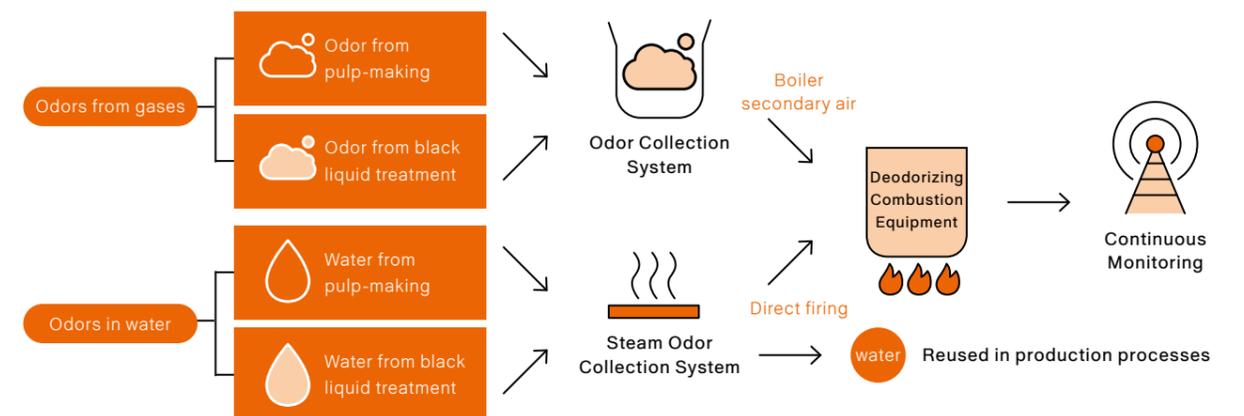
*Data source: Real-time readings from in-plant air flow meters

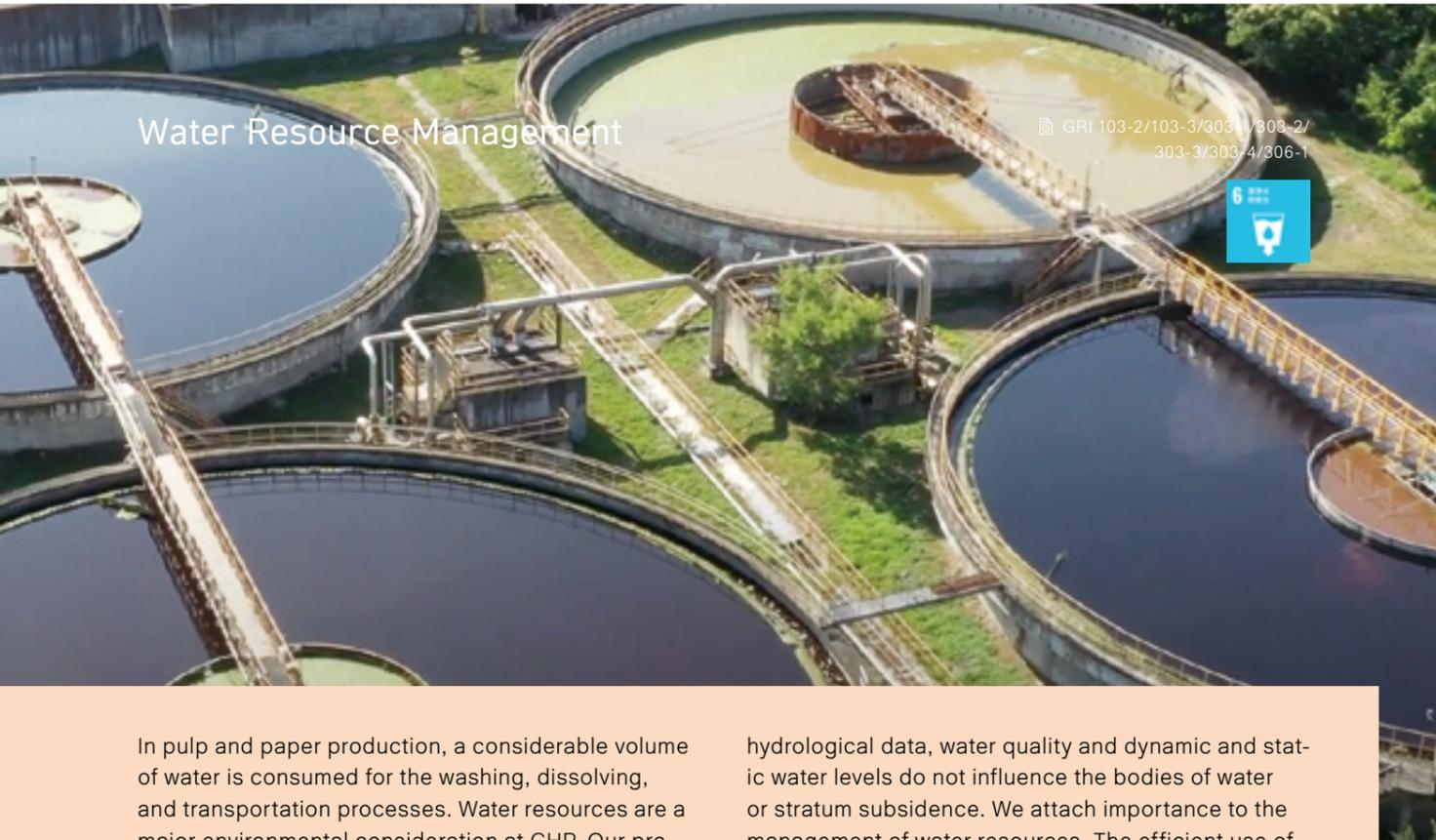
Odor Prevention

The paper production process can generate foul-smelling gases containing hydrogen sulfide, methanethiol, and methyl disulfide. These substances have differing calorific values, and the sulfur element in the composition is essential for the production process. We employ an odor-collection system to transfer foul-smelling gases into a recovery boiler for

combustion. Heat from the recovery boiler reacts with the chemicals to convert the foul-smelling gases into process chemicals, which are utilized to deodorize the pulp-making and water treatment processes while reducing fuel oil and GHG emissions.

Odor Prevention Process





In pulp and paper production, a considerable volume of water is consumed for the washing, dissolving, and transportation processes. Water resources are a major environmental consideration at CHP. Our production bases have an abundance of groundwater resources and are not located in geologically sensitive groundwater recharge areas. For our production processes, we use groundwater from groundwater wells. We have applied for permission to use each well. We monitor the water levels from time to time to ensure that they are within the safe range. Discharged effluents flow into nearby river/stream mouths or estuaries (surface water). According to a review of

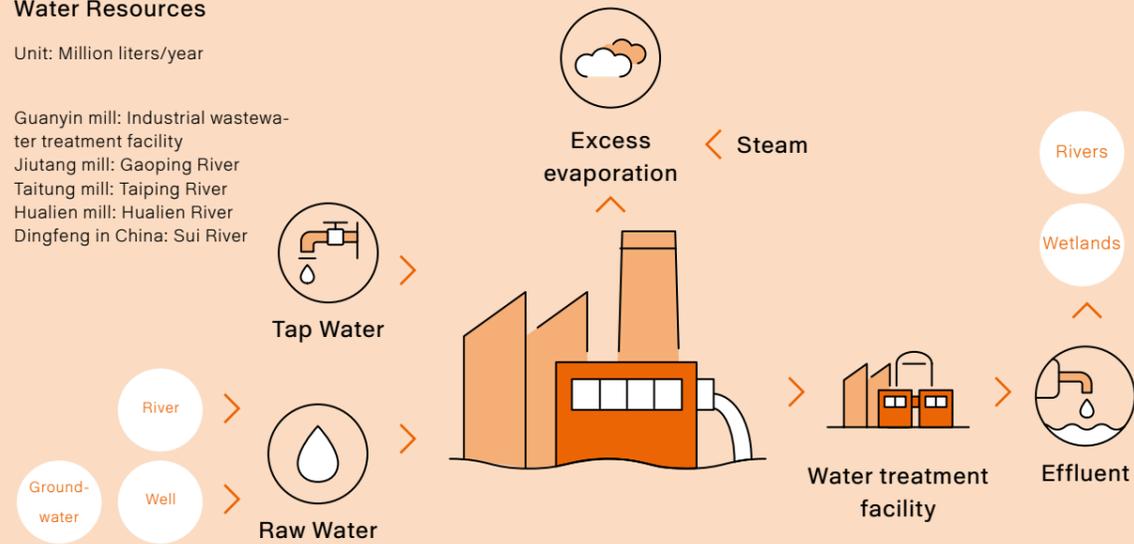
hydrological data, water quality and dynamic and static water levels do not influence the bodies of water or stratum subsidence. We attach importance to the management of water resources. The efficient use of water in production processes and water conservation are crucial topics in water management. Effluents are discharged into wetlands for ecological conservation, thereby creating an ecological chain. Because Taiwan lacks water resources, we aim to reduce our water consumption by 1% every year to ensure the sustainability of our water resources.

*Our production bases are located in areas with a low level of water stress (Source: information published by the Water Resources Agency of Taiwan and World Resources Institute).

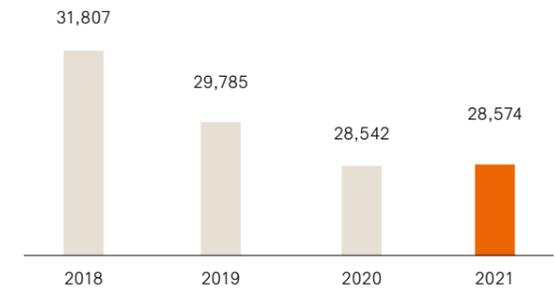
Water Resources

Unit: Million liters/year

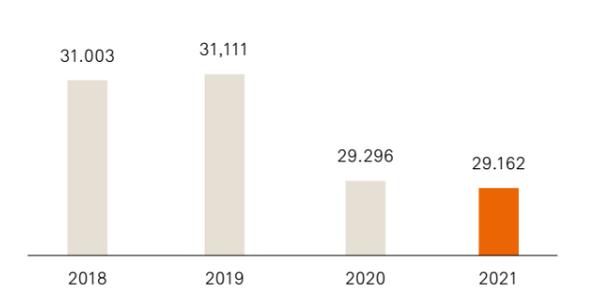
Guanyin mill: Industrial wastewater treatment facility
 Jiutang mill: Gaoping River
 Taitung mill: Taiping River
 Hualien mill: Hualien River
 Dingfeng in China: Sui River



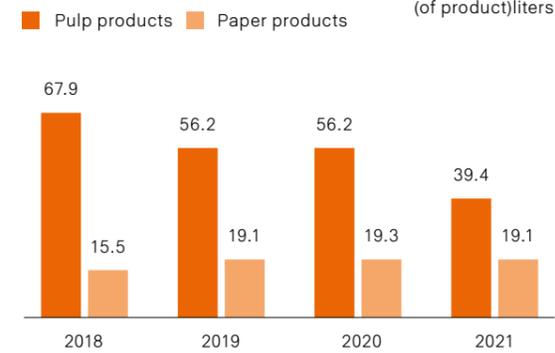
Total Water Consumption in Production Processes Unit: Million liters



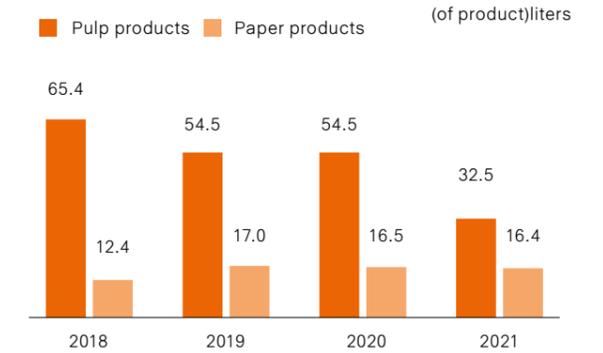
Total Water Discharge from Production Processes Unit: Million liters



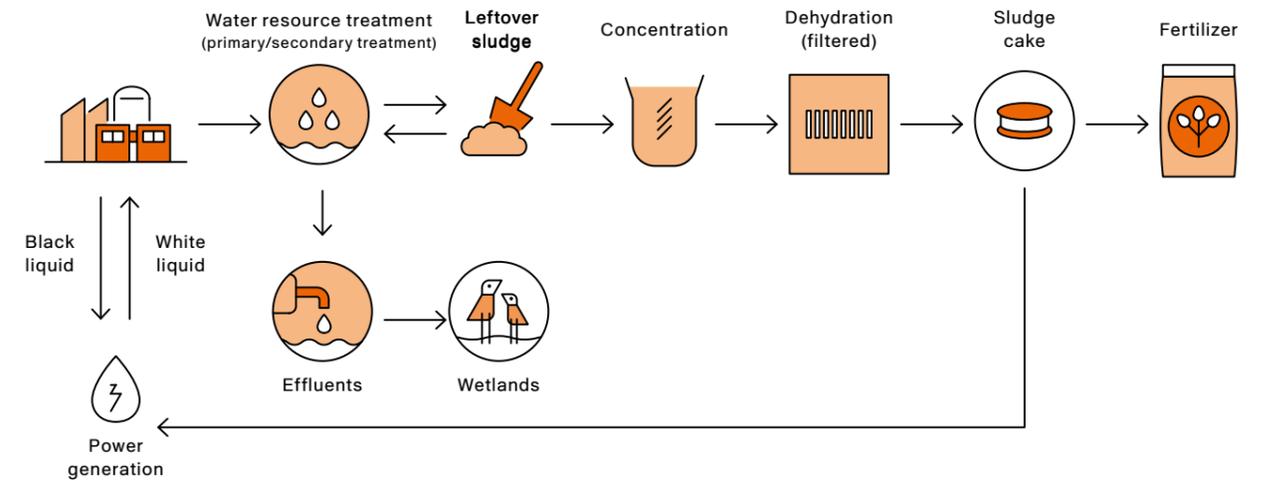
Pulp and Paper Production Water Use Intensity Unit: Tons of water/ton (of product)liters



Effluent Intensity of Pulp and Paper Production Unit: Tons of water/ton (of product)liters



To improve the quality of our effluents, we have strengthened source control and installed primary chemical coagulation and sedimentation facilities and secondary biological treatment facilities. In these systems, chemical coagulants are used to precipitate suspended particles in water, which are then decomposed by aerobic microorganisms in a biological treatment pond to yield chemical oxygen demand (COD) and biochemical oxygen demand (BOD). White water is reused to reduce the discharge of effluents and use of chemicals. Wastewater is discharged only after it has been treated until it meets the regulatory standards. The discharged water serves as a source of water for wetlands, thereby mitigating environmental impacts while restoring natural ecosystems.



As part of our water quality management efforts, we developed an early warning management mechanism for water consumed in production processes and for water discharged by each operating unit. The quality of effluents from each production line is controlled in such a manner that all process water is monitored before being discharged into water treatment facilities.

This is to prevent overloading the treatment system and ensure that the quality of treated and discharged effluents satisfies regulatory requirements. In addition, we are the first in the pulp and paper industry to use a warning system that notifies administrators when a control station identifies a problem with the quality of our process effluent.

This allows for emergency shutdowns when serious problems occur. Water risk management has become a global sustainability issue in the wake of climate change, which has intensified typhoons, earthquakes, and other extreme weather events, giving rise to risks of power outages, landslides, and damage to transportation facilities. In response, we monitor all of our emissions information at all times, and have established real-time water quality data that are synchronized with the EPA's monitoring system. We also assembled a Disaster Response Team that has 50 years of experience in disaster prevention, and have strengthened our flood prevention plans and improved our equipment and facilities to be more earthquake-resistant.

Water Resource Management	
CHP has set long-term goals using 2018 as the base year, has planned and is implementing water resource management.	
Recycling and reusing process water	Large volumes of white water are recovered from the overflow tank and reused as water for dilution, washing, cooling, and deodorizing purposes. Water recycled from production processes and low-pressure steam can be used to prevent the dispersion of odors. Recycled water used in production processes is estimated to save 800 m3 of water per day.
Improving water quality and optimizing water treatment procedures	Purifying lignin more efficiently minimizes lignin loss and improves the quality of wastewater at the source, increasing the operational stability of water treatment facilities and reducing COD/color of wastewater/SS significantly (by more than half).
Establishing and disclosing our water footprint	The entire operation of our production bases, from process management to active improvements in effluent quality, is monitored, and information transparency and disclosure have been strengthened.
Conserving wetlands and nurturing ecosystems	Effluent from our production base is discharged into wetlands, where undergoes a wetlands purification process that simultaneously restores the wetlands ecosystem, thereby creating biodiversity. Our effluents are discharged into two wetlands, one by the Old Railway Bridge in Kaohsiung (where 90% of the water comes from our paper mill) and the second being a natural wetlands area situated under the Hualien Bridge, which is adjacent to the mouth of the Hualien River.

Annual Average Quality of Effluents Discharged by CHP						
Item	Unit of Measure	Hualien Mill	Jiutang Mill	Taitung Mill	Guanyin Mill	Dingfeng, China
Water Temperature	°C	33.4	31	28.8	23.1	28
pH	-	7.6	7.2	7.8	7.9	7.1
Suspended solids (SS)	mg/L	10	4.475	21	6.2	25
Chemical oxygen demand (COD)	mg/L	100	36.75	123	35.1	43.5
Biochemical oxygen demand (BOD)	mg/L	12.5	3.967	3.7	3.4	5
ADMI color value	-	261	-	-	<25	5

Effluent Quality Standards						
Item	Unit of Measure	Hualien Mill	Jiutang Mill	Taitung Mill	Guanyin Mill	Dingfeng, China
Water Temperature	°C	<35	<35	<35	<35	<30
pH	-	6~9	6~9	6~9	6~9	6~9
Suspended solids (SS)	mg/L	<50	<30	<30	<30	<100
Chemical oxygen demand (COD)	mg/L	<150	<100	<160	<100	<250
Biochemical oxygen demand (BOD)	mg/L	<30	<30	<30	<30	<70
ADMI color value	-	<550	-	-	<300	Color 80

*China uses a different standard to that of Taiwan when measuring the color of wastewater effluent.

Resource Reuse

GRI 301-2/306-2/306-5



Forest trees are the primary natural resource on which CHP relies and also a vital asset of human civilization. After the manufacturing process, there are often unused parts or materials left over, such as bark, sawdust, inorganic sludge from water treatment, and organic sludge. To reduce waste and maintain the community environment, we endeavor to seek different methods of recovering and reusing leftover materials and creating more value with these materials. We are committed to improving our manufacturing technology and production efficiency to continuously move toward our reduction goals. Apart from increasing our use of alternative fuels as a substitute for heavy oil and coal, we have also developed tech-

nologies to recover and reuse leftover materials and generate less waste. Waste from the pulp/paper-making industry is largely fibrous materials that can be regenerated into new products, which is in keeping with our "R3" strategy. Leftover materials from CHP's manufacturing processes are not hazardous and are, therefore, disposed through recovery and reuse, turning them into compost and fertilizer, using them as alternative fuels, and incinerating them. Combustible leftover materials are processed into alternative fuels, raw materials for reuse in products, and compost/fertilizers, or are recycled by recycling vendors for reuse.

Waste Component	Quantity (metric tons)	Turned into Usable Resource	Incinerated (including energy recovery)
Biomass sludge	9,752	73%	27%
Pulp sludge	66,658		
Fly ash/bottom ash	73,366		
Inorganic sludge	77,934		
Plastic waste compounds	7,848		
Wood waste	936		
Leftover fibrous waste	3,156		
Domestic waste	141		
Waste oil	52		
Total	239,843		

General Waste	Onsite (metric tons)	Offsite (metric tons)
Incinerated (including energy recovery)	63,699	-
Incinerated	-	141
Turned into usable resources	91,808	84,195
Total amount of waste directly disposed of	239,843	

*Type of waste is distinguished by onsite/offsite disposal.

Label Liner Recycling Program: Forging Sustainable Partnerships

Every ton of label liner recycled conserves 116 trees.

*Based on data from the Label Liner Recycling Program

CHP has created a closed-loop recycling chain in collaboration with label suppliers, customers (providers of discarded label liners), and YFY Inc. Label liners are coated with silicone. Used label liners tend to be disposed of randomly, making it difficult to recycle them, so that they end up as waste. This recycling program integrates our upstream, midstream, and downstream partners in such a manner that dis-

carded label liners can be effectively recycled. The silicon-coated label liners are then mixed with general paper waste to produce corrugated fiberboard for packaging. In doing so, paper waste recycling procedures are simplified, indirectly reducing the use of chemicals and energy. Therefore, the green footprint of our products brings about environmental benefits, allowing customers, suppliers, and users to obtain positive synergy.



Environmental Protection Investment and Regulatory Compliance

GRI 103-2/103-3/307-1



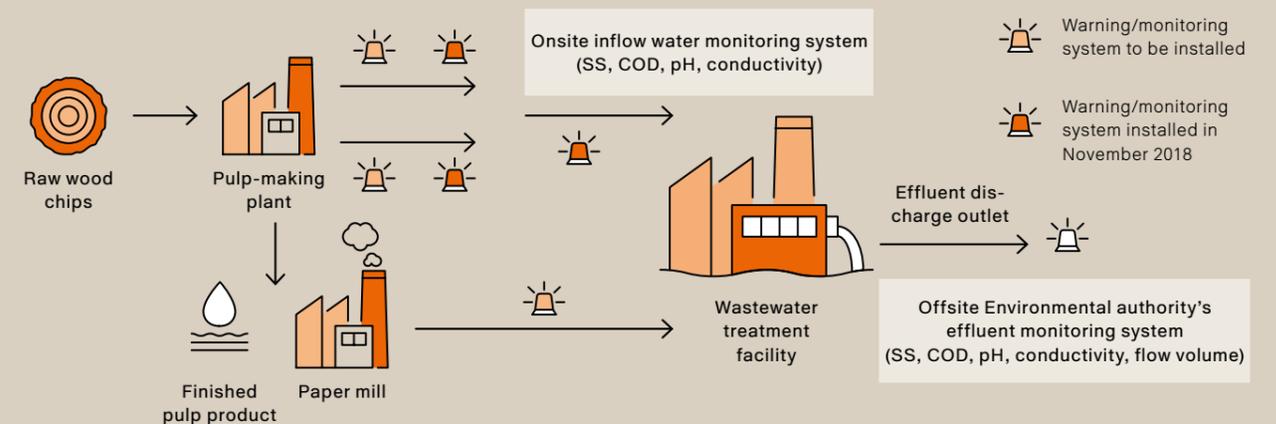
Environmental Protection Investment

The environmental risks of climate change far outweigh the benefits of sacrificing the environment and people's health. Each year, CHP identifies risks and develops improvement plans through frequent inventories, evaluations, and environmental assessments. In 2021, the Company invested approximately NT\$94 million in environmental protection initiatives, which mainly include water resource treatment and air quality control.



Strengthened self-monitoring for source control

Schematic Diagram of CHP's Water Monitoring Process



During the reporting period, CHP was fined a total of NT\$1.19 million for environmental violations. Our corrective actions included strengthening inspections and emergency response training, installing real-time monitoring and warning systems in multiple parts of the production process, and implementing real-time procedures for handling problems at the source. In addition, we voluntarily increased the transparency of our environmental information by setting up a real-time effluent and air pollution control observation platform on the company's official website. The platform is accessible to stakeholders at all times.

Laws Violated	Total Fine (NT\$)	No. of Cases	Corrective Action
Water Pollution Control Act	NT\$874,000	3	Corrective action has been taken. The improvement report was approved by the competent authority and filed for future reference.
Air Pollution Control Act	NT\$306,500	2	Corrective action has been taken. The improvement report was approved by competent authority and filed for future reference.
Waste Disposal Act	NT\$12,000	1	Revisions have been made and approved by competent authority.

Friendly Workplace & Co-Prosperity in Society





Talent Recruitment and Career Development

GRI 102-8/202-1/401-1/401-3/405-2

Diversity and Gender Equality

Impartiality and fairness are important principles that we abide by in our corporate culture. Legal compliance and the creation of a welcoming workplace for employees are the most fundamental commitments that we make to our employees. We believe that every employee is deserving of respect and fair treatment. We recruit talent on the principles of equality and transparency to ensure that our employees are not discriminated against due to race, gender, age, disability status, religion, or ethnicity. In addition, the Labor Standards Act forbids employers to hire anyone under the age of 15, and states that child workers over 15 but less than 16 years old are not permitted to perform work that is potentially dangerous or hazardous in nature.

All CHP sites adhere to the Universal Declaration of Human Rights. We treat all employees with kindness and respect, endeavor to reduce risks related to work, and strictly abide by labor laws and regulations. Since our establishment, we have only employed workers over 18 years old in accordance with the law.

We ask employees to provide identity documents on the day they report for duty so as to ensure legal compliance.

According to Article 38 of the Persons with Disabilities Rights Protection Act, CHP is required to employ 20 persons with disabilities. In 2021, we employed 50 employees with disabilities, far more than the number required of us. CHP has 2,723 employees in total (2,093



Yong-Shun Chen, Chief of our Taitung Paper Mill.

in Taiwan and 630 overseas), including 134 indigenous peoples and 2 foreigners. We respect their cultural practices; equality and anti-discrimination principles have always been at the core of our approach to treating employees from different cultures.

Workforce Structure

Category	Men		Women		Total		
	No. of Employees	%	No. of Employees	%	No. of Employees	%	
Position	Senior Executives	19	0.81%	0	0.00%	19	0.70%
	Managers	164	6.99%	22	5.85%	186	6.83%
	Professionals	457	19.47%	196	52.13%	653	23.98%
	Technicians	1,629	69.41%	124	32.98%	1,753	64.38%
	Subtotal	2,269	96.68%	342	90.96%	2,611	95.89%
Temporary Employees	Part-time/ Contract/Interns	78	3.32%	34	9.04%	112	4.11%
	Subtotal	78	3.32%	34	9.04%	112	4.11%
Total	2,347	100.00%	376	100.00%	2,723	100.00%	
Region	Taiwan	1840	78.39%	253	67.33%	2,093	76.86%
	Overseas	507	21.61%	123	32.67%	630	23.14%
	Total	2,347	100.00%	376	100.00%	2,723	100.00%
Age	< 30	356	15.15%	57	15.10%	413	15.18%
	30-50	1,434	61.10%	157	41.61%	1,591	58.43%
	> 50	557	23.71%	162	43.02%	719	26.39%
	Total	2,347	100.00%	376	100.00%	2,723	100.00%
Position	PhD	3	0.13%	1	0.27%	4	0.15%
	Master's	136	5.79%	32	8.51%	168	6.17%
	Bachelor's	826	35.18%	176	46.80%	1,002	36.79%
	Other Higher Education Degree	373	15.90%	35	9.34%	408	15.0%
	High School/Vocational School	1,009	42.99%	132	35.08%	1,141	41.90%
	Total	2,347	100.00%	376	100.00%	2,723	100.00%
Total by Gender	2,347	86.19%	376	13.81%	2,723	100.00%	
Total Number of Employees		2,723					

Note: Temporary employees are employed full-time.

Recruitment and Employee Selection Policy

Employee selection, employment, development, and retention are the four vital functions of human resource management. A company's human resource operations begin with talent selection. A suitable talent pool is the key to creating a sound organization and thus ensuring corporate sustainability. We insist on rigorousness and professionalism in our recruitment and selection processes.

Recruitment and Employment Process				
Units review their employment needs	HR launches recruitment	HR screens and selects talent Hiring unit interviews selected talent	Probation	Official employment
Needs Review	Recruitment channels	Interview	Probation	Employment contract signing
<ul style="list-style-type: none"> Unit conducts regular review of their new talent needs. Unit ensures that its workforce plan meets the organization's development needs. Unit starts recruitment process after human resource inventory. 	<ul style="list-style-type: none"> Internal recruitment: Recruitment announcement is sent internally to existing employees. External recruitment: Job listings are posted on the Internet/on campus/by recruitment agencies/through executive search firms. 	<ul style="list-style-type: none"> Structured interview: HR staff performs preliminary screening and selection by reviewing printed information and meeting candidates in person to understand their educational background and experiences. Hiring unit schedules an interview over the phone and administers written and online tests to determine candidates' professional knowledge and job suitability. Hiring unit uses STAR principles to conduct structured interview. 	<ul style="list-style-type: none"> Probationary period is based on the employment status of permanent employees. An existing employee is appointed to mentor new employee during probation period. Employer confirms whether to hire employee as long-term employee. 	<ul style="list-style-type: none"> Employee signs employment contract and checks that the company has all the necessary information. Employee is officially assigned to the unit where they will work. Orientation training is provided, including training in ethics and professional competencies.

In 2021, CHP hired 383 new employees, and 288 employees left the company. The new employees were mostly under the age of 30 and were hired to fill positions that were left vacant after other employees retired or resigned. Departing employees include those who applied for retirement. The overall turnover rate was 14.15%. As our Dingfeng subsidiary expanded its production capacity, a human resources inventory showed that our companies and production bases in Taiwan have a large pool of professionals with extensive experience to draw on. Following discussion, we made suitable arrangements and plans with our in-house talent with respect to their career development. We promote in-house employees to higher positions, thus creating more opportunities for them to gain overseas work experience and obtain job promotions. In addition, we have adjusted our salary and benefits over the years and engaged in dialogue with the

employees in all our production bases (in both Taiwan and China) to provide them with increased, long-term stability.

In 2021, 45 employees were eligible for unpaid parental leave. Three employees (2 men and 1 woman) or 7% (6% of eligible men and 11% of women) applied for unpaid parental leave. All three employees (2 men and 1 woman) should have returned to work after the leave period, but only one woman returned, resulting in a reinstatement rate of 0% for male employees and 100% for female employees.

In terms of retention rates, 2 women and no men were reinstated in 2020; the 2 employees (0 men and 2 women) who were reinstated in 2020 both continued to work for more than 12 months after their leave period ended, resulting in a retention rate of 0% for men and 100% for women.

New Employees							
Category		2019		2020		2021	
		No. of Employees	%	No. of Employees	%	No. of Employees	%
Gender	Men	309	11.52%	278	12.49%	334	14.41%
	Women	32	5.82%	39	10.74%	49	13.21%
Age	< 30	170	38.20%	151	38.42%	107	25.88%
	30-50	156	6.49%	150	9.21%	216	13.82%
	> 50	15	0.17%	16	2.82%	38	5.33%
Region	Taiwan	320	13.40%	293	15.03%	361	17.53%
	Overseas	21	2.95%	24	3.75%	22	3.49%
Total		341	12.91%	317	12.24%	383	14.41%

Note 1: Percentages were calculated by dividing the number of new employees in each category for the year by number of employees in that category at the end of the year.

Recruitment and Employment Process							
Category		2019		2020		2021	
		No. of Employees	%	No. of Employees	%	No. of Employees	%
Gender	Men	355	15.63%	323	14.51%	260	11.22%
	Women	22	5.93%	47	12.95%	28	7.55%
Age	< 30	123	32.28%	139	35.37%	79	19.11%
	30-50	170	10.28%	175	10.75%	136	8.70%
	> 50	84	13.82%	56	9.86%	73	10.24%
Region	Taiwan	290	14.62%	327	16.78%	269	13.06%
	Overseas	87	13.20%	43	6.72%	19	3.02%
Total		377	14.27%	370	14.29%	288	10.71%

Note 1: Percentages were calculated by dividing number of departed employees in each category for the year by the number of employees in that category at the end of the year.

Unpaid Parental Leave and Retention Rate										
Category	Number of Employees Entitled to Unpaid Parental Leave		Number of Employees Taking Unpaid Parental Leave		Number of Employees Reinstated after Unpaid Parental Leave		Reinstatement Rate		Retention Rate	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
2019	62	6	1	2	1	1	100%	50%	100%	-
2020	32	5	2	2	0	2	0.00%	100%	-	100%
2021	36	9	2	1	0	1	0.00%	100%	-	100%

Note: The main reason for employees not returning to work after unpaid parental leave was that they found another job during their unpaid leave period.

Salary and Benefits

A good salary system not only serves to achieve reciprocity in the relationship between a company and its employees, but also provides a foundation for good labor-management relations. It ensures a sustainable supply of outstanding talent for the company and increases the company's competitiveness in the industry, thereby facilitating its sustainable development. CHP actively works to recruit high-caliber professionals and keeps abreast of trends in the labor market. We offer competitive salaries based on the salary and benefit reports of professional agencies to encourage our employees to unleash their greatest potential. Employee salaries are determined based on a comprehensive consideration of their education level, experience, job position, market standards, employee duties and responsibilities, and level of difficulty of the work. Employee salaries do not differ due to gender, race, religion, political affiliation, place of birth, disability status, appearance, or marital status. The ratio of our base salary for new female and male employees working the same positions/conditions is 1:1; our pay ratio does not differ because of gender. CHP has never been involved in either a labor dispute or a discrimination case since our establishment. Our compensation package includes base salary, allowances, bonuses, and employee dividends. Apart from a fixed salary to guarantee a basic income, CHP

offers a performance incentive system to motivate our sales agents; bonuses are awarded based on both individual performance and the organization as a whole. To ensure that our employees enjoy a share of our business profits, we included a clause in our Articles of Incorporation to distribute a portion of our net profit at the end of each year as employee bonuses. The amount is dependent on the company's business performance, including earnings before tax, return on equity, and return on assets. With respect to compensation for overseas employees, we adjust the salary standards for our overseas employees by referring to the local salary range for various positions, exchanging information with local peer companies, and studying the economic data of various regions and salary trend forecasts as well as salary survey reports of credible management consulting agencies. By focusing on global human resources issues, we strengthen our support for locally hired employees and reinforce our compliance with labor laws. Regarding the daily needs and housing needs of our overseas employees, we regularly monitor local inflation rates and the rental market to determine the daily needs of overseas employees and adjust their living allowances accordingly to fulfill our responsibilities to them.

Compensation by Gender				
Category	Taiwan		Overseas	
	Men	Women	Men	Women
Senior Executives	1	-	1	-
Managers	1	0.92	1	1.05
Professionals/Technicians	1	1.06	1	0.87
General Operators/Administrators	1	1.04	1	0.83

Note: CHP has no female senior executives overseas.

Average and Median Compensation for Full-Time Employees in Non-Managerial Roles				
Category	2018	2019	2020	2021
No. of full-time employees in non-managerial roles	1,923	1,867	1,890	1,923
Average Compensation (NT\$1,000)	673	671	693	769
Median Compensation (NT\$1,000)	-	-	611	707

Notes:

- The above information is calculated based on information reported by the Taiwan Stock Exchange.
- The data for 2017 were obtained by the company, and those for 2018 and 2019 are numbers reported by Taiwan Stock Exchange.
- Data for "Median Compensation" were utilized for the first time in 2019.

Employee Care

GRI 102-41/401-2/403-6/404-1/404-2/404-3/406-1/408-1



Human Rights and Equality

CHP supports and respects the principles and spirit of the International Labor Organization's Tripartite Declaration of Principles, the OECD Guidelines for Multinational Enterprises, the UN Universal Declaration of Human Rights, and the UN Global Compact, as well as the principles of other relevant international initiatives. We adhere to local labor laws and laws related to gender equality in employment; have developed human rights protection and labor policies; and have implemented related measures including formulating a Human Rights Declaration and establishing a Personnel Review Committee, among other organiza-

tional practices, to provide employees with grievance channels, which are advertised in public areas used by all our employees. Any issues raised by employees are handled appropriately to create a safe and healthy work environment for our employees. We organize regular safety and health training in compliance with the law, and have set up an Institutional Rules and Regulations Review Group that regularly reviews labor laws and regulations and announces any regulatory amendments in a timely manner. In 2021, the Company did not receive any discrimination-related complaints.

We emphasize the following core labor rights:



Work

Freely chosen employment, young workers rights, appropriate working hours, good wages and benefits, humane treatment, non-discrimination, and freedom of association.



Ethics

Business integrity, no undue gain, disclosure of information, intellectual property rights, fair business practices, advertising and competition, protection of identity, responsible sourcing of minerals, privacy, and non-retaliation.



Young workers

CHP's policy specifically states that the use of child labor (under 16 years old) is prohibited and any practice that may lead to the use of child labor is forbidden.



Employment relationship

All labor contracts entered into between CHP and our employees are in compliance with local laws and regulations.



Freely chosen employment

As part of the hiring process, all workers must be provided with a written employment agreement that contains a description stating that the employment relationship is founded on the consent of both parties. Forced labor, trafficking of persons, and slavery are not permitted.



Working hours

All overtime is voluntary. CHP rules state that working hours may not exceed the maximum set by local law. The company has an attendance reminder function, inspections and control are conducted regularly to manage working hours, and supervisors and employees are regularly reminded of the above rules in labor-management meetings.



Fairness

Any form of sexual harassment or discrimination, whether tangible or intangible, in the workplace is strictly prohibited. Race, gender, age, marital status, political affiliation and religious beliefs are not considered in the hiring, evaluation, and promotion of employees. The company only cooperates with those that abide by the same principles.

To protect human rights, CHP's orientation training includes an introduction to the company's Code of Conduct and human rights and labor laws and regulations. We pay attention to the human rights management at each of our business locations. Regarding employees' health and work-life balance, we perform monthly review of overtime, and if we find any excessive overtime, we ask department heads to rearrange employees' workload or find ways to improve the work process so as to reduce overtime hours, thereby ensuring compliance with human rights regulations. In 2021, no CHP production bases were reported for human rights commitment violations, nor did they receive any human rights complaints.

CHP as adopted the following requirements in accordance with its Human Rights Declaration and Employee Code of Conduct:

- Develop administrative guidelines and management regulations.
- Monitor how human rights are managed at business locations and by suppliers, review overtime status, ask department heads to rearrange employee workloads or find ways to improve the work process, and provide overtime pay or days off as necessary.
- Install a working hour reminder function in the attendance system to maintain control over working conditions.
- Ask employees to attend training in human rights and labor laws.
- Attend plant labor-management meetings to remind supervisors and employees of the company's human rights policy.
- Act upon employee feedback or human rights complaints.

Health Management

In accordance with the Regulations Governing Labor Health Protection, we arrange general physical and health examinations for general employees, and special annual health examinations for workers who are involved in tasks involving potential health hazards (e.g., tasks involving noise, dust, ionizing radiation, etc.). Health examinations are provided by medical institutions that are designated by the Ministry of Labor and Ministry of Health and Welfare. Examination results are compiled into a health report, which is

then mailed to the employee and filed by our administration unit. Employees' health reports are retained for 10 years. If an employee receives an abnormal examination result, the hospital immediately contacts our responsible unit, which then notifies the employee concerned and assists with subsequent matters (e.g., further checkups and treatment) until employee fully recovers. Our other health prevention and safety promotion measures are as follows:

Health Promotion Scheme	Description
Medical Care	<ul style="list-style-type: none"> · Our plants are equipped with first aid kits, which are clean and stocked at all times, as well as automated external defibrillators (AEDs). · A full-time medical officer is stationed at each plant to provide health care, health consultations, and emergency treatment. · AED suppliers are invited to teach employees during work shifts how to use an AED so as to strengthen their ability to perform first aid and respond to medical emergencies.
Health Examinations and Consultation	<ul style="list-style-type: none"> · Employees are given regular health and follow-up examinations. · Manager or higher positions receive biennial health checkups (which are usually reserved for senior executives), in addition to the annual health examination. · Follow-up counseling is provided. · Detailed descriptions of health tests and health information are enclosed in health examination reports. · We assess possible occupational disease risks; however, we have not identified any high risk factors for occupational diseases. · In 2021, 283 employees underwent special health examinations.
Health Courses	<p>We work with YFY Inc. to organize various types of health courses that cover topics such as the following:</p> <ul style="list-style-type: none"> · Workplace hazard prevention · Ways to manage acute pain · Overwork prevention · Health care for middle-aged and elderly people · Self-defense strategies for women



Health Risk Prevention and Management for Mothers

The government has promulgated a number of laws in recent years to ensure the well-being of female workers. The Occupational Safety and Health Act stipulates that employers should consider the impact of gender differences and pregnancy on health risks and implement the necessary maternal health protection action and management. To protect the health of our female employees, we have developed health protection measures in support of the Ministry of Labor's policies concerning allowances for unpaid parental leave and greater rights to childcare and family care leave. With reference to the Ministry of Labor's Workplace Maternal Health Protection Guidelines, we conduct health risk assessments for female employees who return to work after their one-year maternity leave (after pregnancy and childbirth), and communicate the results with them so that we may adjust their work arrangements if needed. We provide health tips as well as restrooms and breastfeeding rooms especially for pregnant or breastfeeding employees.

We create a women-friendly work environment while ensuring both maternity protection and women's equal access to employment.



The picture shows the sign of "Parking Space for Pregnant Moms" for pregnant employees.

Employee Benefits

At CHP, we view our employees as our most important partners. We hope that all employees at CHP are able to work comfortably and steadily to achieve their goals and ours. We abide by a philosophy of treating our employees as family: planning a comprehensive range of employee benefits, providing adequate care in all aspects of employees' lives, and taking care of employees' family members. CHP's Taiwan sites have

established an Employee Welfare Committee jointly with YFY Inc. In addition, we organize employee welfare activities using our employee welfare fund, which is collected by deducting 0.5% from the monthly wage of each employee, appropriating 0.1% of total monthly business revenue, and appropriating 40% of the proceeds from the selling of tailings.



Universal Employee Benefits

- Gifts for Lunar New Year, Mid-Autumn Festival, International Workers' Day, and the Dragon Boat Festival
- Birthday gifts
- Affiliates' resources and discounts on products sold by partnering merchants



Marriage and Childbirth

- Wedding and baby shower gifts
- One-year subscription to Hsinex's monthly publication on newborns, early childhood education, and childcare practices
- One-year subscription to Hsin Yi Children's Magazine for employees with pre-school children (under 3 years old)
- Education scholarships for school-age children



Personal Safety and Insurance

- Accident insurance and medical insurance, in addition to labor insurance and national health insurance, is provided to employees; group insurance policies (accident insurance, medical insurance, and cancer prevention insurance) are offered at discounted rates, enabling employees to freely choose a more comprehensive insurance plan.
- Consolation payment in the event of hospitalization for injury or illness, disability, or death



Grants for Continuing Education

- Grants for university credit programs or MBA courses
- Subsidies for language training



Social Gatherings for Employees

- Year-end banquet and parties during the Lantern Festival and Mid-Autumn Festival
- Annual sports events and carnivals for current and retired employees as a means of encouraging them to exercise
- Employees who have served the company for more than 15 years are awarded a commemorative gold coin to express our gratitude for their service. In 2021, 383 people were commended.
- Subsidies for self-empowerment activities

Retirement Care

To ensure a secure retirement for our employees and help them plan for retirement, we opened a labor pension account with the Central Trust of China (CTC) in accordance with law. The account is overseen by CHP's Retirement Reserve Fund Supervisory Committee. The committee convenes meetings regularly as required by law, and more than half of the committee members are workers' representatives who are elected by the labor union. The committee oversees whether the retirement reserve fund is sufficient and whether the company handles employee retirement matters



The 2nd General Meeting of the 4th Hualien CHP Retired Employee Association celebrating the 10th Anniversary of the Association (source: website of Keng Shen News)

in accordance with the law. Each year, the Company hires Towers Watson & Co. to conduct pension actuarial and contributions. When the Ministry of Labor launched the

new pension system in July 2005, we asked our employees which pension system (old or new) they wished to select. For employees who switched to the new system and for new employees, 6% of their monthly salary is contributed to their pension fund and deposited to their individual account. Seniority under the old system is reserved, and pensions are distributed upon retirement. CHP employees are 100% covered by the retirement pension system. Our subsidiary in Mainland China enrolls employees in the social insurance plan in accordance with the Social Insurance Law of the People's Republic of China. Monthly contributions are made to endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and the housing provident fund in order to better protect employees throughout their lives. In addition, to pass on our technical know-how to younger generations, CHP has hired retired employees to work as consultants and share their experience with younger employees so that the new generation can learn from their elders and thus better plan their retirement. In 2021, the Company rehired 21 retired employees.

Career Development

We regard our employees as CHP's most important asset. The core values of a complete organization, from its business philosophy, policy development, and strategy formulation to target setting and implementation, relies on the inherent skills and actions of all employees within the organization. Therefore, we place emphasis on talent development, provide a continuous learning environment for our employees, and help employees improve their professional competencies and personal development.

In-House Training			External Training
Competencies	Management Training	Corporate Culture and Competitiveness	
<p>This type of training is focused on professional competencies, business competencies, and individual performance development.</p> <p>Professional competencies and knowledge required by each department are categorized and trained as needed for specific positions; all forms of training activities are planned and carried out, and corresponding training resources are provided.</p>	<p>This type of training aims to establish a common language among corporate leaders; improve management quality; contemplate management experience; encourage middle managers to utilize their managerial skills and teach and train their subordinates so as to improve the department's overall efficiency and competitiveness; share management development strategies used within and outside of the industry; and cultivate senior executives' strategic management capabilities and cross-industry perspectives.</p> <ul style="list-style-type: none"> · Management seminars · Interdepartmental meetings with senior executives · Management associate (MA) training 	<p>This type of training aims to inculcate our philosophy and goals and common values into our employees, thereby helping them build a stronger feeling of belonging and sense of honor that they are part of the organization, and simultaneously to develop a global perspective to keep pace with global trends.</p> <ul style="list-style-type: none"> · Orientation training · ESG courses 	<ul style="list-style-type: none"> · Overseas study · On-the-job training, credit courses · Vocational training and skills certification · management seminars

Education and Training

The purpose of employee safety education is to develop an appropriate attitude to safety at work, including an appreciation of operational hazards, compliance with operational regulations, and the ability to report and handle abnormal situations. At CHP, training is planned and organized by our management units at all levels in accordance with applicable laws and regulations to train employees in operational skills and prevent accidents and injuries. Therefore, education and training is necessary to continuously increase the

value of our human capital. Learning and development serves to hone employees' managerial and professional skills, improve team performance and synergy, strengthen the organization's operational performance and dynamic, and achieve sustainable operations and development. Hence, employee cultivation and development are a topic to which we attach great importance. We regularly organize training programs, including both in-house and external training, for our employees.

Education and Training Statistics

In 2021, we organized both in-house and external education and training programs for our employees; in total, 12,325 employees completed 37,158 hours of training, averaging 13.81 hours per person.

By Course Category				
Course Category	No. of Sessions	Total Attendance	Total Training Hours	Total Cost
Professional Competencies	388	8,557	21,563	1,018
Management and General Knowledge	99	3,538	14,666	719
Cultural Competence for New Employees	47	229	790	5
On-the-Job Training	12	1	138	76
Total	546	12,325	37,158	1,818

Average Hours of Training Per Person			
Statistical Category		Total Hours	Per-Person Average
Position	Managerial	2,876	14.02
	Non-Managerial	34,282	13.80
Gender	Men	32,207	13.89
	Women	4,951	13.35
Total		37,158	13.81

*Employees in managerial roles are head of a department/division or higher-level unit.

Performance Evaluations

"Focus on the process, not evaluation, and find solutions, not problems."
In performance management, we focus on "performance", not "management." Regular performance evaluations help managers place the right person in the right place, help subordinates unleash their potential (i.e., their future performance), and also encourage employees to focus on improving themselves to align with the company's future needs. An appropriate incentive mechanism that stimulates employees' passion for work and improves their competence enables them to more fully harness their skills and thereby unleash the company's capabilities and potential. In 2021, all of our employees who had worked at CHP for 6 months or longer, whether in managerial positions, non-managerial positions, men, or women, took part in performance evaluations.

Co-Prosperity in Labor Management

At CHP, we place strong emphasis on harmonious labor-management relations. Our plants in Jiutang, Hualien, and Taitung have each established their own labor union and Employee Welfare Committee. Each plant's labor union is composed of member representatives elected by the plant's employees. Directors, supervisors, and the union chairperson are elected by member representatives. Member representatives convene one meeting every year. Directors and supervisors convene regular quarterly meetings. In these meetings, members provide constructive advice to the company and our production plants and assist with in-plant activities such as employee trips and occupational safety inspections. Union members also attend the meetings of the Safety and Health Committee. Every quarter, representatives of management and labor engage in two-way, face-to-face communication so that they can exchange opinions with an open mind and create benefits for both labor and management.

Union Participation Rate	
No. of Union Members	Percentage
2,345	86%

*Only our production plants have established unions. Employees decide whether or not to join the union.



Recognizing Employees for their Years of Service

CHP regularly organizes events to celebrate the tenure of employees who have worked with the company for 15 years or longer. Employees are awarded a commemorative gold coin depending on their seniority. This year, 83 senior employees were recognized for their years of service.

CHP Chairman Kirk Hwang awarding commemorative gold coins in 2021 to recognize and thank employees for their years of service.

A Friendly Workplace with Zero Communication Barriers

We have established a wide range of communication channels to effectively resolve employees' problems in real time. Employees may choose to communicate either openly or anonymously. They can raise an issue by using the Employee Mailbox or the Feedback Box, which is placed in each production plant. When an employee files a complaint, we take their problem very seriously and actively respond to it. While handling complaints, we try to satisfy the employee's request as much as possible, and trace the origins problems to reduce the possibility of recurrence. We urge the responsible unit to take corrective action as scheduled, and establish leadership management and communication courses in a timely manner to guide plant managers in adopting a humane and compassionate

leadership approach.

To create a work environment that embraces gender equality, the Company complies with the Act of Gender Equality in Employment, among other applicable laws. We formulate and promulgate various anti-harassment policies and measures; put up workplace safety posters from time to time to provide information on anti-harassment channels and complaint procedures as well as examples of sexual harassment; and include anti-harassment classes in orientation training. These actions all aim to inculcate a correct attitude toward gender equality in each employee so as to build a friendly workplace where gender equality is embraced.

Any issues concerning human rights, labor management, or sexual harassment can be reported using the Employee Mailbox, which allows us to assist employees in resolving matters related to their rights or unfair treatment at work, and serves as an effective bridge for two-way communication between the company and its employees.
Employee Mailbox: servicedesk.chp@yfy.com

Occupational Safety and Health Management

GRI 403-1/403-2/403-3/403-4/403-5/
403-6/403-7/403-9/419-1

Our goal is to meet the Chairman's safety expectations:

- People are the core of the company's value. Safety and health cannot be compromised.
- All occupational injuries are preventable.
- No safety awareness, no employment. All employees must receive safety training.
- Our contractors' safety standards must be the same as ours.

Safety is an important need in our lives, second only to our physiological needs. Hygiene and sanitation are necessary to keep humans healthy and improve our quality of life. A safe factory is eleven times more productive than an unsafe factory, and a clean work environment ensures healthy workers and higher productivity. To increase production efficiency, maintain a strong labor force, promote employee health and well-being, and cultivate correct occupational safety and health concepts in employees, we must focus on safety and health work so as to treat the root cause of problems and achieve early prevention. CHP adopted a thorough occupational safety and health system many years ago. We obtained OHSAS 18001 system verification between 2012 and 2017, and ISO-45001 international standard verification in 2020 to cover both in-plant employees and long-term contractors (security guards and forklift operators). We manage occupational safety and health in our production bases by following the plan-do-check-act (PDCA) model to lay a solid foundation for corporate sustainability.

Occupational Safety and Health Committee

CHP has established an Occupational Safety and Health Committee in accordance with the Occupational Safety and Health Management Regulations. The committee oversees the implementation status of occupational safety and health management plans and the company's performance in safety and health management. The committee convenes meetings once every quarter and consists of 73 members, including 26 labor representatives (36% of the entire committee), all of whom are CHP employees. The committee regularly reports to the President of CHP. Additionally, the Safety Operations Management Committee has called on department supervisors and employees across the plant to form eight task forces: the 7S, SOP, Safety Education and Training, Workplace Safety, Contractor Safety Management, Equipment Safety Management, Fire Control, and Audit Inspection task forces.

These task forces continuously inspect, audit, improve, and follow up on in-plant equipment operations, work environments, personnel, and operational standards to seek improvements and build a safer workplace environment.

In-House Training	
Purpose	To promote communication on and experience in safety issues
Function	<ul style="list-style-type: none"> • Organizing the formation of labor safety and health teams in each plant • Regular reviews of plant status • Establishment of cross-plant resource sharing platform • Sharing experience with occupational safety and health management • Integrating and operating occupational safety and health management systems



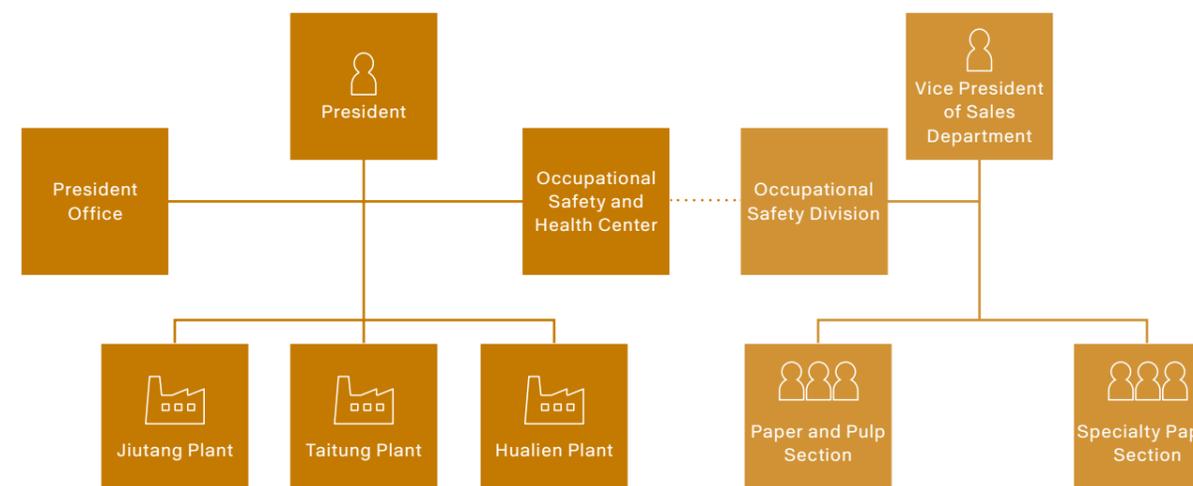
Safety and Health Promotion

CHP's Occupational Safety and Health Education and Training Rules stipulate that occupational safety and health work must be comprehensively planned with detailed education and training for both new and existing employees, as well as special training for workers who are involved in dangerous, hazardous, or special operations.

2021 Statistics on Disaster Prevention Education and Training		
Training Category	Frequency	No. of People Trained
Safety and Health Training	At least twice a year	2,924
Emergency Response Training/Drills	Twice a year	203
Disaster Prevention Training/Drills	Twice a year	485
First Aid Training/Drills	Once a year	163
Machine Work Safety Courses	Twice a year	741
Confined Space Work Education and Training	Once a year	18

2021 Occupational Safety and Health Management Meetings		
Meeting	Frequency	Highest Level Member
Executive Meeting	Once a month	Chairman
Occupational Safety and Health Committee Meeting	Once every quarter	Plant Manager
7S Audit Meeting	Once every two months	Plant Manager
Occupational Safety Platform Meeting (three plants)	Once every two months	Manager of Occupational Safety and Health Center
Safety Operation and Zero Hazard Promotion Task Force Meeting	Once every two months	Plant Manager

Chung Hwa Pulp Corporation Occupational Safety and Health Management Organizational Chart



Vision: Building an Incident-Free and Hazard-Free Friendly Workplace Environment to Create a Positive Safety Culture

	Goal	Approach
Short-Term (1-3 years)	<ul style="list-style-type: none"> Promote and manage health Incorporate job safety analysis (JSA) risk assessment tools Integrate contractor management Implement machinery entanglement hazard prevention and fall prevention measures 	<ul style="list-style-type: none"> Develop health management system and health risk classification management Integrate JSA into operational risk control Develop contractor management system Organize education and training for all workers, and implement inspections and operational controls Arrange weekly occupational safety and health activities (for employees and non-employees; examples include health examinations and blood donation)
Medium-Long-Term (3-5 years)	<ul style="list-style-type: none"> Build a safety culture Encourage investments in workplace safety Introduce disaster prevention technologies 	<ul style="list-style-type: none"> Develop and launch mechanisms for incident prevention, classification, and management Launch workplace safety incentives that include safety performance management indicators Develop an AI inspection system

2021 Occupational Safety and Health Implementation Outcomes

Systematic Management	<ul style="list-style-type: none"> Completely adopted the contractor management system across our production bases to implement operational and access control, thereby controlling in-plant operational risks. Regularly invite contractors to participate in safety inspections and practice inspection operations, which can in turn strengthen their ability to identify hazards. Assisted contractors in building an occupational safety and health system to improve their self-management capability. Use electronic billboards to display occupational safety and health information in the form of animation or videos to replace the printed information traditionally used to raise awareness of occupational hazards.
Performance Indicator Design	<ul style="list-style-type: none"> Incorporated activities that encourage safety practices to create a zero-harm workplace. Encourage investments in workplace safety and have applied safety indicators to indicate the workplace safety climate.
Improvement Management Plan	<ul style="list-style-type: none"> Completed our plan to improve the Jiutang Plant's occupational safety and health management, and developed mechanisms for incident prevention, classification, and management. Hold regular meetings with the plant's Workplace Safety Disciplinary Committee to implement weekly supervisor cross-inspection plans. Expanded our occupational hazard elimination and improvement plan and launched an occupational safety and health self-management plan.
7S Management	<ul style="list-style-type: none"> Used 7S-based cross audit approach, in which five sections are headed by an auditor and a colleague from the Workplace Safety Office; audits are conducted once every two weeks and workplace safety performance are ranked every quarter to raise workplace safety awareness (Jiutang Plant's 7S Improvement Plan). Made use of various management practices (e.g., One-Point Lessons/OPLs and Management By Walking Around/MBWA) to reduce occupational hazards in production areas by 33.3% (Jiutang Plant's 7S Improvement Plan).
Green Energy Policy	<ul style="list-style-type: none"> Completed EPC turnkey construction project for the Jiutang Plant photovoltaic (PV) system in a 3-month period, the goal of which is to achieve zero incidents, zero injuries, and zero fines. Worked with a professional company (AU Optronics) and our construction division to complete the grand prospects of constructing our plants; formulated the management regulations for our solar power generation facilities. Held 6 joint workplace safety inspections and safety meetings, completed 4 safety observations, and corrected 36 deficiencies.
Access Control System	<ul style="list-style-type: none"> Continued to improve our access control system by incorporating facial recognition and installing it at every entry point to the plant to effectively control in-plant activity, and integrated it with our contractor management system to manage all contractors working onsite (Taitung Plant).
Education and Awareness-Raising	<ul style="list-style-type: none"> Organized workplace safety exercises and training for all plant employees to raise their safety awareness. Trained in-plant employees and contractors on a specific workplace safety topic each month to ensure operational safety. Actively participated in the 2021 National Workplace Safety and Health Week activities organized by the Ministry of Labor's Occupational Safety and Health Administration; our achievements were recognized by the Administration.

7S Management



Shaping a 7S Culture

Using Incentives to Elicit a Sense of Pride in our Employees

- We once again hosted the 7S competition; incentives were offered in a two-stage activity (voluntary results presentations and a cross-plant evaluation activity to promote exchange between plants).
- Our scope of exchange was expanded in 2019 to include Union Paper Co., Ltd. and Dingfeng Pulp and Paper Co., Ltd.
- Seed members broaden their perspective by learning from and observing companies that deliver outstanding performance (such as Yuen Foong Yu Consumer Products Co., Ltd.).
- The overall evaluation results compared to the 7S overall target-oriented diagram over a period of two years. Based on the results, our general target is to strengthen and improve system management in every aspect of the 7S methodology by 10%.



Occupational Safety and Health Committee

Risk Identification

CHP's production plants have formulated hazard identification and risk assessment/management procedures in accordance with the ISO-45001 system to review and identify operational hazards. We assess and control operational risks and establish safety and protective measures to ensure operational safety and prevent accidents and other safety incidents (for details, see hazard identification and risk assessment flow chart). Persons in charge of hazard identification have been thoroughly trained and are qualified to identify hazards.

Hazard Identification and Risk Assessment Flow Chart



Incident Investigation

Report incident > Establish investigative team > Convene incident review meeting > Compile incident report > Take corrective action and track progress

Identified Risk	Risk/Hazard	Prevention Measures	2021 Performance
Entanglement	Paper formers, winding machines, rolling machines, burnishers, feeders and loaders are all sources of entanglement hazards.	<ul style="list-style-type: none"> • Installed protective shields, protective fences, and emergency brake devices. • Installed protective nets or cases over rotating shafts and flywheel devices on conveyor belts, as well as a bridge or cover. • Ensure that operators wear protective clothing. 	<ul style="list-style-type: none"> • Injuries due to entanglement have decreased over the years: ● 2019 ● 2020 ● 2021 Unit: s <ul style="list-style-type: none"> • Organized education and training on entanglement hazard prevention.
Noise	High-power heavy machinery is used in the production process. Noise-induced hearing loss during operations can gradually occur with increased exposure. Machinery operations are associated with contact-induced vibration hazards.	<ul style="list-style-type: none"> • Use low-noise machinery and parts to keep noise at a minimum. • Put up noise hazard warning signs in workplaces where workers are exposed to noise that exceeds 90 dBA for over 8 hours a day, and adopted engineering control to reduce workers' noise exposure time. • Ensure that workers wear hearing protection (e.g., earplugs, earmuffs). • Reduced noise from loud machines that produce strong vibration by using noise cancellation devices, vibration isolators, buffer damping, inertia blocks, and sound absorbers. • Conduct regular environmental testing and evaluate workers' exposure. 	<ul style="list-style-type: none"> • We continuously monitor workers' noise exposure and tested the environment where high-decibel operations are carried out. • We organized special health examinations (hearing tests); 234 employees received general physical examinations 2021. • 12 individuals were classified as at level-4 risk in the hearing health examination; no new cases were added in 2021. We adjusted the work arrangements for all 12 individuals and kept track of their hearing status.
Falls	Railings barricading the edges and openings in some work areas are rusting and are not strong enough; elevated walkways in work areas that are two meters above ground are potentially unsafe.	<ul style="list-style-type: none"> • An aging workforce • Safety awareness requires improvement • Safety work discipline need improvement • Hazard and risk control at construction sites requires improvement 	<ul style="list-style-type: none"> • We prevented 64 fall incidents in 2021. • All employees were trained and educated in accident prevention. • Fall incidents have decreased over the years: ● 2019 ● 2020 ● 2021 Unit: s
Exposure to Hazardous Substances and Confined Space Operations	Chemicals and organic solvents are frequently used during the production and manufacturing process. Some confined spaces have several potential hazards that may result, for example, in workers suffocating due to lack of oxygen, being buried, falling, or being cut by machinery.	<ul style="list-style-type: none"> • Focused on points of origin, routes of transmission, and points of exposure: (1) Use non-toxic, low-toxic, and low-hazard materials. (2) Installed ventilation devices and automatic detection and warning systems. (3) Use personal protective equipment and organize special health examinations for hazardous substances. • Practice administrative management by appointing a dedicated supervisor to manage dangerous operations, and implemented labelling system management. • Provide emergency medical care. 	<ul style="list-style-type: none"> • We achieved zero incidents involving lack of oxygen. • Dangerous operations have been included in the contractor management system and our control measures. • In 2022, we began distributing self-contained breathing apparatuses (SCBAs) to increase safety at production sites.

Absence and Disabling Injury Statistics																	
	Item	Entan- glement	Falls	Burns	Electro- cution	Cuts/ Abra- sions	Sprains	Noise	Traffic Acci- dents	Object Falling	Colli- sion	Pres- sure Injury	Human Fac- tors	Punc- ture Wound	Chem- ical Splash	Slip	Total
2021	Employees	3	0	3	1	2	0	0	1	0	7	3	0	1	1	0	22
	Contractors	0	0	0	1	0	0	0	0	1	0	0	0	0	0	0	2
2020	Employees	3	2	0	0	5	0	0	5	0	5	1	0	0	0	3	24
	Contractors	0	1	0	0	0	0	0	0	0	2	0	0	0	0	0	3
2019	Employees	4	3	0	0	5	0	0	6	0	3	2	0	0	2	4	29
	Contractors	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2018	Employees	2	1	3	0	1	0	0	5	0	1	0	2	1	0	2	18
	Contractors	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1

Employee Occupational Injury Statistics	2021							
	Taiwan				Mainland China			
	Employed by CHP		Not Employed by CHP		Employed by CHP		Not Employed by CHP	
Gender	Men	Women	Men	Women	Men	Women	Men	Women
No. of Occupational Injuries	22	0	1	0	0	0	1	0
No. of Disabling Injuries	4	0	1	0	0	0	1	0
Disabling Injury Severity Rate (SR)	47		8.501		-		48.117	
Disabling Injury Frequency Rate (FR)	0.96		1.42		0		8.02	
No. of Deaths	0	0	1	0	0	0	1	0
Injury Rate (IR)	1.06		0.28		-		1.6	
Lost Day Rate (LDR)	9.41		1,700.25		0		9,623.40	
Total Work Hours	4,145,483		705,780		1,222,128		124,696	
No. of Workdays Lost	195		6,000		-		6,000	

* Disabling Injury Frequency Rate (FR) = No. of Disabling Injuries / Million Work Hours

* Disabling Injury Severity Rate (SR) = Total No. of Workdays Lost / Million Work Hours

* Injury Rate (IR) = Total No. of Injuries / Total Work Hours × 200,000

* Lost Day Rate (LDR) = No. of Workdays Lost / Total Work Hours × 200,000

* where '200,000' is equivalent to 100 full-time workers working 40 hours per week, 50 weeks per year

Fines for Occupational Incidents in 2021				
Plant	Issuer of Fine	No. of Fines	Amount	Corrective Action
Hualien Plant	Northern Occupational Safety and Health Center, Occupational Safety and Health Administration, Ministry of Labor	1	70,000	<ul style="list-style-type: none"> Re-examined our chemical management procedures Regularly update our chemical inventory Manage hazards at the source by documenting chemical input/output and reviewing regulatory compliance
	Northern Occupational Safety and Health Center, Occupational Safety and Health Administration, Ministry of Labor	1	20,000	<ul style="list-style-type: none"> Implemented operational control measures by launching the plant's contractor management system Convened engineering safety meetings and strengthened negotiation and organizational management (work coordination) Implemented Tool Box Meetings (Hualien Plant) Inform contractors of hazards before operations commence
Taitung Plant	Northern Occupational Safety and Health Center, Occupational Safety and Health Administration, Ministry of Labor	1	60,000	<ul style="list-style-type: none"> Installed protective covers/shields to ensure machinery safety Installed interlocks for error prevention
Total		3	150,000	

Disaster Prevention Management

CHP implements fire safety management to provide a safe work environment. We regularly test our in-plant fire prevention facilities, and we conduct fire drills with local firefighters to familiarize our plant employees with the proper methods to respond to and handle emergencies. We have established emergency procedures for major incidents, slurry leakages, wastewater treatment, gas leakages, suspicious odors, significant chemical spills, major industrial safety incidents, power outages, earthquakes, typhoons, and other natural disasters, and carry out emergency drills according to annual plans. In accordance with the law, we have placed a person in charge of fire prevention management and formulated a fire protection plan for our plants that includes a detailed self-defense fire-fighting organization that consists of a firefighting squad, notification squad, evacuation leader squad, safety protection squad, and first aid squad. The squads carry out firefighting drills every six months in cooperation with the fire department. Our contractors are also included in our twice-yearly emergency drills.

Safety and Health Performance Management

Under the framework of the occupational safety and health management system, our production plants have adopted active or passive performance indicators depending on their environmental safety and health management strategies. In 2019, we completely adopted active performance indicators (active monitoring, potential hazard identification, and safety improvement rates) to ramp up efforts to prevent incidents, eliminate hazards, ensure a safe work environment, and enhance safety awareness.

Our plant safety inspection system was launched in 2020. It is integrated with a safety inspection plan that involves staff at each level walking around the production workshops to identify any potential hazards and risks in the plant. Any deficiencies are logged into the system to classify and manage risks, bring them to the attention of managers of all levels, monitor risk status, achieve prevention, and ensure operational safety and health.

Hazardous Substances and Chemical Management

CHP strictly inspects all raw materials and products for prohibited substances. We comply with international requirements and refer to the candidate list of 223 Substances of Very High Concern (SVHC) published by REACH (Registration, Evaluation, Authori-

sation and Restriction of Chemicals) on January 17, 2022. We require our suppliers to submit raw material test reports and conduct regular inspections and management of their production plants. The toxic chemicals used in our manufacturing processes include chlorine gas and sodium dichromate; we have obtained licenses for both substances and regularly report them. In addition, we appropriately manage chemicals with environmental and safety concerns to prevent or mitigate environmental pollution and ensure worker safety. All of our chemicals, including priority management chemicals, hazardous substances, and toxic substances, are subjected to chemical control banding (CCB) and management pursuant to law.

Contractor Safety Management

CHP cares deeply about the safety of our contractors; therefore, we manage the safety of contracted construction work by establishing detailed guidelines for system implementation, control processes, and emergency response. Our requirements and standards for contractors are the same as those for all CHP employees. In 2019, we introduced a contractor management system that includes construction control and access control management. We use the system to review the qualifications of our contractors; ensure that each contractor has been informed of and trained on hazards in the plant; review and file operational details to keep abreast of the status of contractors' work; review contract workers' qualifications and safety measures before they carry out special operations (e.g., hot work, lifting, confined space operations); and perform spot checks before, during, and after operations. The above control measures can effectively reduce the contractors' risk of operational hazards in the plant.



Fire training/drill held by the fire department in the Jiutang Plant in 2021 (photo provided by CHP's Occupational Safety and Health Center).

Co-Prosperity in Society



All for-profit organizations have their own life cycles. If charitable organizations can remain faithful to their initial purpose, they can truly become a sustainable support system for society. CHP has established a local presence for over 50 years. In adhering to the principle of giving back to society, we utilize our limited internal resources to bring our employees together in the spirit of giving to do good deeds to spread positive energy. For years, we have worked with social welfare organizations to train volunteers who will help CHP further expand the scope of its charity engagement, which includes supporting arts and cultural

performances and assisting with the promotion of education in rural areas and care for students from disadvantaged families. In doing so, we play an active role in facilitating social development and generating a positive impact to increase the depth and breadth of social services.



Fighting the Pandemic to Safeguard the Community



Scan to watch the video
2021 Work Together to
Fight the Epidemic
Hualien Mill



Scan to watch the video
Public-private Cooperation
to Fight the Epidemic
Taitung Mill

When Taiwan saw an uptick in local COVID-19 cases, Chairman Hwang along with CHP employees donated sodium hypochlorite solution to combat the pandemic. Being a local business based in Hualien, Taitung, and Kaohsiung, CHP shoulders the responsibility of taking care of our neighbors. We distributed disinfectants to neighboring residents and assisted with environmental cleaning and disinfection. Hypochlorous acid-containing solution is a byproduct produced by CHP. During the height of the pandemic in Northern Taiwan, the Company delivered 1,000 barrels of disinfectant to Taipei City for residents of 12 administrative districts. Our production plant in Hualien collaborated with Ji'an Township Office and the Hualien City Office to supply free disinfectants. The Taitung Plant collaborated with

the Taitung City Office to send disinfectants to 46 neighborhoods and set up collection points. The Jiutang Plant also supplied 18 neighborhoods with disinfectants. After dilution, the total amount of disinfectants donated in the past month exceeded 10,000 tons, which is equivalent to the volume of four Olympic-size swimming pools. In total, CHP donated 10,000 tons of 500 ppm (diluted) hypochlorous acid-containing disinfectant solution to help combat the pandemic. People across Taiwan have realized the importance of pandemic prevention. It is our responsibility to safeguard the community. By working with the government to ramp up pandemic prevention

efforts, we hoped to help local residents learn correct pandemic prevention practices and help them take care of each other in the fight against the pandemic. We sincerely hope that the pandemic will cease to affect us as soon as possible so that everyone can return to a safe and healthy life.





The above picture was provided by: Chemistry on the Go/Photo by Youlin, Lin.

Making Science Popular in Rural Areas

For nine years, CHP has been a sponsor of the tournaments and camping activities organized by the Yuan T. Lee Foundation: Science Education for All. Since 2013, CHP has collaborated with the foundation to sponsor science education activities that aim to decrease the urban-rural gap and popularize science and mathematics education.

Science Education Tournaments

The 27th annual science education tournament was held in 2021. Any students from senior high schools, vocational schools, and universities can sign up for the tournament as long as they have an interest in science. The purpose of the tournament is to encourage hands-on activities, allow students to brainstorm ideas, provide opportunities to play with science, foster teamwork in problem solving, and expose students to a wide range of knowledge. The foundation and CHP work together to create scientific exploration opportunities and in turn discover rising stars in the scientific community.

Science Education Camp

This activity was held in 20 schools in Hualien and Taitung, including Hualien's Yichang and Taitung's Changbin Junior High Schools, thereby benefitting nearly 2,000 children. It features science experiments and math exercises such as making simple syringe aspirators, magic card decoders, and syringe air cannons, as well as the "Secret of Light." In keeping with the Ministry of Education's "Exploration and Practice" curriculum, the learning objectives are to cultivate the young students' ability to identify and solve problems, thereby achieving CHP's vision of pursuing knowledge transfer and cultural continuity.



The picture shows a student happily holding the curriculum manual of the Camp at Tao-Yuan Elementary School in Taitung County (Photo courtesy of Yuan T. Lee Foundation Science Education for All).



The picture shows the students taking a class at the Science Education Camp at Tao-Yuan Elementary School in Taitung County (photo courtesy of Yuan T. Lee Foundation Science Education for All).

Chemistry for Everyone

Chemistry on the Go is a popular science activity organized by Professor Hsien-Chang Kao, CEO of the Tamkang University Center for Science Education. Over the past 10 years, two mobile science laboratory vehicles, the Mobile Lab and the Analyst Lab, have visited every county and city in Taiwan, introducing chemistry and science experiments to students. In 2017, CHP became a partner to this program, and has since provided teaching plans, supplied materials for experiments, and mobilized our volunteers to introduce popular science into rural schools in Hualien and Taitung. In November 2021, the scientific vehicles visited Fuli, Yudong, and Dongli Junior High Schools in Hualien County. Over a hundred students participated in the activities. Each school arranged a one-



The picture shows the students holding their works from the previous experiment class, happily heading to the next class.

day course, during which everyone took part in experiments such as making Easter eggs, experimenting with materials, and making paper. For instance, Fuli Junior High School has 86 students in total; all of the students and teachers joined our volunteers to conduct experiments together. The objective of Chemistry on the Go is in alignment with the United Nations' 17 sustainable development goals (SDGs), particularly

Goals 4 (Quality Education) and 17 (Partnerships for the Goals). We are fortunate to be a partner, and hope to put corporate social responsibility into practice and provide opportunities for students to learn popular science.



The picture shows the experimental site regarding paper at Fuli Junior High School in Hualien County.



Coding Education in Hualien and Taitung

In 2019, CHP and the Coding Association collaborated to promote education on basic computer programming in Hualien and Taitung. We adopted six elementary schools where we hosted a Scratch programming language class twice a week. We worked with the Hualien County Government to organize the Hualien County 2019 Annual CHP Charity Cup Scratch Inter-School PK Competition, which provided an opportunity for the contestants to showcase their learning outcomes and learn from each other. This year, a 274-hour education

promotion course was launched, which has benefited more than 100 students. Our objectives in promoting popular science are in keeping with the Coding Association's philosophy; we therefore joined forces with the Coding Association to lay a foundation for information education in Hualien and Taitung. Specifically, we teach classes in six elementary schools every year and train teachers. This year, we collaborated with Lijia, Xinyuan, and Taiban Elementary Schools, but because of COVID-19, the competition was suspended in 2021. Nevertheless, the competition, which launched in 2019 for the first time, has already sparked the students' interest in learning programming language. The first competition [in 2019] was extremely intense. Government officials such as Chen-Wei Hsu, the county magistrate of Hualien County, and Yu-Ren Li, Director of the



The picture shows the students of Fen Tian Elementary School in Taitung County learning about X-axis, Y-axis and quadrants (Image courtesy of Fen Tian Elementary School, Taitung County).

Education Department, were there to cheer on the contestants. More than 20 of our volunteers were at the competition to teach a paper-making course. By leveraging the company's resources, we hope to promote programming language and train teachers so that they can help children in rural areas to keep up with others in the AI era, and pave the way for the next generation of IT talents.



The first CHP Charity Cup Scratch Inter-School PK Competition (image obtained from the official website of the Department of Education, Hualien County Government).

A Date with Books for Students in Coastal Regions



A child happily taking a photo with our volunteer.

In 2015, YFY Inc., the Cite Culture and Arts Foundation, and the Chi-fu Foundation's Guanshan Service Office collectively established the Taitung Tutorial Center as a reading and learning space for children from families who live in rural townships in Taitung County such as Haiduan, Yanping, Chishang, Guanshan, and Luye Township. In this reading program, one-on-one reading sessions are provided via video conferencing every Wednesday afternoon. Each year,

approximately 15 CHP employees volunteer to read stories to the children. To date, they have spent nearly 3,500 hours in total reading to 50 children. The reading program has been in existence for seven years now. At first, the children were restless and too shy to face the camera, but after three years of accompanied reading, they openly enjoyed reading together with our volunteers. Their reading abilities also began to improve, from reading a picture book or two to three to four story books. They also started opening up to our volunteers, and have formed a strong rapport with them. Seeing how the children have grown over the years, our volunteers are determined to read with the children no matter how busy they are, so as to make the children feel loved and help them build up

as much knowledge as possible to prepare them for the challenges that lie in their future.



Our volunteers reading with children by video conferencing.



Growing Up With You

In the 1960s and 1970s, Taiwan's economy took off and the island became an industrial/commercial society. However, resources were unevenly distributed in that arts and cultural resources were overly concentrated in urban areas. This year, CHP launched a new program called "2022 Growing Up with You." In this program, we collaborated with the Taiwan Photographers

Union to take photographs of indigenous students from elementary schools in rural areas of Hualien and Taitung and compile them into a yearbook. We hope that graduating students will keep this yearbook as a memento of their school days. Indigenous schools in rural areas usually have too few resources and too few students to produce yearbooks. In 2021, the Taiwan Photographers Union began working with students from National Taichung University of Science and Technology's Department of Commercial Design to produce yearbooks for indigenous schools in Hualien and Taitung, including taking photographs, editing the contents, and printing yearbooks. Volunteers took their photography equipment to five elementary schools to capture the children's happy memories. In rural areas, the cost of printing

and producing yearbooks for the tiny number of school students there is too much for either the schools or parents to bear. For this reason, we leveraged the company's resources and called on employees who pursue photography as a hobby to work with the Taiwan Photographers Union to produce yearbooks that enable local indigenous students to remember their childhood and witness their growth trajectory.



A photograph of students from Kunuan Elementary School in Wanrong Township, Hualien County wearing the traditional clothing of the Bunun people (provided by the Taiwan Photographers Union).



Yearbooks for graduating students produced by the Taiwan Photographers Union.

Appendix

Appendix 1. 2021 Global Initiative Reporting (GRI) Standards Comparison Table

GRI 102-55

Disclosure Number	Disclosure Title	Corresponding Chapter	Page Number(s)
102-1	Name of the organization	2.1 About CHP	26
102-2	Activities, brands, products, and services	2.1 About CHP	26
102-3	Location of headquarters	2.1 About CHP	26
102-4	Location of operations	2.1 About CHP	26
102-5	Ownership and legal form	2.1 About CHP	26
102-6	Markets served	2.1 About CHP	26
102-7	Scale of the organization	2.1 About CHP	26
102-8	Information on employees and other workers	5.1 Talent Recruitment & Career Development	88
102-9	Supply chain	3.4 Supply Chain and Customer Services	67
102-10	Significant changes to the organization and its supply chain	3.4 Supply Chain and Customer Services	67
102-11	Precautionary Principle or approach	2.4 Risk Management	40
102-12	External initiatives	About this Report 1.1 Sustainable Development Strategy	02 15
102-13	Membership of associations	2.1 About CHP	26
102-14	Statement from senior decision-maker	Message from the Chairman	06
102-16	Values, principles, standards, and norms of behavior	2.3 Operations and Governance	38
102-18	Governance structure	2.1 About CHP 2.2 Board of Directors	26 33
102-19	Delegating authority	2.2 Board of Directors	33
102-20	Executive-level responsibility for economic, environmental, and social topics	2.2 Board of Directors	33
102-23	Chair of the highest	2.2 Board of Directors	33
102-24	governance body	2.2 Board of Directors	33
102-25	Nominating and selecting the highest governance body	2.2 Board of Directors	33
102-26	Role of highest governance body in setting purpose, values, and strategy	2.2 Board of Directors	33
102-27	Collective knowledge of highest governance body	Please refer to annual report	
102-29	Identifying and managing economic, environmental, and social impacts	2.3 Operations and Governance	38

Disclosure Number	Disclosure Title	Corresponding Chapter	Page Number(s)
102-30	Effectiveness of risk management processes	2.4 Risk Management	40
102-31	Review of economic, environmental, and social topics	2.4 Risk Management	40
102-32	Highest governance body's role in sustainability reporting	1.1 Sustainable Development Strategy	15
102-33	Communicating critical concerns	2.3 Operations and Governance	38
102-34	Nature and total number of critical concerns	22 statements in 2021	
102-40	List of stakeholder groups	1.2 Stakeholder Engagement	18
102-41	Collective bargaining agreements	5.2 Employee Care	93
102-42	Identifying and selecting stakeholders	1.2 Stakeholder Engagement	18
102-43	Approach to stakeholder engagement	1.2 Stakeholder Engagement	18
102-44	Key topics and concerns raised	1.2 Stakeholder Engagement	18
102-45	Entities included in the consolidated financial statements	About this Report	02
102-46	Defining report content and topic Boundaries	About this Report	02
102-47	List of material topics	1.3 Material Issues	21
102-48	Restatements of information	About this Report	02
102-49	Changes in reporting	About this Report 1.3 Material Issues	02 21
102-50	Reporting period	About this Report	02
102-51	Date of most recent report	About this Report	02
102-52	Reporting cycle	About this Report	02
102-53	Contact point for questions regarding the report	About this Report	02
102-54	Claims of reporting in accordance with the GRI Standards	About this Report	02
102-55	GRI content index	Appendix 1	115
102-56	External assurance	About this Report	02

Disclosure Number	Disclosure Title	Corresponding Chapter	Page Number(s)
103-1	Explanation of the material topic and its Boundary	1.3 Material Issues	21
GRI 103: Management Approach 2016	The management approach and its components	1.1 Sustainable Development Strategy	15
		3. Products	50
		3.1 Products and Market	50
		3.4 Supply Chain and Customer Services	67
		4. Green Production	71
		4.1 Energy Management	74
		4.2 Emissions Management	77
		4.3 Water Resource Management	80
		4.5 Environmental Protection Investments and Regulatory Compliance	84
		5. Friendly Workplace	88
103-3	Evaluation of the management approach	1.1 Sustainable Development Strategy	15
		3. Products	50
		3.1 Products and Market	50
		3.4 Supply Chain and Customer Services	67
		4. Green Production	71
		4.1 Energy Management	74
		4.2 Emissions Management	77
		4.3 Water Resource Management	80
		4.5 Environmental Protection Investments and Regulatory Compliance	84
		5. Friendly Workplace	88
GRI 201: Economic Performance 2016			
201-1	Direct economic value generated and distributed	2.1 About CHP	26
GRI 202: Market Presence 2016			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	5.1 Talent Recruitment & Career Development	88
GRI 205: Anti-corruption 2016			
205-2	Communication and training about anti-corruption policies and procedures	2.3 Operations and Governance	38
205-3	Confirmed incidents of corruption and actions taken	2.3 Operations and Governance	38
GRI 301: Materials 2016			
301-1	Materials used by weight or volume	3.4 Supply Chain and Customer Services	67
301-2	Recycled input materials used	4.4 Resource Reuse	83
		3.1 Products and Market	50
301-3	Reclaimed products and their packaging	3.2 Green Economy	62
GRI 302: Energy 2016			
302-1	Energy consumption within the organization	4.1 Energy Management	74
302-3	Energy intensity	4. Green Production	71
Topic-specific Standards GRI 200: Economic			
Topic-specific Standards GRI 300: Environment			

	Disclosure Number	Disclosure Title	Corresponding Chapter	Page Number(s)
	GRI 303: Water and Effluents 2018			
	303-1	Interactions with water as a shared resource	4.3 Water Resource Management	80
	303-2	Management of water discharge-related impacts	4.3 Water Resource Management	80
	303-3	Water withdrawal	4.3 Water Resource Management	80
	303-4	Water discharge	4.3 Water Resource Management	80
	GRI 304: Biodiversity 2016			
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	3.1 Products and Market	50
	304-3	Habitats protected or restored	3.1 Products and Market	50
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	3.1 Products and Market	50
	GRI 305: Emissions 2016			
Topic-specific Standards GRI 300 Environment	305-1	Direct (Scope 1) GHG emissions	4.2 Emissions Management	77
	305-2	Energy indirect (Scope 2) GHG emissions	4.2 Emissions Management	77
	305-3	Other indirect (Scope 3) GHG emissions	4.2 Emissions Management	77
	305-4	GHG emissions intensity	4.2 Emissions Management	77
	305-5	Reduction of GHG emissions	4.2 Emissions Management	77
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	4.2 Emissions Management	77
	GRI 306: Waste 2020			
	306-1	Waste generation and significant waste-related impacts	4.3 Water Resource Management	80
	306-2	Management of significant waste-related impacts	4.4 Resource Reuse	83
	306-3	Waste generated	No serious leakage in 2021	
	306-5	Waste directed to disposal	4.4 Resource Reuse	83
	GRI 307: Environmental Compliance 2016			
	307-1	Non-compliance with environmental laws and regulations	4.5 Environmental Protection Investments and Regulatory Compliance	84
	GRI 401: Employment 2016			
Topic-specific Standards GRI 400: Social	401-1	New employee hires and employee turnover	5.1 Talent Recruitment & Career Development	88
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.2 Employee Care	93
	401-3	Parental leave	5.1 Talent Recruitment & Career Development	88

	Disclosure Number	Disclosure Title	Corresponding Chapter	Page Number(s)
	GRI 402: Labor/Management Relations 2016			
	402-1	Minimum notice periods regarding operational changes	No Collective Bargaining Agreement signed, complying with all Labor Standards Act requirements	
	GRI 403: Occupational Health and Safety 2018			
	403-1	Occupational health and safety management system	5.3 Occupational Safety and Health Management	100
	403-2	Hazard identification, risk assessment, and incident investigation	5.3 Occupational Safety and Health Management	100
	403-3	Occupational health services	5.3 Occupational Safety and Health Management	100
	403-4	Worker participation, consultation, and communication on occupational health and safety	5.3 Occupational Safety and Health Management	100
	403-5	Worker training on occupational health and safety	5.3 Occupational Safety and Health Management	100
	403-6	Promotion of worker health	5.2 Employee Care 5.3 Occupational Safety and Health Management	93 100
Topic-specific Standards GRI 400: Social	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	5.3 Occupational Safety and Health Management	100
	403-9	Work-related injuries	5.3 Occupational Safety and Health Management	100
	GRI 404: Training and Education 2016			
	404-1	Average hours of training per year per employee	5.2 Employee Care	93
	404-2	Programs for upgrading employee skills and transition assistance programs	5.2 Employee Care	93
	404-3	Percentage of employees receiving regular performance and career development reviews	5.2 Employee Care	93
	GRI 405: Diversity and Equal Opportunity 2016			
	405-2	Ratio of basic salary and remuneration of women to men	5.1 Talent Recruitment & Career Development	88
	GRI 406: Non-discrimination 2016			
	406-1	Incidents of discrimination and corrective actions taken	5.2 Employee Care	93
	GRI 408: Child Labor 2016			
	408-1	Operations and suppliers at significant risk for incidents of child labor	3.4 Supply Chain and Customer Services 5.2 Employee Care	67 93

Disclosure Number	Disclosure Title	Corresponding Chapter	Page Number(s)
GRI 413: Non-discrimination 2016			
413-2	Operations with significant actual and potential negative impacts on local communities	2.4 Risk Management 6. Co-Prosperity in Society	40 108
GRI 414: Supplier Social Assessment 2016			
414-1	New suppliers that were screened using social criteria	3.4 Supply Chain and Customer Services	67
GRI 416: Customer Health Safety 2016			
416-1	Assessment of the health and safety impacts of product and service categories	3. Products	50
GRI 417: Marketing and Labeling 2016			
417-1	Requirements for product and service information and labeling	3.1 Products and Markets	50
GRI 419: Socioeconomic Compliance 2016			
419-1	Non-compliance with laws and regulations in the social and economic area	5.3 Occupational Safety and Health Management (See Penalties for Occupational Safety Incidents in 2021.)	100

Appendix 2. United Nations Global Compact (UNGC) Comparison Table

Category	Principles	Corresponding Chapter	Page Number(s)
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights ; and	5.2 Employee Care	93
	make sure that they are not complicit in human rights abuses.	5.2 Employee Care	93
Labour	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	5.2 Employee Care	93
	the elimination of all forms of forced and compulsory labour;	5.2 Employee Care	93
	the effective abolition of child labour; and	5.2 Employee Care	93
	the elimination of discrimination in respect of employment and occupation.	5.2 Employee Care	93
Environment	Businesses should support a precautionary approach to environmental challenges;	2.4 Risk Management 3. Products	40 50
	undertake initiatives to promote greater environmental responsibility; and	1.1 Sustainable Development Strategy 3.2 Green Economy	15 62
	encourage the development and diffusion of environmentally friendly technologies.	3.2 Green Economy 4. Green Production	62 71
Anti-Corruption	Businesses should work against corruption in all its forms, including extortion and bribery.	2.3 Operations and Governance	38

Appendix 3. United Nations Sustainable Development Goals (SDGs) Comparison Table

Sustainable Development Goals	Corresponding Targets	Corresponding Chapter	Page Number(s)
Goal 4  Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	4.1 / 4.2 / 4.5	6. Co-Prosperity in Society	108
Goal 6  Ensure availability and sustainable management of water and sanitation for all	6.3 / 6.6a	4.3 Water Resource Management	80
Goal 7  Ensure access to affordable, reliable, sustainable and modern energy for all	7.2 / 7.3 / 7.3a	4.1 Energy Management	74
Goal 8  Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.2 / 8.5 / 8.6 / 8.7 / 8.8	5. Friendly Workplace	88
Goal 9  Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	9.1 / 9.4	1.1 Sustainable Development Strategy 3.1 Products and Market 4.Green Production	15 50 71
Goal 10  Reduce inequality within and among countries	10.2 / 10.3	5.2 Employee Care 6. Co-Prosperity in Society	93 108
Goal 11  Make cities and human settlements inclusive, safe, resilient and sustainable	11.2 / 11.3 / 11.4 / 11.6	3.Products 4. Green Production 6. Co-Prosperity in Society	50 71 108
Goal 12  Ensure sustainable consumption and production patterns	12.2 / 12.4 / 12.5 / 12.6 / 12.8	1.1 Sustainable Development Strategy 3.2 Green Economy 4. Green Production 4.4 Resource Reuse	15 62 71 83
Goal 13  Take urgent action to combat climate change and its impacts	13.1 / 13.2 / 13.3	3.2 Green Economy 2.4 Risk Management 4. Green Production	62 40 71
Goal 15  Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	15.1 / 15.2 / 15.4 / 15.5	3.2Green Economy 3.1 Products and Market 6. Co-Prosperity in Society	62 50 108
Goal 16  Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	16.5	2.Corporate Governance	26

Appendix 4. ISO26000 Social Responsibility Guidance Comparison Table

Item	Article	Corresponding Chapter	Page Number
1. Organizational governance			
1.1	Decision-making processes and structures	1.1 Sustainable Development Strategy 2.2 Board of Directors	15 33
2. Human rights			
2.1	Due diligence	5.2 Employee Care	93
2.2	Human rights risk situations	5.2 Employee Care	93
2.3	Avoidance of complicity	2.3 Operations and Governance	38
2.4	Resolving grievances	5.2 Employee Care	93
2.5	Discrimination and vulnerable groups	5.1 Talent Recruitment & Career Development 5.2 Employee Care	88 93
2.6	Civil and political rights	5.2 Employee Care	93
2.7	Economic, social and cultural rights	5.2 Employee Care	93
2.8	Fundamental principles and rights at work	5.2 Employee Care	93
3. Labor practices			
3.1	Employment and employment relationships	5.1 Talent Recruitment & Career Development	88
3.2	Conditions of work and social protection	5.2 Employee Care	93
3.3	Social dialogue	1. Sustainability	15
3.4	Health and safety at work	5.2 Employee Care	93
3.5	Human development and training in the workplace	5.2 Employee Care	93
4. The environment			
4.1	Prevention of pollution	4. Green Production	71
4.2	Sustainable resource use	4.3 Water Resource Management 4.4 Resource Reuse	80 83
4.3	Climate change mitigation and adaptation	4.1 Energy Management 4.2 Emissions Management	74 77
4.4	Protection of the environment, biodiversity and restoration of natural habitats	6. Co-Prosperity in Society	108

Item	Article	Corresponding Chapter	Page Number
5. Fair operating practices			
5.1	Anti-corruption	2.3 Operations and Governance	38
5.2	Responsible political involvement	Remain neutral, never participated in political contributions or activities	
5.3	Fair competition	2.3 Operations and Governance	38
5.4	Promoting social responsibility in the value chain	3.4 Supply Chain and Customer Services	67
5.5	Respect for property rights	2.3 Operations and Governance	38
6. Consumer issues			
6.1	Fair marketing, factual and unbiased information and fair contractual practices	2.3 Operations and Governance	38
6.2	Protecting consumers' Health and safety	3.2 Green Economy	62
6.3	Sustainable consumption	3.4 Supply Chain and Customer Services	67
6.4	Consumer service, support, and complaint and dispute resolution	3.4 Supply Chain and Customer Services	67
6.5	Consumer data protection and privacy	1.2 Stakeholder Engagement	18
6.6	Access to essential services	3.4 Supply Chain and Customer Services	67
6.7	Education and awareness	3.4 Supply Chain and Customer Services	67
7. Community involvement and development			
7.1	Community involvement	6. Co-Prosperity in Society	108
7.2	Education and culture	6. Co-Prosperity in Society	108
7.3	Employment creation and skills development	3.4 Supply Chain and Customer Services	67
7.4	Technology development and access	3.1 Products and Market	50
7.5	Wealth and income creation	6. Co-Prosperity in Society	108
7.6	Health	6. Co-Prosperity in Society	108
7.7	Social investment	6. Co-Prosperity in Society	108

Appendix 5. Heating Value Comparison Table

Type of Energy	Heating Value	Unit of Measure
Fuel Oil	9,600	kcal/L
Gasoline for Vehicles	7,800	kcal/L
Diesel Fuel Oil	8,400	kcal/L
Liquefied Petroleum Gas (LPG)	6,635	kcal/L
Natural Gas (NG)	9,000	kcal/m ³
Hydrogen	142	kJ/g
Purchased Electricity	2,070	kcal/kWh
Steam Coal	5,300	kcal/kg
Paper/Pulp Sludge	900	kcal/kg
Lignin Biomass Fuel	3,513	kcal/kg
Tree Bark	1,559	kcal/kg
Plastic Waste	5,150	kcal/kg
Wood Waste	3,648	kcal/kg

Appendix 6. Sustainability Accounting Standards Board (SASB) Comparison Table

Topic	SASB Code	SASB Index	Unit	CHP	Corresponding Chapter	Page Number
Greenhouse Gas Emissions	RR-PP-110a.1	Gross global Scope1 emissions	metric tons CO2-e	802,508	4.2 Emissions Management	77
	RR-PP-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	-	-	4.2 Emissions Management 2.4 Risk Management	77 40
Air Quality	RR-PP-120a.1	(1) Oxides of nitrogen (NOx)	metric tons	717	4.2 Emissions Management	77
		(2) Oxides of sulfur (SO2)	metric tons	1,009		
		(3) Volatile organic compounds (VOCs)	metric tons	140		
		(4) Particulate matter (PM)	metric tons	203		
		(5) Hazardous air pollutants (HAPs)	metric tons	0		

Topic	SASB Code	SASB Index	Unit	CHP	Corresponding Chapter	Page Number
Energy Management	RR-PP-130a.1	(1) Total energy consumed	GJ	21,178,685	4.1 Energy Management	74
		(2) Percentage grid electricity	%	41%		
		(3) Percentage from biomass	%	26%		
		(4) Percentage from other renewable energy	%	3%		
		(5) Total self-generated energy	GJ	17,839,486		
		(6) Coefficients which data conversion are based upon	-	-	Appendix 5. Heating Values for Energy Calculation Comparison Table	124
Water Management	RR-PP-140a.1	(1) Total water withdrawn	1000 m3	28,574	4.3 Water Resource Management	80
		(2) Total water consumption	1000 m3	7,342		
		(3) Analysis of all operations for water risks and identification of activities that withdraw and consume water in locations with high or extremely high baseline water stress	-	-		
		(4) Water withdrawn in locations with high or extremely high baseline water stress as a percentage of the total water withdrawn	%	0%		
		(5) Water consumed in locations with high or extremely high baseline water stress as a percentage of the total water consumed	%	0%		
	RR-PP-140a.2	Description of water management risks and discussion of strategies and practices to mitigate those risks	-	-	2.4 Risk Management	40
Supply Chain Management	RR-PP-430a.1	(1) Percentage of wood fiber from third-party certified forest land and percentages under each standard	%	68%	3.2 Green Economy 3.4 Supply Chain and Customer Services	62 67
		(2) Percentage of wood fiber that meets other sourcing standards and percentages under each standard	%	32%		
	RR-PP-430a.2	Amount of recycled and recovered fiber procured	metric tons	144,612		
Activity Metric	RR-PP-000.A	Pulp production	metric tons	265,206	3.1 Products and Market	50
	RR-PP-000.B	Paper production	metric tons	588,498		
	RR-PP-000.C	Total wood fiber sourced	metric tons	724,901		

Appendix 7. Third-Party Opinion Statement



INDEPENDENT ASSURANCE OPINION STATEMENT

Chung Hwa Pulp 2021 Sustainability Report

The British Standards Institution is independent to Chung Hwa Pulp Corporation (hereafter referred to as CHP in this statement) and has no financial interest in the operation of CHP other than for the assessment and verification of the sustainability statements contained in this report.

This independent assurance opinion statement has been prepared for the stakeholders of CHP only for the purposes of assuring its statements relating to its sustainability report, more particularly described in the Scope below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be read.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by CHP. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to CHP only.

Scope

The scope of engagement agreed upon with CHP includes the followings:

1. The assurance scope is consistent with the description of Chung Hwa Pulp 2021 Sustainability Report.
2. The evaluation of the nature and extent of the CHP's adherence to AA1000 AccountAbility Principles (2018) and assessment of sustainability disclosure to be in conformance with the applicable SASB industry standard(s) in this report as conducted in accordance with type 1 of AA1000AS v3 sustainability assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

This statement was prepared in English and translated into Chinese for reference only.

Opinion Statement

We conclude that the Chung Hwa Pulp 2021 Sustainability Report provides a fair view of the CHP sustainability programmes and performances during 2021. The sustainability report subject to assurance is free from material misstatement based upon testing within the limitations of the scope of the assurance, the information and data provided by the CHP and the sample taken. We believe that the performance information of Environment, Social and Governance (ESG) are fairly represented. The sustainability performance information disclosed in the report demonstrate CHP's efforts recognized by its stakeholders.

Our work was carried out by a team of sustainability report assurers in accordance with the AA1000AS v3. We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that CHP's description of their approach to AA1000AS v3 and their self-declaration in accordance with GRI Standards: Core option and SASB Standard(s) (Pulp & Paper Products Sustainability Accounting Standard) were fairly stated.

Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- a review of issues raised by external parties that could be relevant to CHP's policies to provide a check on the appropriateness of statements made in the report.
- discussion with managers on approach to stakeholder engagement. However, we had no direct contact with external stakeholders.
- 9 interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out.
- review of key organizational developments.
- review of the findings of internal audits.
- review of supporting evidence for claims made in the reports.
- an assessment of the organization's reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality, Responsiveness and Impact as described in the AA1000AP (2018).
- an assessment of the organization's use of metrics or targets of SASB Standard(s) to assess and manage topic-related risks and opportunities.

Conclusions

A detailed review against the Inclusivity, Materiality, Responsiveness and Impact of AA1000AP (2018), GRI Standards and SASB Standard(s) is set out below:

Inclusivity

This report has reflected a fact that CHP has continually sought the engagement of its stakeholders and established material sustainability topics, as the participation of stakeholders has been conducted in developing and achieving an accountable and strategic response to sustainability. There are fair reporting and disclosures for the information of Environment, Social and Governance (ESG) in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the CHP's inclusivity issues.

Materiality

CHP has established relative procedure in organization level, as the issues which were identified by all departments have been prioritized according to the extent of impact and applicable criterion for sustainable development of organization. Therefore, material issues were completely analyzed and the relative information of sustainable development was disclosed to enable its stakeholders to make informed judgments about the organization's management and performance. In our professional opinion the report covers the CHP's material issues.

Responsiveness

CHP has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for CHP is developed and continually provides the opportunity to further enhance CHP's responsiveness to stakeholder concerns. Topics that stakeholder concern about have been responded timely. In our professional opinion the report covers the CHP's responsiveness issues.

Impact

CHP has identified and fairly represented impacts that were measured and disclosed in probably balanced and effective way. CHP has established processes to monitor, measure, evaluate and manage impacts that lead to more effective decision-making and results-based management within the organization. In our professional opinion the report covers the CHP's impact issues.

GRI Sustainability Reporting Standards (GRI Standards)

CHP provided us with their self-declaration of in accordance with GRI Standards: Core option (For each material topic covered by a topic-specific GRI Standard, comply with all reporting requirements for at least one topic-specific disclosure). Based on our review, we confirm that sustainable development disclosures with reference to GRI Standards' disclosures are reported, partially reported or omitted. In our professional opinion the self-declaration covers the CHP's sustainability topics.

SASB Standards

CHP provided us with their self-declaration of in accordance with SASB Standard(s) (Pulp & Paper Products Sustainability Accounting Standard). Based on our review, we confirm that the sustainability disclosure topics & accounting metrics of SASB Standard(s) (Pulp & Paper Products Sustainability Accounting Standard) are reported, partially reported or omitted. In our professional opinion the self-declaration covers disclosure topics, associated accounting metrics and activity metrics for applicable SASB industry standard(s).

Assurance level

The moderate level assurance provided is in accordance with AA1000AS v3 in our review, as defined by the scope and methodology described in this statement.

Responsibility

The sustainability report is the responsibility of the CHP's chairman as declared in his responsibility letter. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

Competency and Independence

The assurance team was composed of Lead auditors experienced in relevant sectors, and trained in a range of sustainability, environmental and social standards including AA1000AS, ISO 14001, ISO 45001, ISO 14064 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:


Peter Pu, Managing Director BSI Taiwan



Statement No: SRA-TW-2021003
2022-06-09

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