



Eternal Materials Co., Ltd.

2019

Corporate
Social
Responsibility
Report



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About This Report

Reporting Period

This Report covers information on the Company's CSR management policies, material topics, responses, actions, and performance from January 1 to December 31, 2019.

Report Boundaries and Scope

The boundaries of the Report are set in accordance with the consolidated financial statements and covers Eternal Materials Co., Ltd. and its major subsidiaries. The operating activities in Taiwan are used as the scope of the disclosure. The scope of certain material issues is described in the contents based on the impact in other regions or countries.

Reporting Guidelines

The Report is prepared in accordance with the GRI Standards 2016 published by the Global Reporting Initiative (GRI). The contents meet criteria for inclusion of stakeholders, sustainability, materiality, and integrity and the Report has been certified by the independent and impartial third party SGS Taiwan Ltd. in accordance with AA1000 Assurance Standards and GRI Standards. The Report has been verified to conform to the GRI Standards Core Options and AA1000 Type I moderate level of assurance. The Assurance Statement is attached in the Appendix for your reference.

Release Frequency: The CSR Report is published once a year.

Publication date of the previous Report: June 26, 2019.

Expected publication date of this Report: June 30, 2020.

Contact Information

If you have any questions, opinions, or recommendations regarding this Report, please feel free to contact us through the following channels and help us improve.

Investors: investor@eternal-group.com

Suppliers: supplier@eternal-group.com

Employees: employee@eternal-group.com

Other: Please refer to the Company's website www.eternal-group.com

Note: If there is any inconsistency between the information in this Report and the Annual Report, the Annual Report shall prevail.





A Message from the Management

Dear Stakeholders:

To protect shareholder equity and protect the interests of other related parties and the society, the Company continues to enhance corporate governance in accordance with the New Corporate Governance Roadmap advanced by the competent authority. The actual progress in 2019 included: appointment of a Chief Corporate Governance Officer to help the Board of Directors implement corporate governance and legal compliance. We strengthened information disclosure for investors and published the Financial Report/Annual Report for the Shareholders' Meeting in English.

We also strengthened the disclosure of information on the Company's official website. We regularly organize or accept invitations to institutional investors' conferences to explain the Company's operations to external entities.

With the hard work of the management team and adherence to Eternal's corporate culture and ideals, we were selected as a constituent stock of the "FTSE4Good TIP Taiwan ESG Index" in 2019. Eternal is honored by this award and shall continue to use our own resources and influence to fulfill corporate responsibilities.

Creating a clean and beautiful work environment is one of the hallmarks of Eternal's corporate culture. It is the fundamental responsibility for group operators to create and maintain an environmentally-friendly, safe, and healthy workplace. In terms of the environment, Eternal has always upheld and refined the work atmosphere by "turning the plant into a park." We continue to execute source reduction for the air pollution and odor issues that have the most direct impact on employees and the public. In addition to enhancing measures for source reduction, clean energy, and greenhouse gas emissions, we continue to advance high solid content, solvent-less, and water-based green environmental protection products in product development and applications to meet expectations in the external environment. To control the odors emitted from the workplace environment, we invested resources to establish sealed processes to minimize any potential odors. We are not satisfied with merely meeting regulatory requirements and we seek to provide employees with additional protection and continue improvements so that we can create a friendly and healthy workplace environment.

Eternal has a diverse range of processes and products. The Company established the Safety and Environmental Protection Committee of Eternal Group in 2017 to accelerate the integration of the Company's resources, implement continuous effective control to reduce the safety and environmental accident occurrence rate, and establish a safe workplace environment for employees. We also introduced process safety management system optimization projects in 2018. The Company has also dedicated efforts to strengthen the human-oriented management spirit and attitude in the past five years. Under the guidance of the Group's safety and environmental policies, we continue to increase the employees' awareness of safety and responsibilities to gradually intensify safety in the daily work and life of Eternal. In addition to strengthening process safety and continuing improvements, we also focus on mechanisms for caring for the physical and mental health of employees. We have established systematic occupational health management structure and established employee psychological consultation channels to verify that employees can receive physical and mental health protection.

Making contribution to society has always played a crucial role in the corporate culture of Eternal since its establishment. In the past, the Company had provided monetary donations for groups in remote areas or disadvantaged groups or provided financial support to professional foundations for implementation. Now the Company uses the innovative "Eternal Materials" and "Eternal Education" campaigns to take on the challenges of providing assistance to individual project. We provide monetary donations and organize internal employees to provide professional services and dedication in order to make contributions to society with better solutions and upgrade social welfare endeavors to Eternal Charity 2.0.



Chairman: Kao, Kuo-Lun
President: Mao, Hui-Kuan



Overview

About Eternal

Full Name of Company: Eternal Materials Co., Ltd.

Stock Symbol: Listed on Taiwan Stock Exchange; 1717

Core Businesses: Manufacturing, Processing, and Sales of Materials

Founding: December 3, 1964

Headquarters: Kaohsiung, Taiwan



Products and Services

Synthetic Resins for Coatings

Eternal offers a highly diverse range of synthetic resins, such as alkyd resins, acrylic resins, saturated polyester resins, amino resins, phenolic resins, fluoropolymer resins, acrylic beads, photovoltaic materials, and so on. With strong support from our research and development team, we are also capable of providing tailor-made solutions to customers.

General Purpose Resins

Aside from resins for coating, we also supply water-based and solvent-based acrylic resins, polyester polyols, waterborne polyurethane dispersion, high molecular weight polyester, resins for paper glaze and overprinting varnish, acrylic beads, strip mask and liquid optical clear adhesive (LOCA) for a broad range of industries.

Unsaturated Polyester Resins

Eternal has experienced in unsaturated polyester resins field for over 40 years, and our product cover most application in the market. On the base of unsaturated polyester resin, we further expand our product portfolio and now we are also a key supplier of vinyl ester resin, epoxy system, fire retardant resin, structural adhesive and polyester polyol.

With long-term commitment in supplying competitive and consistent quality products, our products have met stringent domestic and international quality standards, including Lloyd's, DNV and NK, and export to over 30 countries worldwide.

Corporate Culture

Since it was founded in 1964, Eternal has always upheld its values for compliance with laws, integrity, and moral values (civility, ethics, and morality) and make contribution to society. The Company also pays close attention to employee ethics and creates a clean and appealing work environment to establish a positive image for the Company.

Business Philosophy

Eternal has always upheld its values for providing the best quality and service to customers, and we also care about the employee's welfare, respect the rights of shareholders, strive to ensure the stakeholders' rights, enhance all corporate governance systems, and fulfill corporate social responsibility.

For more information on important code of conduct or the Company's Ethical Corporate Management Best Practice Principles, please refer to the Company's website:

<https://www.eternal-group.com/WebData/Director02>

Acrylic Monomers & Acrylic Oligomers

(1) Mono-functional monomers, (2) Di-functional monomers, (3) Tri-functional monomers, (4) Multi-functional monomers, (5) Monomers with high refractive index, (6) Ethoxylated, propoxylated modified monomers (i.e. The 2nd generation monomers), (7) Caprolactone modified monomers, (8) Monomers with stiff and rigid structure, (9) Toluene-free monomers, (10) High flexible monomer, (11) Monomers from Bio-renewable material, etc.

We have various Acrylate Monomers that could provide high quality products and different specifications to satisfy end-user customers' need. Besides, we also keep developing the market-oriented new products. We have three production sites i.e., Luzhu plant in Taiwan, Zhuhai and Suzhou plant in China, which support the maximum production capacity to supply customers in the world and become a leader in Asia.

We provide various UV-curable acrylate oligomers, including (1) Modified Epoxy Acrylates, (2) Polyurethane Acrylates, (3) Polyester Acrylates, (4) Polyether Acrylates, (5) Full-Acrylic resins, (6) Hyperbranched Polyester Acrylates, (7) Water-borne PUD, (8) Organic-inorganic Hybrid Materials, (9) Reactive Amine Synergists, (10) self-healing Acrylates, (11) Silicone modified Acrylates, (12) Adhesion promoter on difficult substrate, (13) Oligomers for UV matt application, etc.

With outstanding production and R&D inputs for decades, Eternal has integrated the technologies among the Business Groups and built up a unique application database successfully.

To be qualified by the markets' requirement, Eternal nowadays is not only certificated by ISO 9001/ISO14001/ISO14064/TOSHMS/OHSAS18001 but also made our efforts to comply with the Chemical regulation (REACH, TSCA, MITI, etc.). In view of the above, our products have earned a good reliability among our worldwide customers.

Specialty Coatings

UV system is a promising application technology with solid benefits including energy saving, low environmental pollution, cost saving over highly automated production system, and outstanding application potential. Specialty Coatings has products of UV coatings and thermal coatings which are developed for market needs.

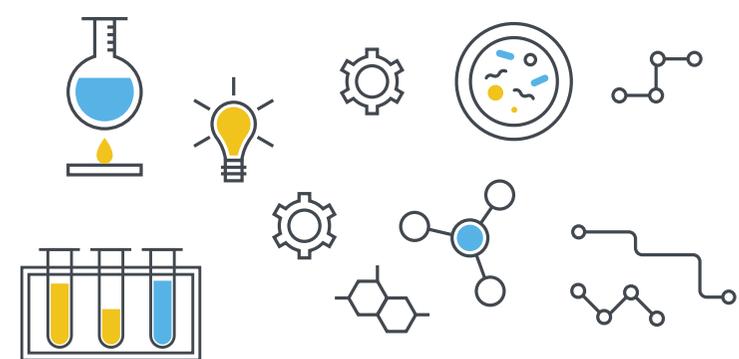
Silicone-base Materials

Silicon-base material is a kind of new material with organic and inorganic characteristics due to special chemical structure. In the meanwhile, due to excellent thermal stability, weather durability, high water repellency, inert, chemical resistance, excellent electrical insulation performance, they are widely used to develop new applications by many global companies with huge potential market.

Eternal dedicates to developing new materials to fulfill market demands, including "Silicone microsphere products", "Modified silicone products", and "Silicone resins".

(1) Silicone microsphere (or polymethylsilsesquioxane) include light diffuser (DF series), functional powder for cosmetic (WJ series) and friction modifier for coating (GP series). Base on different specifications and traits required by customers, Eternal can customize silicone microsphere products with various particle sizes and provide integrated solutions. Furthermore, we would also like to assist to enhance customers' compatibilities with continued developing high performance products and provide in time technical service. We have two production sites, Zhuhai plant and Shanghai plant that can produce high quality products.

(2) Modified silicone products contains polyether siloxane copolymer; Polyester siloxane copolymer; Epoxy-functional modified siloxane copolymer; Hydroxy-functional modified siloxane copolymer and acrylate modified siloxane.



Copper Clad Laminates

Copper Clad Laminate (including CEM-1 CCL , paper phenolic CCL , phenolic insulation board without copper , bakelite) is the primary material for household appliances, information and telecommunications peripheral devices. In the pursuit of market trends, it develops copper / silver through hole materials and environmental-friendly materials to upgrade the application of the products. The production processes are fully automated and have received UL, BSI, VDE, JET, CQC, ISO9001, ISO14001 and OHSAS 18001 Certifications. "Focusing on service quality and grasping the customer's need" is the primary marketing concept of the company. All the production technology and manufacturing development are based on the needs of our customers.

Photoresist Materials

Eternal has focused on formula design, precision coating technology and set up worldwide supply chains as our global strategy. We've strived for PCB industry market in years with our commitment to offer customers high-quality products through our distribution center and production facilities in Taiwan, China, Japan, United States, Europe and South East Asia. We're able to provide in-time technical service and rapid logistic capability over the past years, Eternal has developed itself into one of the world's main leading suppliers of Dry Film Photoresist. In 2013, we devoted into vacuum lamination business, looking to offer customers with further total solution in both materials and equipments. Moreover, we have optical products such as prism films, and protective films.

Based on increasing demand on electronic products with functional precision film materials, we're aggressively offering customers toll coating service with our abundant experiences and technology in precision coating. Our customers varied in electronic industry, LCD industry, touch panel industry, optical industry and so on. We look forward to cooperate with industries and develop advanced coating products.



As demand for high-performance precision film products in electronic products increases, we have used our technologies and years of experience in precision coating processes to actively invest in precision coating and OEM businesses. We have developed high-value coating products with the industry and served customers from the electronics, flat panel display, touch panel, and optoelectronics industries.

Proportion of 2019 revenue by product

Electronic Materials 30%

Dry Film Photoresist, Dry Film Solder Mask, UV INK, Dry Film Photosensitive Polyimide, Liquid Polyimide Material, Prism Film, Vacuum Laminator, Toll Coating Service, Paper Phenolic Copper Clad Laminate, Composite Epoxy Copper Clad Laminate

High Performance Materials 17%

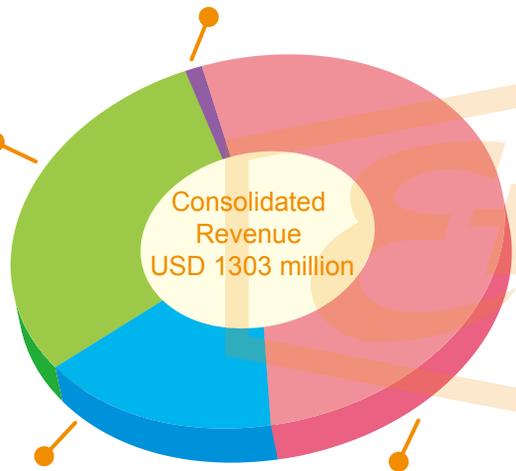
UV Monomers · UV Oligomers, Special Coatings, silicone powder, Additives, 3D UV printing Material, EMC, Optical Silicone & Epoxy material -for LED Packaging

Others 1%

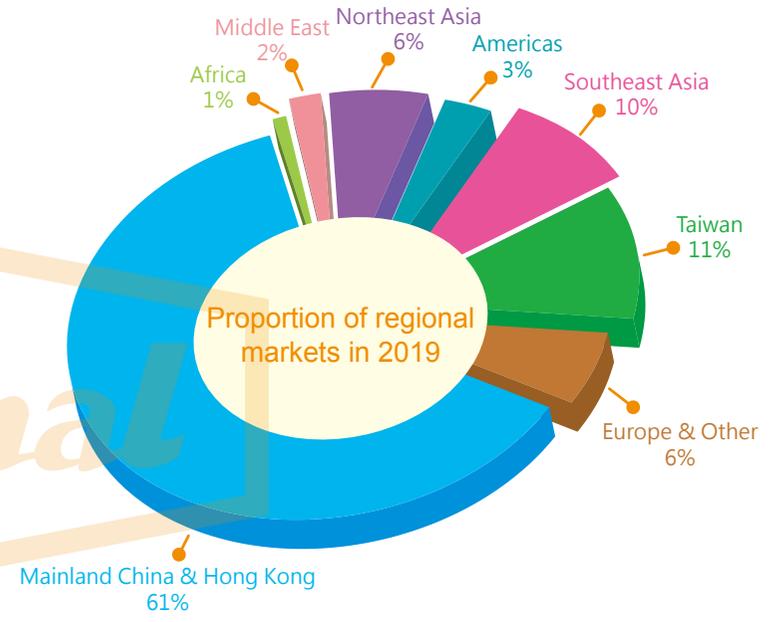
Enzyme, antibody for IVD, conductive polymer, Liquid molding compound, Binder, electrolyte, Si/C for LIB materials, Hydrophilic film for strip

Resins Materials 52%

Alkyd Resin, Solvent-Based Acrylic Coating Resin, Water-Based Acrylic Coating Resin, Acrylic Resin For Adhesives and Overprinting, Polyester Polyol Resin, Fluorocarbon Resin, Polyurethane Resin, Saturated Polyester Resin, Amino Resin, Optoelectronic Materials, Photovoltaic Materials (PVM), Other Coatings Resin, Unsaturated Polyester Resin, Vinyl Ester Resin, Fire Retardant Resin, Epoxy System, Structural Adhesive, Polyester for Polyurethane Foam



Proportion of regional markets in 2019



Brand



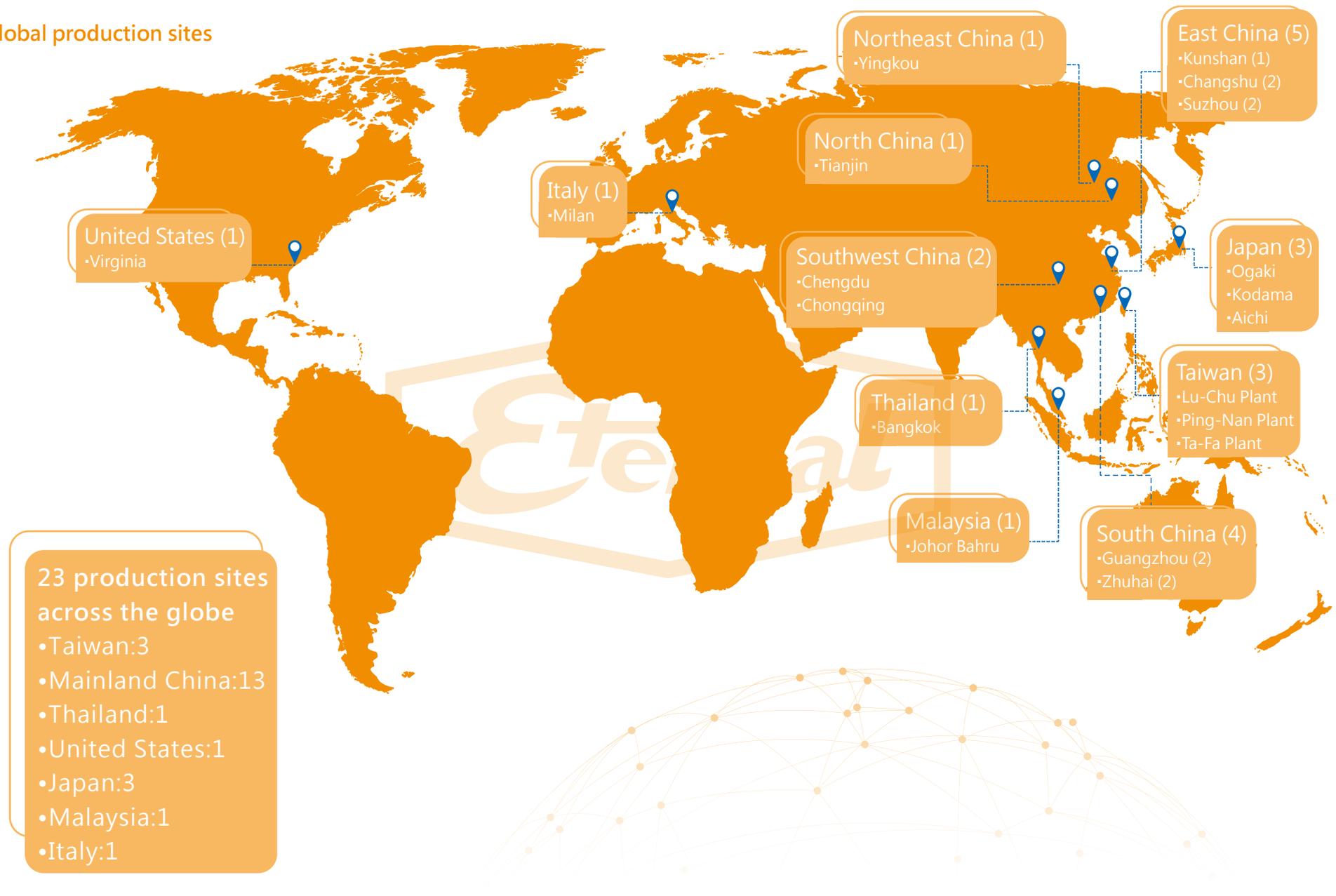
Production Sites & Sales Office

Eternal's production sites are concentrated in Taiwan, Mainland China, United States, and Japan. We also maintain close technical cooperation with companies in Japan, United States, Germany, and France. Our sales points are distributed in major cities across the world.

Production Sites & Sales Office in Taiwan



Global production sites



23 production sites across the globe

- Taiwan:3
- Mainland China:13
- Thailand:1
- United States:1
- Japan:3
- Malaysia:1
- Italy:1

Participation in Industry Associations

Eternal continues to participate in regular and ad hoc meetings of trade associations of related industries to discuss and propose opinions on related national policies and international initiatives and form effective and positive negotiation mechanisms.

Key Industrial Organizations	Name
Taiwan Listed Companies Association	Member
Chinese National Federation of Industries	Member
Taiwan Flat Panel Display Materials & Devices Association	Director/Member
Taiwan Display Union Association	Director/Member
Taiwan Synthetic Resin & Adhesives Industrial Association	Vice Chairperson/Member
Taiwan Paint Industry Association	Supervisor/Member
Nonylphenol Toxic Chemical Disaster Allied Defense Organization with Formosan Union Chemical	Team Member
Taiwan Regional Association of Adhesive Tape Manufacturers	Honorary Member
National Toxic Chemicals Regional Allied Defense South District Team	Team Member
Pingnan Industrial Park Association	Executive Supervisor/Member
Reinforced Plastics Association, ROC	Member
Taiwan Composite Materials Industry Association	Member
Taiwan Printed Circuit Association	Member
Institute for Biotechnology and Medicine Industry	Member
Chemical Society Located in Taipei	Member

Key Industrial Organizations	Name
Chinese Association for Industrial Technology Advancement	Member
Taiwan Chemical Industry Association	Executive Director/Member
Taiwan Nanotechnology Industry Development Association	Member
Association of Bio-based Material Industry	Consulting Member/Member
The Polymer Society, Taipei	Member
Kaohsiung City Toxic Chemical Allied Defense Team	Team Member
Kaohsiung Chamber of Commerce	Member
Industrial Safety and Health Association of the R.O.C.	Member
Taiwan Responsible Care Association	Supervisor/Member
The Institute of Internal Auditors-Chinese Taiwan	Member
Chinese National Association of Industry and Commerce, Taiwan	Vice Chairperson/Member
Kaohsiung Chamber of Industry	Director/Member
Importers and Exporters Association of Kaohsiung	Chairperson/Member
Taiwan Carbon Association	Director/Member

External Initiatives

Eternal applied to join SusChem (<http://www.suschem.org>) in 2019. The initiative mainly applies to operation sites in Taiwan and include various related stakeholders. The initiative promotes the sustainable low-carbon economy advocated by SusChem to prevent or adapt to material impact of climate change and support dynamic innovation and industrial ecosystems. We implemented measures based on the five major SusChem policies including Competitiveness, Circular Economy, Energy Union, Digital Single Market, and Bioeconomy.

Stakeholders Identification and Communication

The Company complies with the UN Sustainable Development Goals (SDGs) and continuously fulfill obligations as corporate citizens of the earth in corporate governance, environmental protection, and social welfare. We are committed to compliance with domestic regulations and international norms in employment, respect for human rights, promotion of health and well-being, prohibition of child labor, and climate actions.

Corporate Social Responsibility Policy

Eternal persists on the operating principles, as well as sustainable growth, constantly establishing the corporate culture including law-abiding, keeping promises and morality (social morals, ethic morals, and individual morals); contributing to the society, and beautifying the work environment.

In order to dedicate in the responsibility of environmental protection, we have not only devoted significant amount of budget to conduct facility investment and enhancement, but also actively develops green products which are friendly to the environment, allowing their impacts on the environment to be reduced to the minimum.

As for the aspect of safety management, Eternal has always valued industrial safety and hygiene, as well as fire controls. In addition to constantly reviewing to improve the safety of the production, we also organize educational trainings on a regular basis, so as to implement all relevant knowledge into the work environment.

"Employee" is a vital asset to the enterprise, and besides obeying the various labor regulations, Eternal further devotes in taking care of the employees' body as well as mind health, constantly reviewing the various employees' welfares as well as educational training system, so as to maintain excellent interactive system and stimulate the harmonious relationship between the employees and the employer.

Eternal continuously review itself through the three major fields of "Corporate Governance", "Welfare" and "Environmental Protection", thereby fulfilling its responsibilities towards the stakeholder.

CSR Operational Structure



Stakeholder identification

Identification of stakeholders is a core task in promoting corporate social responsibility. Employees of each department identify key stakeholders and fully communicate on issues of concern. Based on the recommendations in the "AA1000SES 2015 Stakeholder Engagement Guidelines," we consider the degree of dependency, responsibility, tension, influence, and diverse perspectives, and reach a consensus with related personnel. We then produce a table which is used as an important reference for disclosing the contents of the Report. In 2019, Eternal reviewed the external regulatory, technological, competitive, market, cultural, social, and economic environment and gained a deep understanding for international, national, regional, or local perspectives, and their internal values, culture, knowledge, and performance. We identified six categories of stakeholders in the company's operations, including investors, customers, employees, suppliers/contractors, government, and communities. We also established different channels and communication methods to provide stakeholders with open and diverse communication mechanisms.



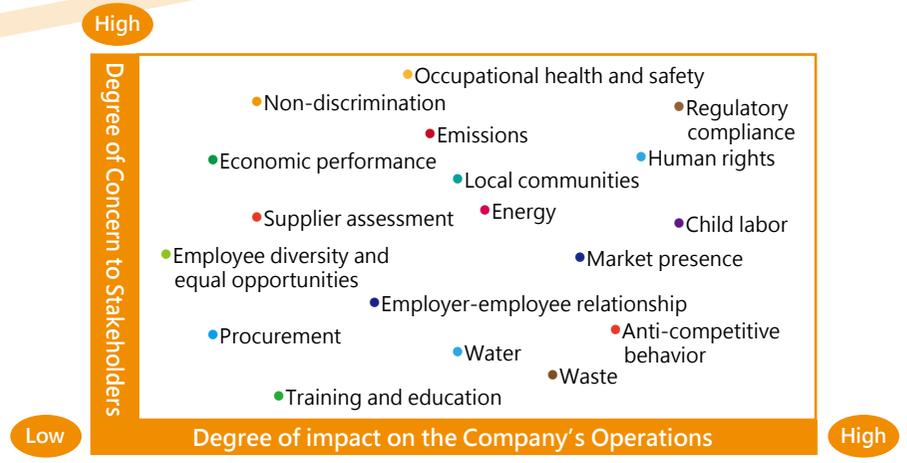
Stakeholder Communication

In addition to providing interactive communication with stakeholders through the following diverse channels in regular operations, the Company has also set up a communication mailbox on its website. The main contents consist of employees, investors, customers, suppliers, etc. The Company also assigns different dedicated personnel for each category of stakeholders to process related issues or inquiries.

Stakeholders	Issues of concern	Communication channels	Communication frequency
Investors	Operational performance Information disclosure Material announcements Company website	Shareholders' meeting Annual Report Spokesperson MOPS Institutional investors' conference Company website	Annually Annually Irregular basis Where necessary Where necessary Immediate
Customers	Product quality Delivery schedule Services Customer complaint channels	Customer satisfaction survey Visits Email and telephone interview Technical support Company website	Annually Irregular basis Irregular basis Where necessary Immediate
Employees	Compensation system Training Benefits Safety and health Health promotion	Communication meetings Email Interviews with department heads Employee Welfare Committee Internal announcements Company website	Irregular basis Irregular basis Semi-annually Quarterly Irregular basis Immediate
Suppliers/ contractors	Supplier evaluation Tiered supplier management Contractor construction safety management	Email Telephone communication Invite suppliers for visits Contractor meetings Company website	Irregular basis Irregular basis Irregular basis Annually Immediate
Government	Regulatory compliance Safety and health Environmental Protection Industry upgrade	Participate in various seminars on regulations Participate in drafting legislation Visits, official correspondence, or questionnaire surveys Awards and contests Industrial zone meetings Company website	Where necessary Where necessary Where necessary Irregular basis Annually Immediate
Community	Community participation Activities in the public interest	Establish good relations with local communities Continue to support disadvantaged groups Company website	Where necessary Where necessary Immediate

Analysis Process for Material Topics

- Step.1**
Use of external sources: We collect various international sustainability guidelines, policies, and issues of concern proposed by government authorities, and reference the opinions of external experts and experience of benchmark companies.
- Step.2**
Review internal company sources: We identify and categorize the stakeholders affected by the business activities of each department and learn about their issues of concern through communication channels.
- Step.3**
We assemble related CSR members to consider internal and external sources, stakeholder opinions, and characteristics of the industry to verify the potential impact of significant issues on the Company and the positive or negative impact on the economy.
- Step.4**
After the data are compiled, we completed the identification of CSR materiality topics based the "assessment of impact on stakeholders" and "significant impact on the economy, environment, and society," and identified a total of 18 material key issues. We have integrated environmental compliance and socio-economic compliance into the compliance issue, and integrated supplier environmental assessment and supplier social assessment into the supplier assessment. We responded to the relevant management guidelines in this Report based on the index contents of the GRI Standards.



Material concerns and topics after compilation

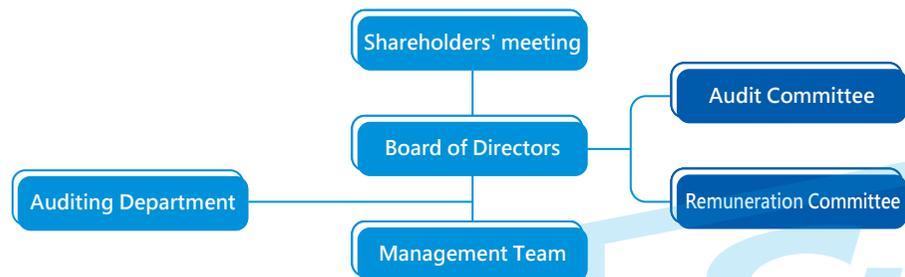
Category	Material Issue	Description	Item in GRI Standards
Economic	Economic performance	Direct economic value generated and distributed by the organization	201-1
		Scope of defined benefit plans prepared by the organization	201-3
	Market presence	Ratios of standard entry-level wage by gender compared to local minimum wage	202-1
		Proportion of senior management hired from the local community	202-2
	Procurement	Proportion of procurement expenses on local suppliers	204-1
	Anti-competitive behavior	Legal actions of anti-competitive behavior, antitrust and monopoly practices	206-1
Environmental	Energy	Energy consumption of the organization	302-1
		Energy intensity	302-3
		Energy reduction results and practices	302-4
	Water	Total water consumption	303-1
	Emissions	Direct GHG Emissions (Scope 1)	305-1
		Indirect GHG Emissions (Scope 2)	305-2
		GHG emissions intensity	305-4
		Greenhouse gas reduction	305-5
		Nitrogen oxides, sulfur oxides, and other significant air emissions	305-7
	Waste	Waste by type and disposal method	306-2
	Environmental compliance	Total of significant fines for non-compliance with environmental regulations and number of non-monetary penalties	307-1
	Supplier environmental assessment	Environmental criteria adopted to screen new suppliers	308-1
		Negative environmental impacts in the supply chain and actions taken	308-2

Category	Material Issue	Description	Item in GRI Standards
Social	Employer-employee relationship	New employees and departing employees	401-1
		Benefits provided to full-time employees at important operating locations	401-2
		Reinstatement rate and retention rate by gender after parental leave	401-3
	Occupational health and safety	Proportion of employee representatives in occupational health and safety	403-1
		Analyze injury type and work injury rate, occurrence of occupational diseases, number of lost days, absenteeism, and total number of work-related deaths by region and gender	403-2
		Employees engaged in work with a high risk for occupational diseases	403-3
		Health and safety topics covered in agreements with trade unions	403-4
	Training and education	Average training hours per employee by rank and gender	404-1
	Employee diversity and equal opportunities	Diversification of governance units and employees	405-1
		Ratio of basic salary and remuneration of women to men	405-2
	Non-discrimination	Incidents of discrimination and corrective actions taken	406-1
	Child labor	Whether the Company and important suppliers hire child labor, whether they have established operation sites hazardous to children, and measures taken by companies to end child labor	408-1
	Human rights	Employee training on human rights policies or procedures	412-2
	Local communities	Operations with local community engagement, impact assessments, and development programs	413-1
		Operations with significant actual and potential negative impacts on local communities	413-2
	Supplier social assessment	New suppliers screened using social criteria	414-1
Negative social impacts in the supply chain and actions taken		414-2	
Society and economy Regulatory compliance	Non-compliance with social and economic laws and regulations	419-1	

Corporate Governance

Board of Directors

I. Corporate Governance Organization



April 20, 2020; Unit: thousand shares; %

Quantity \ Shareholder Structure	Financial Institutions	Other Institutions	Individuals	Foreign Institutions and Individuals	Total
Number of People	12	150	33,576	212	33,950
Number of Shares Held	91,669	319,151	645,448	184,012	1,240,280
Shareholding Percentage	7.39	25.73	52.04	14.84	100

II. Establishment of the Board of Directors

The Company appoints 11 Directors (including 3 Independent Directors) in accordance with the Articles of Incorporation. They serve three-year terms and are elected by shareholders from the list of candidates. Directors are eligible for reelections. The election of Directors is conducted based on a candidate nomination system. The nomination of Directors of the Board shall be processed and announced in accordance with the Company Act and the Securities and Exchange Act. The Board of Directors of this term was elected in the general shareholders' meeting in 2019. The 11 Directors have extensive work experience and professional qualifications in business, law, finance, accounting, or company operations. Three of the Directors

are Independent Directors who provide objective and professional opinions in their respective fields and help the Board of Directors formulate the most favorable decisions for the Company. The Independent Directors are elected in accordance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

As a principle, meetings of the Board of Directors shall be convened at least once every quarter. The Chairman of the Board of Directors is elected by the Board of Directors.

The Chairman serves as the chair of board meetings and represent the Company externally. Please refer to the Company's official website (<https://www.eternal-group.com>) and the Annual Report for the shareholders' meeting for information on the Directors' education, experience, continuing education, concurrent roles in other companies, and meeting attendance rate.

Members of the Board of Directors:

Title	Name	Gender	Date of Appointment	Education/work experience
Chairman	Kao, Kuo-Lun	Male	2019.06.26	Master of Business Administration, University of Southern California Chairman of the Company and CEO of the Company
Director	Yang, Huai-Kung	Male	2019.06.26	Bachelor of Accounting, Soochow University Vice President of the Company
Director	Kao, Ying-Chih	Male	2019.06.26	Bachelor of Physics, Chung Yuan Christian University Chairman of the Orchard Corporation of Taiwan Ltd.
Director	Huang, Wu-Tung	Male	2019.06.26	Bachelor of Chemical Engineering, National Cheng Kung University Vice President of the Company

Title	Name	Gender	Date of Appointment	Education/work experience
Director	Kwang Yang Motor Co., Ltd. Representative: Ko, Chun-Ping	Male	2019.06.26	Master of Management Science, Tamkang University Chief Executive Officer of Kwang Yang Motor Co., Ltd. Director of the Board of New E Materials Co., Ltd.
Director	Hsieh, Chin-Kun	Male	2019.06.26	Master of Business Administration, National Sun Yat-sen University Vice Chairman, President, and Chief Operating Officer of the Company
Director	Shiao, Tzu-Fei	Male	2019.06.26	Master of Business Administration, National Chengchi University Vice Chairman, Chief Strategy Officer, and President of the Company
Director	Yen, Shu-Fen	Female	2019.06.26	Bachelor of Business Administration, National Cheng Kung University Vice President and Chief Administration Officer of the Company
Independent Director	Hung, Lee-Jung	Female	2019.06.26	Bachelor of Accounting, National Cheng Kung University Certified Public Accountant and Partner of PricewaterhouseCoopers Taiwan
Independent Director	Hsu, Jui-Yuan (Note)	Male	2019.06.26	PhD in Law, Fu Jen Catholic University Assistant Professor of Chung Yuan Christian University, Tamkang University, and Hsuan Chuang University Lawyer of Formosa Transnational Attorneys at Law
Independent Director	Lo, Li-Chun	Male	2019.06.26	PhD in Management, The Hong Kong Polytechnic University CEO of Pu Luo Global Financial Information Co., Ltd. and Pu Luo Management Consulting Co., Ltd.

Note: The Independent Director Hsu, Jui-Yuan resigned from the post of the Company's Independent Director starting from December 31, 2019 as he is occupied with research and education. The opening will be filled in the by-election in the general shareholders' meeting in 2020.

The age distribution is as follows:

	Age distribution		
	Under 30 years old	30-50 years old	Over 50 years old
Number of People	0	1	10

III. Implementation of Corporate Governance

Appointment of the Chief Corporate Governance Officer

The Board of Directors resolved in the meeting on May 10, 2019 to appoint the Finance Manager Liu, Bing-Cheng to serve as the Company's Chief Corporate Governance Officer to protect shareholder interests and strengthen the functions of the Board of Directors. Liu, Bing-Cheng has accumulated more than three years of work experience in financial management in public companies. His main duties include handling the meeting-related matters of the board of directors and the shareholders' meeting in accordance with the law, making the minutes of the board of directors and the shareholders' meeting, assisting the directors in taking office and continuing education, providing information required for the directors to carry out their business, assisting the directors in complying with laws and regulations, etc.

The implementation of corporate governance affairs in 2019 is explained as follows:

1. Assist independent directors and general directors to perform their duties, provide necessary information and arrange for continuing education for directors:
 - (1) Notify board members of regulatory requirements and related regulations and laws when they take office this year.
 - (2) Provide company information required by the directors to maintain smooth communication and interaction between the Board of Directors and the heads of divisions.
 - (3) Arrange meetings with the head of internal audit or CPAs for independent directors who are in need of investigating the Company's financial or business operation, in accordance with the Corporate Governance Best Practice Principles.
 - (4) Assist independent directors and general directors in drawing up annual further education plan and making arrangement for courses in accordance with the nature of the Company's industry and the experience and professional background of directors.
2. Assist in matters related to the rules of procedures of Board of Directors and shareholders' meeting as well as legal compliance of resolutions:
 - (1) Report the implementation of corporate governance to the Board of Directors, independent directors, and Audit Committee, and confirm whether the meetings of the Company's shareholders and Board of Directors are held in compliance with relevant laws and regulations and the Corporate Governance Best Practice Principles.

- (2) Assist and remind Directors of laws and regulations they must comply with when performing their duties or when making resolutions of the Board of Directors.
 - (3) Be responsible for checking the release of the major information related to the important resolutions made by the Board of Directors, and ensure the legality and accuracy of the contents of such information, so as to keep the consistency of investor's trading information.
3. Draw up agendas for meetings of the Board of Directors and notify Directors of the agendas seven days before the meeting, convene meetings and provide information about the meetings, send out reminders regarding agendas that require recusal of Directors and complete the minutes of the Board of Directors' meeting within 20 days after the meeting.
 4. Handle prior registration for shareholders meetings, prepare meeting notices, agenda handbook, meeting minutes within the statutory period, as well as handle registration of changes due to amendment of regulations and re-election of directors.

Continuing education in 2019 was as follows:

No.	Institution	Course Name	Training Period		Training Hours	Total Training Hours During the Year
			From	To		
1	Taiwan Investor Relations Institute	Directors' Information Rights, Scope of the Company's Cooperation, and Analysis of Practices	07/31	07/31	3	12
2	Taiwan Academy of Banking and Finance	Corporate Governance Seminar (42nd Session)	09/10	09/10	3	
3	Taiwan Institute of Directors	Mittelstand Sustainability Index: Key to Profitability Growth and Corporate Sustainability	10/15	10/15	3	
4	Taiwan Academy of Banking and Finance	Corporate Governance Lecture - Analysis of Crisis Management Strategies and Speaking Skills	10/29	10/29	3	

IV. Functional Committees

The Company has established two functional committees under the Board of Directors including the "Audit Committee" and "Remuneration Committee" to strengthen the supervisory function of the Board of Directors.

Audit Committee

1. The Company established the "Audit Committee" in June 2016 to take over the duties of Supervisors and strengthen the supervisory functions of the Board of Directors.
2. The Audit Committee is responsible for the supervision of the Company's financial statements, selection (dismissal) of the CPAs and evaluation of their independence and performance, effective implementation of internal controls, ensuring that the Company follows relevant laws and regulations, and assessing possible and potential risks to the Company. A total of 5 meetings were held in 2019 and the total attendance rate was 87%.
3. The items reviewed by the Audit Committee mainly include the following :
 - (1) Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
 - (2) Evaluation of the effectiveness of an internal control system.
 - (3) Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
 - (4) Matters involving the personal interest of Directors.
 - (5) Material asset or derivatives transactions.
 - (6) Material monetary loans, endorsements, or provisions of guarantees.
 - (7) The offering, issuance, or private placement of any equity-type securities.
 - (8) The hiring, discharge, or compensation of an attesting CPA.
 - (9) The appointment or discharge of a financial, accounting, or internal audit officer.
 - (10) The annual financial report signed or sealed by the Chairman, manager, and accounting manager and the second-quarter financial report that must be audited and certified by the CPA.
 - (11) Any other material matter so required by the Company or the competent authority.

4. According to the laws of the Republic of China, the members of the Audit Committee shall consist of all Independent Directors. The establishment of the Company's Audit Committee already meets regulatory requirements and its convener has extensive work experience in finance and professional qualifications.
5. The Audit Committee may, for the performance of its duties, implement any suitable reviews and investigations in accordance with laws and establish communication channels with the Company's internal audit personnel, CPA, and employees. The Audit Committee is authorized to employ and supervise lawyers, accountants, or other consultants as it deems appropriate to fulfill its mandates.
6. Please refer to the Company's website or MOPS for the Audit Committee Charter.
7. Members of the Audit Committee

Implementation of Ethical Management

Eternal's corporate culture is based on "compliance with laws, integrity, and moral values" which are core values to be upheld by all members of the Company. When the Company and its affiliated enterprises enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. The terms of price and methods of payment shall be clearly established for the contract matters and non-routine transaction shall be completely eradicated. All transactions or contracts made by and between the Company and its related parties and shareholders shall follow the principles set forth in the preceding paragraph, and improper channeling of profits is strictly prohibited. The Company shall maintain a smooth communication channel with banks, other creditors, employees, consumers, suppliers, communities, or stakeholders who deal with the Company, as well as respect and safeguard their due legal rights and interests. When a stakeholder's legal rights or interests are harmed, the Company shall process the matter in a proper manner and in good faith.

The Company discloses information in a timely, accurate, and complete manner in accordance with relevant laws and regulations so that all shareholders and stakeholders are fully informed and have easy access to relevant information in order to protect the interests of investors. To enhance the accuracy and timeliness of material information disclosure, the Company shall appoint the person who understands the Company's finance, business or is capable of coordinating all departments to provide relevant information, and is able to make a statement on behalf of the Company as the Company's spokesperson and deputy spokesperson. The Company shall appoint one or more deputy spokespersons who shall represent the Company, when the spokesperson cannot perform his/her duties, in making statements to the public independently. The order of external communications shall be established to implement the spokesperson system. The Company shall disclose the relevant information immediately when there is a change of spokesperson or deputy spokesperson.

The Company sets up the website with the use of the Internet access, and establishes the information on the Company's financial business and corporate governance as reference for shareholders and stakeholders. The website shall be maintained by designated persons and the information listed shall be accurate and immediately updated to prevent misleading. Financial and business information from the investor conference shall be uploaded to an

Title	Name	Date of Appointment	Education/work experience
Independent Director/Audit Committee Convener	Lo, Li-Chun	2019.06.26	PhD in Management, The Hong Kong Polytechnic University CEO of Pu Luo Global Financial Information Co., Ltd. and Pu Luo Management Consulting Co., Ltd.
Independent Director	Hung, Lee-Jung	2019.06.26	Bachelor of Accounting, National Cheng Kung University Certified Public Accountant and Partner of PricewaterhouseCoopers Taiwan
Independent Director	Hsu, Jui-Yuan (Note)	2019.06.26	PhD in Law, Fu Jen Catholic University Assistant Professor of Chung Yuan Christian University, Tamkang University, and Hsuan Chuang University Lawyer of Formosa Transnational Attorneys at Law

Note: The Independent Director Hsu, Jui-Yuan resigned from the posts of member of the Company's Audit Committee and Remuneration Committee starting from December 31, 2019 as he is occupied with research and education.

Internet information reporting system according to Taiwan Stock Exchange rules. Company website or other appropriate channels shall be provided for stakeholders to make inquiries.

The Company's employees are prohibited from directly or indirectly offering, promising, requesting, or accepting any improper benefits or commit other unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty for purposes of acquiring or maintaining interests.

Legal actions of anti-competitive behavior, antitrust, and monopoly practices

Eternal has established compliance and management regulations for the "Antitrust Law" as the basis for compliance of the employees. Since its establishment, the Company has not been involved in legal disputes or legal actions for anti-competitive behavior, anti-trust, and monopoly practices. No failure of compliance with the aforementioned laws and regulations have occurred at the Company.

Anti-corruption and Ethical Conduc

Eternal has adopted corporate culture and business philosophy as basic policies for integrity. We have also established good corporate governance and risk control and management mechanisms to create a business environment for sustainable development. Article 12 of the Company's Ethical Corporate Management Best Practice Principles specifies "the prohibition on bribery and acceptance of bribes." When conducting business, the Company's directors, managers, employees, appointees, and those with substantial control, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in any form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

Direct economic value generated and distributed by the organization

In 2019, consolidated net revenue of the Company was NT\$40.4 billion, a decrease of 6.78% from 2018. In terms of operating profit, net profit before tax was NT\$2.914 billion, an increase of 56.33% from the previous year; net profit after tax attributable to owners of the parent company was NT\$2.466 billion, with the earnings per share after tax at NT\$1.99.



Financial Performance and Profitability Analysis

1. Financial Performance :

Unit: Thousand NT

Item	Amount in 2019
Operating revenue	40,363,238
Operating gross profit	7,856,953
Operating profit	2,335,050
Non-operating income and expenses	578,881
Net profit before tax 2,913,931	2,913,931
Current net profit 2,428,081	2,428,081
Net comprehensive loss after tax	(945,873)
Total comprehensive income	1,482,208
Net profit attributable to owners of the parent company	2,466,356
Net profit attributable to non-controlling interests	(38,275)
Total comprehensive income attributable to owners of the parent company	1,531,715
Total comprehensive income attributable to non-controlling interests	(49,507)
Earnings per share (NT\$)	1.99

2. Profitability analysis :

Unit: %

Item	Percentage
Return on assets (ROA)	5
Return on equity (ROE)	11
Ratio of net profit before tax to paid-in capital	23
Profit margin	6
Earnings per share (NT\$)	1.99

Consolidated statement performance 2016-2018:

(I) Condensed Balance Sheet - Consolidated

Unit: Thousand NT\$

Item	Year (Note 1)	Financial Information for the Most Recent Five Years					Financial information of the current year up to March 31, 2020
		2015	2016	2017	2018	2019	
Current assets		28,929,485	30,440,271	33,149,934	30,666,571	30,227,516	29,257,507
Property, plant and equipment		16,149,813	17,263,366	18,466,249	18,792,384	17,435,546	16,924,714
Intangible assets		49,428	38,266	318,014	385,279	343,782	402,477
Other assets		3,988,950	4,060,153	4,531,308	4,516,045	5,789,885	5,989,444
Total assets		49,117,676	51,802,056	56,465,505	54,360,279	53,796,729	52,574,142
Current liabilities	Before distribution	9,533,629	13,416,662	18,124,943	14,482,801	15,828,650	13,737,375
	After distribution	11,066,883	15,072,576	18,704,513	15,599,053	Note2	Note2
Non-current liabilities		17,196,292	17,146,165	17,272,451	18,252,309	16,048,344	16,953,614
Total liabilities	Before distribution	26,729,921	30,562,827	35,397,394	32,735,110	31,876,994	30,690,989
	After distribution	28,263,175	32,218,741	35,976,964	33,851,362	Note2	Note2
Equity attributable to owners of the parent company		21,865,027	20,692,420	20,506,760	21,003,079	21,415,337	21,398,644
Capital		10,221,690	11,039,425	11,591,397	12,402,795	12,402,795	12,402,795
Capital reserve		359,884	359,900	359,900	356,046	356,046	356,046
Retained earnings	Before distribution	8,691,967	8,868,023	8,497,081	8,755,131	10,099,185	10,310,924
	After distribution	6,340,978	6,660,137	7,106,113	7,638,879	Note2	Note2
Other equity		2,591,486	425,072	58,382	(510,893)	(1,442,689)	(1,671,121)
Treasury stock		0	0	0	0	0	0
Non-controlling interests		522,728	546,809	561,351	622,090	504,398	484,509
Total equity	Before distribution	22,387,755	21,239,229	21,068,111	21,625,169	21,919,735	21,883,153
	After distribution	20,854,501	19,583,315	20,488,541	20,508,917	Note2	Note2

Note 1: Financial information in the above table has been audited or reviewed by the CPAs

Note 2: The 2019 earnings distribution is yet to be resolved in the shareholders' meeting.

(II) Condensed Statement of Comprehensive Income - Consolidated

Unit: Thousand NT\$

Item	Financial Information for the Most Recent Five Years					Financial information of the current year up to March 31, 2020
	2015	2016	2017	2018	2019	
Operating revenue	38,486,943	38,679,640	41,551,117	43,300,155	40,363,238	7,629,515
Operating gross profit	8,746,889	8,582,499	7,438,276	7,279,839	7,856,953	1,621,950
Operating profit or loss	3,397,427	3,129,593	1,861,551	1,813,005	2,335,050	311,600
Non-operating income and expenses	93,693	62,718	409,058	50,966	578,881	(61,212)
Net profit before tax	3,491,120	3,192,311	2,270,609	1,863,971	2,913,931	250,388
Net income from continuing operation	2,872,776	2,606,155	1,864,100	1,492,323	2,428,081	203,445
Loss from discontinued departments	0	0	0	0	0	0
Net income (loss)	2,872,776	2,606,155	1,864,100	1,492,323	2,428,081	203,445
Other comprehensive income (loss) (after tax net amount)	(654,615)	(2,313,351)	(494,191)	(600,017)	(945,873)	(239,881)
Total comprehensive income	2,218,161	292,804	1,369,909	892,306	1,482,208	(36,436)
Net profit attributable to owners of the parent company	2,871,636	2,626,384	1,909,634	1,550,515	2,466,356	211,739
Net profit attributable to non-controlling interests	1,140	(20,229)	(45,534)	(58,192)	(38,275)	(8,294)
Total comprehensive income attributable to owners of the parent company	2,229,465	357,343	1,416,409	952,243	1,531,715	(16,693)
Total comprehensive income attributable to non-controlling interests	(11,304)	(64,539)	(46,500)	(59,937)	(49,507)	(19,743)
Earnings per share (NT\$)	2.60	2.27	1.54	1.25	1.99	0.17

Note: Financial information in the above table has been audited or reviewed by the CPAs.

Risk Management

Eternal has adopted the existing internal control mechanism and management structure to manage related risks in corporate operations. Business units and functional units identify risks and adopt corresponding management strategies and countermeasures to avoid, reduce, transfer, or bear risks in accordance with their respective responsibilities. The managers of business units and functional units also review the internal and external changes related to business operations in regular monthly meetings of senior managers. The changes include changes in the external environment such as the global economy, financial environment, industry chain, product technology, customers and markets, and industrial safety and environmental issues; internal environmental changes such as internal personnel, compliance, and industrial safety and environmental protection procedure. They analyze the potential threats and opportunities for business operations and sustainable development brought forth by such changes.

After discussions with related units and risk assessments based on multiple aspects, risk management measures are adopted for items that pose significant threats to business operations based on the severity of the risks. We also strengthen internal risk management mechanisms to improve our ability to cope with emergencies associated with risk events. We also work with external partners and peers to enhance our ability to identify and manage risks in order to respond to the constant changes in the external environment.

Eternal's business operations consist mainly of R&D, manufacturing, and sales. We do not engage in high-risk, high-leverage financial investment and we implement rigorous rules with regards to the amount and scope for loans to other parties, endorsements and guarantees, or transactions in derivatives. The risks are manageable. Since the export market accounts for a considerable proportion of the Company's revenue, exchange rate fluctuations may have an impact on the Company's profit or loss. Therefore, the Company always pays attention to the exchange rate fluctuations in the international market and continuously takes the following response measures:

(1) The finance department maintains close contact with the foreign exchange departments of financial institutions to collect relevant information on exchange rate fluctuations at all times. By staying updated with international exchange rate trends and information, the Company can actively respond to the negative impact of exchange rate fluctuations. The Company also monitors trends in exchange rate fluctuations as the basis for forward foreign exchange transactions and settlement.

- (2) The Finance Department periodically made an internal assessment report on the positions to be hedged of the net foreign currency assets (liabilities), and reported to the management of the Company to make decisions on hedging.
- (3) For large amounts of foreign currency assets, the Company adopted hedging strategies, such as increase in foreign currency financing positions or forward exchange trading.
- (4) The Company opened a foreign currency deposit account and adjusted foreign currency positions held according to the actual demand for capital and exchange rate trends.
- (5) The Company uses the sales income to pay for procurement expenditures in the same currency to achieve automatic hedging effects. We use foreign currency cash from the sale of products in foreign countries to pay for foreign currency payables from the purchase of raw materials. We use asset management to hedge most foreign exchange risks. Therefore, with regards to foreign currency assets (liabilities), in accordance with exchange rate fluctuations, we only need to hedge the exchange rate risk by using other tools such as increasing foreign currency financing positions or trading forward foreign exchange to avoid risks in exchange rate fluctuations in a timely manner.
- (6) Before business units offer customers prices, they decide on appropriate and reasonable quotations based on the estimation of the foreign currency exchange rates by the Finance Department after comprehensive consideration and evaluation.



Values, Principles, Standards, and Norms of Behavior

Eternal has established internal regulations and systems such as the "Corporate Governance Regulations," "Ethical Corporate Management Best Practice Principles," "Compliance Management Regulations," and "Reporting System Implementation and Management Regulations" based on its corporate culture of compliance with laws, integrity, and moral values, as well as principles of ethical management and comprehensively developed business structure. We expressly disclose the Company's ethical management policies, require all business activities of the Company and subsidiaries to comply with related laws and regulations, and prohibit unethical and illegal actions. The regulations are applicable to the Company, enterprises and organizations of the Group, directors, supervisors, managers, employees, appointees, and those with substantial control. With compliance with laws, integrity, and moral values (civility, ethics, and morality), Eternal has adopted corporate culture and business philosophy as basic policies for ethical management. We have also established good corporate governance and risk control and management mechanisms to create a business environment for sustainable development.

The Company's preventive plans against unethical conduct comply with the relevant laws and regulations of the places of operations of the Company and enterprises of the Group. We also actively communicated with relevant stakeholders in the process of the formulation of the plans. The preventive plans include preventive measures for the following conducts:

- Offering and accepting bribes.
- Making illegal political contributions.
- Making inappropriate charitable donations or sponsorship.
- Giving or accepting unreasonable gifts, hospitality or other inappropriate benefits.
- Infringing on trade secrets, trademarks, patents, copyrights, and other intellectual property rights.
- Engaging in acts of unfair competition.
- Directly or indirectly harming the interest, health or safety of consumers or other stakeholders during the development, procurement, manufacturing, provision or sale of products and services

Prior to establishing commercial dealings, the Company and companies of the Group shall evaluate the legal compliance and unethical conduct records of its agents, suppliers, customers, or other business transaction counterparties.

It is advisable not to conduct transactions with those with records of unethical conduct. When conducting business, the Company's directors, managers, employees, appointees, and those with substantial control, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in any form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders. In addition, with regards to the proposals by the Board of Directors are of interest to the Directors themselves or the corporates they are representing, and are jeopardizing the Company's interests, the Directors of the Company and companies of the Group may make statements and provide answers, but may not participate in the discussion and voting. They must recuse themselves and may not vote on such proposal as proxy for any other Directors. Directors shall also exercise self-discipline and must not support one another in improper dealings. The directors, managers, employees, appointees, and those with substantial control shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.

The Company has established a whistleblowing system with related measures including :

- Establish and announce the independent internal reporting mailbox for use by the Company's personnel and external parties.
- If a report involves a Director or senior manager, if a serious violation is found, or the Company is in danger of severe losses, the Company personnel or unit responsible for accepting the case shall immediately notify the Independent Directors in a written report.





Customer Service



➤ Management Approach

The Company pursues comprehensive product quality assurance and complete customer services. We are also committed to satisfying customers' customized needs and implement the spirit of "research, development, innovation, and environmental protection" to maintain steady development in Taiwan and expand across the world. We committed to the three major principles of maintaining good customer relations, providing customer-oriented products and quality, and enhancing after-sales service and customer satisfaction to serve customers.

The Company has considered the characteristics of the industry and its obligations for providing notice and added the following warning to product labels: "This product is for industrial use only and is not permitted to be used for food. The packaging containers must be carefully disposed in accordance with local environmental protection regulations.

The Company also added the following provisions into new product sales contracts signed with buyers: "The buyer clearly understands and pledges that the products listed in this Contract are for use as industrial chemicals only and cannot be used in the production or formula of food, and that the packaging containers of products listed in the Contract shall be carefully disposed in accordance with local environmental protection regulations. We aim to strengthen customers' awareness of the correct applications of our products and emphasize that the protection and impact of the environment must be considered for the disposal of the packaging containers.

We have established a customer-oriented quality system to ensure the quality of the Company's products and services. Eternal conducts customer satisfaction surveys at least once a year. The satisfaction survey covers sales staff service, purchase order delivery, product quality, technical service, etc. Eternal also discusses customer feedback data and assigns personnel to improve and optimize services provided by the sales, production and marketing, and technical units.

2019 Customer Satisfaction Survey Results

Sales Staff Service	Delivery Achievement Rate	Product Quality	Technical Services
4.6	4.6	4.5	4.4

※The maximum score is 5 points

In addition to satisfaction surveys, Eternal also provides technical services for individual product issues of concern to customers. The provision of this technical service is a mechanism for professional technical engineering and R&D personnel to jointly identify and solve problems with the clients' engineering personnel. This mechanism helps Eternal intensify the link with its customers which builds deeper connections between the parties beyond product sales. It is also the foundation for a stable partnership for the parties to resolve issues together.



Cooperation with Suppliers

Transportation Management

Scope of Disclosure: Taiwan

Management Approach

Eternal's land-based transportation service providers in Taiwan must be those authorized by the government and conducts operations in accordance with legal requirements. If the goods transported by the service providers are dangerous goods regulated by the Ministry of Transportation and Communications (MOTC) or toxic chemicals regulated by the Environmental Protection Administration (EPA), they shall meet the transportation safety (including dangerous goods and toxic chemicals) regulations of the MOTC and EPA to ensure that the supply of materials meets production needs and materials are transported safely.

The Company requires all vehicles entering its plants to comply with all safety and health regulations of the plants such as movement and fire control regulations. The Company requires transportation service providers to comply with government regulations in the transportation process after leaving the plant to ensure that all operations fully comply with safety requirements and prevent transportation accidents.



Item	Management Items
Legal matters	Strictly require transportation service providers to comply with relevant government regulations in the transportation of dangerous goods.
	All vehicles must pass the inspections of the transportation supervisory unit and obtain a "temporary pass" issued by the local public road supervisory authority
	before they can be driven on roads.

Item	Management Items
Equipment management	Transportation vehicles must be inspected according to the periodic inspection requirements of the Road Transportation Safety Regulations. Those that fail to pass inspections may not enter the Company's plants for operations.
	Transportation vehicles must be equipped with fire extinguishers and emergency response equipment that have passed inspections.
	The vehicles must be equipped with a functioning dashboard camera. In the event of a traffic accident or irregular incident that causes harm to the driver, goods or the vehicle, the data recorded on the dashboard camera must be properly saved.
	The Company strictly requires drivers to comply with the "no fire" requirement and have emergency response equipment on board at all times. The equipment must include at least anti-leak equipment and personal protective equipment.
Personnel management	Transportation service providers must hire personnel with related licenses and qualification in training for the transportation of hazardous goods. The same applies for those who escort the transportation of hazardous goods.
	Before a transportation service provider enters a plant to provide transportation services, it must receive safety and health training and hazard notice from the plant.
	Tanker drivers and onsite operation personnel must verify that they have put on safety equipment before loading and unloading operations.
	Transportation service providers must have the capacity to respond to emergencies (e.g., leaks of products, fires, or explosions). In the event of irregularities in the transportation process, the driver must immediately take emergency response measures to prevent the continuous expansion of the irregular incident.
	The transporters' vehicles must comply with the relevant safety, health, and environmental protection regulations when entering Eternal's plants. Drivers must cooperate with Eternal in the implementation of random alcohol breathalyzer test. If the alcohol concentration in the driver's breath is higher than 0, Party A has the right to request Party B to send another person to continue to transportation.

Effectiveness Assessment

Transportation service provider evaluation: The Company redesigned the transportation service provider evaluation form in 2018 to raise the safety standard for hiring transportation contractors. The Company continuously evaluates their performance. We continue to hire those who have implemented improvements and meet standards and remove those who have not in order to reduce the occurrence of transportation accidents and protect public safety and the environment.

Transportation service provider evaluation items: Compliance with the requirements of competent authorities of the government, vehicle resources, adequacy of resources from previous transactions, ability to provide temporary emergency delivery service, punctuality of regular deliveries, quality of product storage during transportation, ability to follow up on inquiries during shipments, analysis and handling of customer complaints, driver management and signing of contracts, work responsibility and ethics, etc.

The evaluation results are classified into Grade A: Above 90 points, Grade B: 75-89 points, Grade C: 60-74 points, Grade D: Below 60 points. Purchases shall be reduced for transportation service providers rated C. Transportation service providers with a rating of D are assessed for special conditions or disqualified.

Evaluation Results	A	B	C	D
2017	0	7	0	0
2018	12	5	0	0
2019	12	7	0	0

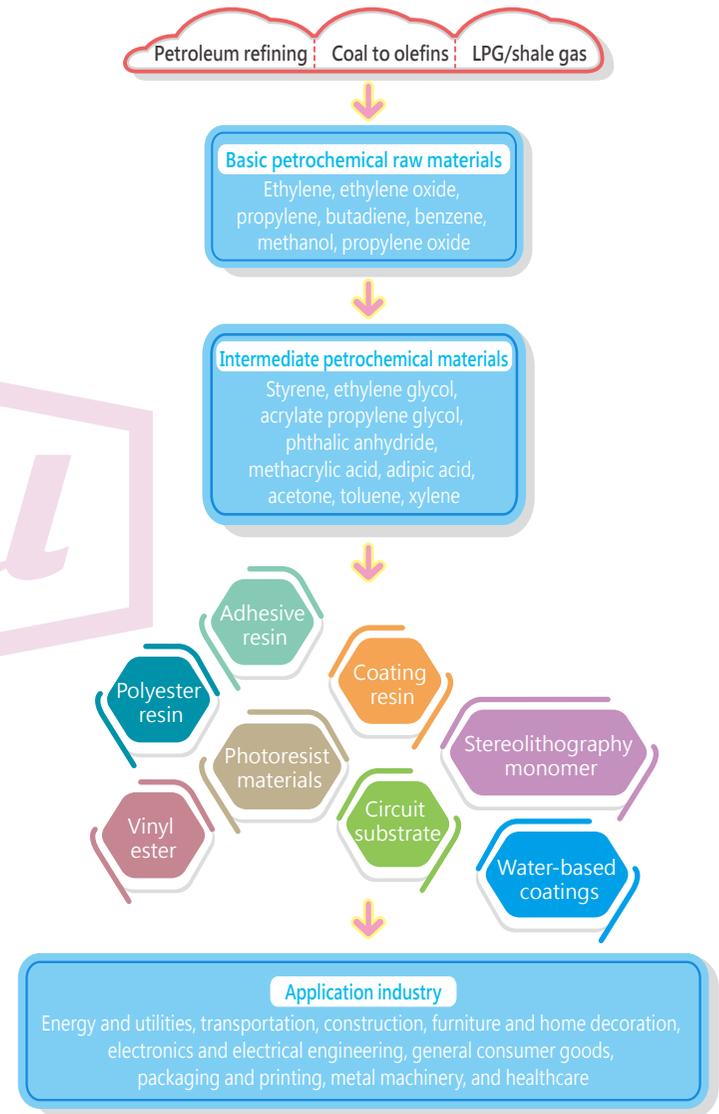
Supplier Assessment and Audit

Scope of Disclosure: Taiwan

Management Approach

Eternal Group uses more than 1,000 types of materials. We strengthen synergy in procurement management by integrating internal and external resources to ensure stable quality and normal supply of raw materials from suppliers. The Company implements tiered procurement based on procurement volume and importance through effective risk management: 1. We implement global sourcing of bulk raw materials for the Group's factories across the world to make full use of the Group's procurement advantages; 2. We use the three procurement centers in mainland China which were established based on the Company's product portfolio to procure important raw materials for products to effectively integrate the procurement of raw materials for each plant; 3. We prioritize the procurement of competitively-priced and readily available raw materials from local supplies to create a reasonable, efficient, and competitive supply chain. Eternal and our suppliers have become partners with mutual trust and we hope to contribute to social and environmental sustainability.

Supply Chain Distribution



Annual Supplier Evaluation and Audit

The Headquarters in Taiwan conducts annual onsite audits of potential partners, new suppliers, oligopolistic, or important suppliers with high procurement frequency to learn about the suppliers' current plant management status and to follow up on improvements. In the future, the material procurement personnel in Taiwan and mainland China will conduct random onsite audits of all qualified material suppliers each year to learn about the status of plant operations and management and whether they meet CSR objectives.

Year	Number of Suppliers that Received Onsite Audit and Inspections
2016	44
2017	59
2018	42
2019	25

The Company implements the annual supplier evaluation and audit in the first quarter and selects suppliers of important materials.

They are classified into separate categories based on the usage volume (four levels: over 5,000 tons, 1,000 to 5,000 tons, 100 to 1,000 tons, and less than 100 tons) in the material supplier evaluation. The scoring standards are as follows: 10 points is granted based on whether the supplier is an ISO-qualified vendor; 10 points is granted based on whether it has established an environmental safety and health system, 20 points is granted based on whether it has environmental and social impact records, 10 points is granted based on whether the supplier has an inspection form, 30 points is granted based on whether the quality of the goods meets standards, and 20 points is granted based on whether deliveries are on time. The evaluation results are classified into Grade A: Above 90 points, Grade B: 75-89 points, Grade C: 60-74 points, Grade D: Below 60 points. Suppliers rated C shall be required to implement improvements and purchases from such suppliers shall be reduced. Suppliers with a rating of D are assessed for special conditions or the procurement shall be suspended. According to the results of the 2018 evaluation, all suppliers have performed well and no suppliers were rated C or D. We shall implement the annual supplier evaluation and audit in China based on the evaluation methods in Taiwan.

Evaluation Results	Number of Materials Evaluated	A	B	C	D
2016	17	37	5	0	0
2017	11	23	7	1	0
2018	20	41	2	0	0
2019	20	39	7	0	0

Diverse Supply of Materials

Suppliers are Eternal's long-term partners who work with the Company to achieve mutual growth. To develop new materials and new suppliers and ensure diverse supplies of materials, the Group has also established sample testing management procedures to evaluate new materials and new sources of supply. We also use the "Sample Testing Application Form" and "External Sample Request and Cross-Plant Material Collection Application Form" to achieve chemical delivery review and sample testing process management.

Year	Sample test	Request for external samples	Total
2015	145	0	145
2016	183	11	194
2017	176	21	197
2018	51	34	85
2019	87	17	104

Percentage of Local Procurement

With respect to the demand for materials of plants in each region, Eternal's procurement policy focuses on the development of local suppliers and requires them to comply with the safety and health laws and regulations of the countries of their operations. By prioritizing local suppliers, the Company is able to reduce the environmental impact of the transportation of materials and develop local suppliers that can provide a more stable supply of materials and reduce transportation time. However, due to the demand in domestic production processes, a certain percentage of materials that are not produced in Taiwan or those that are in short supply must be purchased overseas. The Company is also required to maintain risk management for secondary sources of supply. As a result, a certain proportion of the products are still purchased from overseas sources. The ratio of local procurement of materials in Taiwan in 2019 was 73%.

Year	Percentage of Local Procurement Amount	Percentage of Imported Procurement Amount
2017	66%	34%
2018	72%	28%
2019	73%	27%

Supplier Corporate Social Responsibility Commitment

Scope of Disclosure: Taiwan



Management Approach

Eternal has adopted sustainable development as its business philosophy, and references the spirit of the UN Sustainable Development Goals (SDGs). We regard the supply chain as an important extension of our value chain. To help our supplier partners understand and comply with our relevant safety and ethical standards, maintain safety in the work environment of the supply chain, ensure that employees are treated with respect and dignity, implement environmental protection, and comply with ethical standards, Eternal requires suppliers to fully comply with the laws and regulations of the countries/regions where they operate. The Company communicates its culture of "compliance with laws, integrity, and moral values" to all suppliers through correspondence and related meetings. We hope to use the opportunities to communicate and fulfill our corporate social responsibility and work with our suppliers to promote sustainable development.

Since 2017, Eternal has established and required all new suppliers to sign the "Supplier Code of Conduct" which expressly included ethics, compliance, health, and safety mechanisms into the regulations. We require suppliers to abide by social regulations (labor and human rights, health and safety, and ethics and integrity provisions) and environmental regulations (no use of raw materials banned by regulations, reduce waste and emissions, abide by environmental protection regulations, and protect the health and safety of the public). Due to the differences in the scale and characteristics of new suppliers, the criteria of whether new suppliers have obtained ISO 14001 or ISO 45001 certification or published CSR reports cannot be adopted as necessary criteria for selecting suppliers. However, the said certification and publication are still included as references and the basis for the evaluation of new suppliers. We hope that our focus will help increase the supply chain's commitment and dedication to sustainability.

From the implementation of the procurement of materials in the fourth quarter of 2017 till 2019, a total of 143 suppliers among those we have chosen or signed contracts with have signed the Code of Conduct. They account for approximately 58% of our procurement. Existing suppliers have gradually joined the ranks of the signatories and we plan to renew signatures in 5 years. In addition, most large-scale and international suppliers have published their annual CSR reports which are real and practical actions taken by suppliers to fulfill their corporate social responsibilities. We shall include the proportion of suppliers with CSR reports among all suppliers.

Year	Number of Suppliers that Signed the Code of Conduct	Total Number of Suppliers	Percentage of Suppliers that Signed the Code of Conduct	Number of Procurement of Suppliers that Signed the Code of Conduct
2017	32	448	7%	48%
2018	73	454	16%	58%
2019	143	464	31%	58%

8

DECENT WORK AND ECONOMIC GROWTH

Labor and human rights

No forced labor, no illegal employment, no child labor, and no discrimination

3

GOOD HEALTH AND WELL-BEING

Health and safety

Ensure work safety and promote employee health

12

RESPONSIBLE CONSUMPTION AND PRODUCTION

Environmental Protection

No use of raw materials banned by regulations and reduce waste and emissions

16

PEACE, JUSTICE AND STRONG INSTITUTIONS

Ethics and Integrity

Avoidance of entertainment and gifts, information disclosure, no falsification, no leakage of customer data, and principle of good faith

In 2019, Eternal used the supplier evaluation and onsite plant visits and audits to evaluate the suppliers' environmental impact/social impact. The evaluation results of the 46 suppliers in 2019 were classified into Grade A: Above 90 points, Grade B: 75-89 points, Grade C: 60-74 points, Grade D: Below 60 points. The scoring results showed that there were 39 Grade A suppliers, 7 Grade B suppliers, 0 Grade C suppliers, and 0 Grade D suppliers. After evaluating the environmental aspect (waste/wastewater treatment processes) and social aspect (labor relations, records of social impact, etc.) of the suppliers, Eternal has not found any violations of laws by any main supplier in terms of environmental, labor, human rights or social impact incidents in 2019.

In the future, the Company shall adopt the supplier self-disclosure method for questionnaire surveys. New suppliers will be required to implement a 100% self-disclosure survey. The Supplier Self-Assessment Questionnaire will be used as an evaluation item based on the contents of the "Supplier Code of Conduct," and the scoring criteria and selection method shall be planned for the environmental and social assessment of new suppliers to select suppliers that meet environmental and social standards as partners. The Company aims to fully assess, identify, and manage significant actual and potential negative impact in the supply chain through the Supplier Self-Assessment Questionnaire by 2021. We shall work with suppliers to fulfill our corporate social responsibilities.



Sustainability Indicators

Environmental Protection Policy and Ideals

Due to the close relations between environmental management and safety and health management, Eternal has integrated the environmental management system and safety and health management system into one system. Eternal is committed to the ideals of sustainable development. To fulfill our social responsibility and respect life and protect the Earth, we are committed to the following principles:

(I) Comply with regulations and meet all requirements

Safety, health, and environmental protection are indispensable parts of business development. We will abide by laws and regulations, implement all operational management, ensure the safe operations of facilities, and protect the safety of employees and the work environment.

(II) Full participation from employees for continuous improvement

All employees are responsible for safety, health, and environmental protection. We shall continue the promotion, prevention, and improvement measures to prevent injuries, abnormal accidents, and environmental incidents based on the principles of health promotion, hazard elimination, and environmental protection.

(III) Prioritize safe production and develop green products

The Company uses safe designs of the manufacturing process to prevent all hazards and negative effects on the environment. We also actively research and develop energy-saving products to reduce environmental impact and improve the efficiency in the use of resources.

(IV) Effective training and communication to improve the safety and environmental protection culture

Actively encourage employees to receive training on safety, health, and environmental protection. Use different channels to ask employees about their opinions to achieve effective communication. Enhance employees' emergency response capacity and integrate them into their daily routines to enhance the Company's safety, health, and environmental protection culture.



長興材料工業股份有限公司

安全衛生環境政策

長興集團以永續發展為企業經營理念，為善盡尊重生命及珍愛地球之社會責任，我們承諾遵守下列之準則：

- 一、遵守法規要求、落實執行到位
安全衛生環保是企業經營發展不可分割的一環，我們將秉持遵守法規原則，落實各項作業管制，切實執行設施安全運轉，保護員工及工作環境之安全。
- 二、全員融入參與、推動持續改善
安全衛生環保是全體員工共同的責任，並鼓勵工作者及其代表參與和諮詢，我們將以健康促進、危害消除及環境保護的原則，持續做好促進、預防及改善對策，以避免人員傷害、異常事故及環保事件的發生。
- 三、力求安全生產、研發綠色產品
透過製程的安全設計，防止產品對環境有任何危害及不良影響，並積極研發綠色節能產品以降低環境衝擊並提高資源使用效率。
- 四、有效訓練溝通、提昇安環文化
積極讓員工接受安全衛生環保之教育訓練，透過各種管道諮詢員工之意見以達有效溝通，加強員工緊急應變能力並融入生活習慣之中，以提升企業之安全衛生環保文化。

總經理： 

董事長： 

日期：2020年4月6日

I. Greenhouse Gas

Scope of Disclosure: Plants in Taiwan and China

➤ Management Approach

Since the Industrial Revolution, industrial activities have produced large amounts of greenhouse gases and released them into the atmosphere, leading to increased greenhouse gas effects. Climate change caused by global warming also directly or indirectly affects the natural ecosystem. To ensure the sustainable development of the environment and resources, we must mitigate man-made greenhouse effects immediately. As a member of the global village, Eternal Group supports the green house reduction plans proposed by the United Nations Climate Summit. Since the United Nations Kyoto Protocol came into effect in 2005, we have followed the international standard ISO 14064-1 and conducted an inventory of the 7 types of greenhouse gas emissions, including carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), sulfur hexafluoride (SF₆), perfluorocarbons (PFCs), and nitrogen trifluoride (NF₃). We have also taken additional measures such as volume reduction and control based on the results of the inventory to fulfill our corporate social responsibilities.

Impact

Eternal Group fulfills its corporate social responsibilities as a member of the global village. Although the Group is a part of an industry with low energy consumption and greenhouse gas emissions, the greenhouse gas emissions from our plants are below the thresholds set by all local governments for inventory and registration. However, the Group proactively continues to conduct annual inventory and implement energy conservation projects such as replacing heavy fuel oil with clean and low-polluting natural gas, replacing old motors with variable frequency motors, replacing old lighting equipment in offices with energy-saving light bulbs, and upgrading the combustion efficiency of boilers to enhance the competitiveness of the Group's products in the international market.



(I) Greenhouse gas emissions and reduction methods

1. Policy

- 1.1 Cooperate in the implementation of the latest laws and regulations of the local government.
- 1.2 Implement voluntary greenhouse gas inventory for emission sources that do not require inventories.
- 1.3 Continue to implement and review the voluntary reduction policy.

2. Objectives

- 2.1 The Company's production processes are planned and put in place using best available technology and we also propose annual energy conservation, electricity conservation, and greenhouse gas emission reduction programs.
- 2.2 The plants in Taiwan participate in the Greenhouse Gas Offset Program of the Industrial Development Bureau each year and uses third-party certification and the review of the Environmental Protection Administration to obtain the Company's carbon rights offsetting credits.

(II) Effectiveness assessment method

1. Evaluations are organized by persons in charge or each plant who regularly convene meetings to review energy management indicators and share the Group's experience in energy conservation.
2. The Group appointed an impartial third-party institution (Bureau Veritas Certification (Taiwan) Co., Ltd., (BV)) in 2011 to inventory the statistics of the three production sites in Taiwan in 2005 and obtain certification. The Group then established the procedures and specifications of the Group (HSD-ENP-04 Greenhouse Gas Inventory Management Operating Procedures) in accordance with the certification methodology and required all plants in Taiwan and mainland China to inventory their statistics in accordance with the Procedures.
3. Lu-Chu Plant has higher volumes of emissions and we continue to appoint the impartial third-party institution (Bureau Veritas Certification (Taiwan) Co., Ltd., (BV)) to certify the inventory statistics.
4. The plants in Taiwan reviewed and verified the reasonableness and accuracy of the reduction results with the assistance of the team from Industrial Development Bureau and applied for the carbon right credits.

(III) Inventory of greenhouse gas emissions

To monitor the basis of the inventory of greenhouse gas emissions for the plants in Taiwan, in 2011, the three plants in Taiwan inventoried their greenhouse gas emissions from 2005 to 2010 and adopted 2005 as the baseline year for the greenhouse gas emissions of the three plants in Taiwan. They appointed Bureau Veritas Certification (Taiwan) Co., Ltd., (BV) to conduct inventories and obtained certification (the statistics from the baseline year of 2005 are provided in the table below). The "HSD-ENP-04

Greenhouse Gas Inventory Management Operating Procedures" was established in accordance with the inventory method certified by BV. Each production site uses the inventory guidelines and coefficient regulations announced by local competent authorities to conduct their own voluntary greenhouse gas emissions. In 2019, the total Scope 1, Scope 2, and total emissions were 36,814, 41,004, and 77,818 tons of CO₂e, respectively, for the plants in Taiwan, and 73,682, 71,423, 145,106 tons of CO₂e for the plants in China. The Group's total Scope 1, Scope 2, and total emissions were 110,496, 112,427, and 222,924 tons of CO₂e, respectively. Due to the gradual replacement of production equipment with high energy consumption or low combustion efficiency in the plants in

Taiwan, the total amount of GHG emissions in 2019 was reduced by approximately 2.2% from 2018 and 3.2% from 2017. We will continue to strengthen our efforts to control greenhouse gas emissions in 2020. For other quantification methods for indirect emissions in Scope 3, due to the difficulty in collecting the relevant data for the calculation and the difficulty in verifying the accuracy, after references common international practices, only the qualitative inventory was used as the main method to quantify the indirect emissions. We also listed the items in the inventory for the current year and emission source identification table, which were not included in the emission inventory measurement according to ISO 14064-1.

We also signed an agreement to ban the use of chlorofluorocarbon (CFC) that damages the ozone layer in accordance with the international treaty "Montreal Protocol" in 1989. Eternal Group immediately conducted inventories in the current year and replaced refrigerants with environmentally-friendly refrigerants (R410A etc.). The Group currently does not use any ozone depleting substances (ODS).

Production Sites	2005 baseline year (tons CO ₂ e)		
	Scope 1	Scope 2	Total emissions
《Taiwan》			
Lu-Chu Plant	49,329	27,936	77,265
Ta-Fa Plant	12,212	11,153	23,365
Ping-Nan Plant	14,112	10,251	24,363
Subtotal	75,653	49,340	124,993



Production Sites	2017 (tons CO ₂ e)			2018 (tons CO ₂ e)			2019 (tons CO ₂ e)		
	Scope 1	Scope 2	Total emissions	Scope 1	Scope 2	Total emissions	Scope 1	Scope 2	Total emissions
《Taiwan》									
Lu-Chu Plant	20,732	23,284	44,015	19,886	23,443	43,329	17,871	22,719	40,590
Ta-Fa Plant	5,503	8,672	14,175	6,119	8,850	14,969	6,152	8,632	14,784
Ping-Nan Plant	12,135	10,067	22,201	11,462	9,879	21,341	12,791	9,653	22,444
Subtotal	38,370	42,022	80,392	37,467	42,172	79,639	36,814	41,004	77,818
China									
PM South China Plant 1	10,219	8,563	18,782	6,207	8,419	14,626	4,577	7,857	12,434
PM South China Plant 2	5,741	6,024	11,765	1,339	6,018	7,357	1,573	5,595	7,168
Chengdu Plant	3,522	1,257	4,779	2,888	1,008	3,896	1,499	980	2,480
PM Chongqing Separation Plant	6	386	392	315	372	687	1,331	308	1,639
Guangdong Plant	9,150	24,958	34,108	8,818	18,922	27,740	5,951	18,095	24,047
Zhuhai Materials Plant	12,872	34,553	47,425	35,971	10,618	46,589	38,730	11,349	50,079
PM Northeast China Separation Plant	104	375	479	198	465	663	202	340	542
PM East China Plant 1	655	3,495	4,150	869	2,933	3,802	2,070	5,005	7,075
Kunshan Chemical Plant	4,678	9,244	13,922	4,618	4,448	9,066	4,892	4,756	9,648
Tianjin Plant	4,582	8,027	12,609	5,347	8,143	13,490	4,255	8,364	12,619
Changshu Plant	3,178	4,817	7,995	2,921	2,455	5,376	2,710	2,585	5,295
Suzhou Materials Plant	3,266	5,433	8,699	2,954	6,015	8,969	5,893	6,188	12,080
Subtotal	57,973	118,163	176,136	72,445	68,816	142,636	73,682	71,423	145,106
Group Total	96,021	160,185	256,207	10,991.2	11,198.8	222,275	110,496	112,427	222,924

(IV) Greenhouse gas emissions intensity

According to the EPA verification guidelines, the intensity of greenhouse gas emissions is defined as the ratio of annual total emissions to annual production of a specific product in tons, where the unit is CO₂e/tons - product. Therefore, this figure has been adopted as the emission intensity in this Report. The GHG emissions intensity for plants in Taiwan and mainland China in 2018 was 0.364 and 0.368 tons of CO₂e/tons - product, respectively, and 0.367 tons of CO₂e/tons - product for the Group. The GHG emissions intensity for plants in Taiwan and China in 2019 was 0.383 and 0.413 tons of CO₂e/tons - product, respectively, and 0.402 tons of CO₂e/tons - product for the Group.

The Group total emissions intensity in 2019 was slightly higher than the total emissions intensity in 2018. The Group shall continue to improve the energy consumption of the equipment and manage energy conservation and carbon emissions reduction operations to fulfill our duties as a global corporate citizen.

Region	Item	2017	2018	2019
Taiwan	Total greenhouse gas emissions (tons CO ₂ e)	80,392	79,639	77,818
	Production volume (tons)	238,266	218,613	203,131
	GHG emissions intensity (tons CO ₂ e/tons -products)	0.337	0.364	0.383
China	Total greenhouse gas emissions (tons CO ₂ e)	176,136	142,636	145,105
	Production volume (tons)	391,235	387,769	351,565
	GHG emissions intensity (tons CO ₂ e/tons -products)	0.450	0.368	0.413
Total	Total greenhouse gas emissions (tons CO ₂ e)	256,207	222,275	222,924
	Production volume (tons)	629,501	606,382	554,696
	GHG emissions intensity (tons CO ₂ e/tons -products)	0.407	0.367	0.402

Note 1: Source: Production volume - Eternal Group product system database; total greenhouse gas emissions - Eternal Group greenhouse gas inventory database.

Note 2: The 3 plants in Taiwan include Lu-Chu Plant, Ta-Fa Plant, and Ping-Nan Plant. The 12 plants in China include PM South China Plant 1 and Plant 2, Chengdu Plant, PM Chongqing Separation Plant, Guangdong Plant, Zhuhai Materials Plant, PM Northeast China Separation Plant, PM East China Plant 1, Kunshan Chemical Plant, Tianjin Plant, Changshu Plant, and Suzhou Materials Plant.

(V) Effectiveness of the Greenhouse Gas Offset Program

The Company supports the Greenhouse Gas Offset Program developed by the Environmental Protection Administration to encourage domestic industries to invest early in plans for greenhouse gas emissions in exchange for incentives. Eternal Group also actively cooperates with the application of the Greenhouse Gas Offset Program to obtain the carbon rights offset credits. The switch to cleaner natural gas as the fuel for Lu-Chu Plant's UP heat exchange boiler received the assistance from the Industrial Development Bureau. It was certified by Bureau Veritas Certification (Taiwan) Co., Ltd., (BV) and registered, reviewed, and passed by the Environmental Protection Administration. We obtained a total of 10,340 tons of CO₂e in offset credit for a period of ten years. Eternal Group shall also continue to apply for carbon credits for emission reduction projects.



II. Waste

Scope of Disclosure: Plants in Taiwan and China



Management Approach

Full sorting and zero waste are the ultimate goals in the waste management of Eternal Group. The Group adopts a management strategy of prioritizing the use of waste as resources and uses reduction of raw materials, development of green production technologies, and other source management measures to reduce the output of waste. In addition to reducing waste, we also actively promote waste reuse in order to implement waste resource recycling (reduce, reuse, and recycle (3R)).

Impact

Regulations on waste in different countries have become increasingly strict. As public awareness of the quality of life and protests from social and environmental groups increase, more stringent requirements have been implemented to ensure compliance and control of the total amount of waste processed by waste management companies. It has thus led to a severe shortage of waste treatment resources. In both Taiwan and mainland China, there are not enough waste treatment facilities and the operators have increased the cost of treatment every year. These developments have made it difficult to find suitable waste treatment companies willing to take over certain waste produced by companies and cause serious risks to their operations. Therefore, waste reduction and the active search for waste treatment companies to effectively remove waste from the plant have become key tasks of the Company.

Management Method

1. Policy

- 1.1 Process and report waste in accordance with regulations on waste announced by the local government.
- 1.2 Reduce source output and rigorously implement waste classification and reduction. Active research and develop green production technologies.
- 1.3 Actively seek to replace incineration or landfill of industrial waste with reuse.

2. Specific actions

- 2.1 Establish waste reduction management objectives and include them into the annual key work items for each plant.
- 2.2 Enhance and implement clean packaging materials and classification of bulk bags to increase reuse ratio and reduce the impact of incineration on the environment.
- 2.3 Implement source adjustments to reduce the amount of waste containers for packaging materials:
 - a. Coordinate with upstream suppliers to recycle and reuse tanks used for materials.
 - b. Replace small packages with large packages.
 - c. Use tanks for storage and pipeline transmission.
- 2.4 Replace wood pallets with high-strength plastic pallets or reinforced wood pallets to reduce damage and discarding of wood pallets.
- 2.5 Reuse the solvents or sodium hydroxide used for washing containers in the production process and verify their ineffectiveness before disposal.
- 2.6 Evaluate the path waste is produced and increase investments in equipment in the process where the waste is produced to reduce the amount of waste produced.
- 2.6 Increase investments in equipment to reduce the volume and quantity of waste produced and reduce the cost of outsourced transportation and treatment services.
- 2.7 Separate the protective film, substrate, glue, and resin from finished trimmed waste film and recycle them for use in the production process after adequate treatment and adjustments.
- 2.8 Resin or finished resin products collected in the sampling process should be recycled into the production process for use.
- 2.9 Improvements of the reduction of paper materials used for packaging of finished copper-clad laminates.
- 2.10 Replace steel filters with non-woven filters for filtering finished products to reduce the amount of waste solvent used for cleaning.

(I) Effectiveness assessment

1. The plants in Taiwan appoint the impartial third-party institution (Bureau Veritas Certification (Taiwan) Co., Ltd., (BV)) to certify the ISO14001 Environmental Management System of Eternal Group each year and obtain the continuous effective use of the certificates. The contents of the certification include the management indicators of various waste in each plant and regular reviews of the waste reduction target achievement rate and the effectiveness of proposals for reducing waste.
2. Control the production, storage, and treatment volume of waste in plants in Taiwan and mainland China, regularly accept supervision and management of the Group, and organize meetings to regularly review poor performance of certain waste disposal procedures.
3. Evaluate the environmental protection performance of the plants each year to assess the waste management of the plant and incorporate the evaluation results into the plant management performance evaluation.
4. The plants shall conduct unscheduled inspections and vehicle tracking of the waste treatment companies to confirm that all general and hazardous waste is disposed of legally during the removal and disposal process in accordance with the methods approved by the competent authorities.

(II) Total waste production volume

All industrial waste produced in Taiwan and mainland China in 2019 was processed locally and not exported to other companies. The total waste output in Taiwan and mainland China were 9.80 and 39.51 thousand tons/year which totaled 49.31 thousand tons/year.

The cost of outsourcing waste treatment in Taiwan and mainland China has increased each year and waste treatment companies have become increasingly scarce. It has become increasingly difficult to find waste treatment companies to work with. Therefore, Eternal continues to implement waste reduction at the source, reuse in recycling processes, and purchase additional waste concentration and reduction equipment to strictly control waste production. We added 2 new production plants in China in 2016 and 1 in 2017 while maintaining the same amount of total waste produced.



Production Sites	2017	2018	2019
	Industrial waste produced (thousand tons/year)	Industrial waste produced (thousand tons/year)	Industrial waste produced (thousand tons/year)
Taiwan Subtotal	9.67	9.71	9.80
China Subtotal	25.26	26.86	39.51
Group Total	34.93	36.57	49.31

Note: The data sources are calculations made by each plant in accordance with the regulations and reporting rules of the local competent authority.

After Eternal Group's waste is processed in accordance with the aforementioned waste management policy and management methods, the waste generated by the Group must be outsourced for disposal. The treatment methods including incineration, landfill, and reuse, are determined based on the characteristics of the waste and the capacity of the treatment companies. The regulations on reuse, classification, and reporting of industrial waste in Taiwan and mainland China already cover recycling requirements. The statistics on the waste produced by the plants in Taiwan and mainland China and processed by the three methods in 2019 are provided in the table below:

2019 year	Hazardous/ General	Incineration	Landfill	Reuse
		(thousand tons/year)	(thousand tons/year)	(thousand tons/year)
Taiwan	Hazardous waste	3.65	0.00	0.74
	General waste	1.59	0.64	2.84
China	Hazardous waste	36.12	0.04	1.83
	General waste	0.00	1.46	0.00

(III) Waste disposal expenditures

All waste produced by Eternal Group is removed and treated in accordance with local laws and regulations. The improvement and disposal fees of the plants in 2019 are provided in the table below.

Region	Total disposal expenses in 2019 (10,000 NTD or RMB)
Taiwan	5,658
China (RMB)	4,089

Air Pollution Control

Scope of Disclosure: Plants in Taiwan and China

➤ Management Approach

The air pollutants produced in Eternal's production process must be collected and processed, and meet the legal standards based on standard testing methods announced by the Environmental Protection Administration before discharging. The discharge concentration and management of total emissions from stationary sources must meet the requirements of the competent authorities. In addition, the VOCs from equipment components must also be collected through connected pipes and regularly monitored to implement control.

Impact

Total suspended particles (TSP) have negative impact on human breathing. Sulfur oxides (SOx) have pungent odors and cause acid rain. Nitrogen oxides (NOx) also cause acid rain and increase the concentration of ozone in the atmosphere. The volatile organic compounds (VOCs) from equipment components cause more direct impact on the health of onsite workers than the three previous emissions and they also affect the concentration of ozone in the atmosphere.

Management Method

Policy	<ol style="list-style-type: none"> 1. Compliance and ethics: Emissions must meet regulatory requirements to fulfill corporate social responsibilities. 2. Reduce emissions: Implement source management and terminal governance to lower emissions of pollutants and reduce the impact on the environment.
Management System	<ol style="list-style-type: none"> 1. Continue to implement the ISO 14001 Environmental Management System to achieve the goals of compliance and emission reduction through system management. 2. Implementation of regular assessments and upgraded audit mechanisms: The Company promptly responds to the latest laws and regulations and the processing of incidents. When the evaluation results warrant an alert, the incident is escalated to the plant-level management to develop improvement plans.
Targets and Objectives	<ol style="list-style-type: none"> 1. Source control: Evaluate environmental risks during purchases of materials and process design to reduce the production of pollutants. 2. Collection and processing: Consider the possibility of reusing exhaust gas from the process and select the optimal processing equipment during plant construction. 3. Inspection and management: <ul style="list-style-type: none"> • Focused monitoring: Implement inspections and monitoring of stationary sources of emissions and equipment in accordance with the prescribed frequency. • Anomaly prevention: Regularly monitor operations to prevent massive amounts of irregular emissions.
Grievance Mechanisms	When nearby residents have questions regarding emissions in the plant, they can communicate with plants through the telephone and the plant shall promptly process inquiries in accordance with management procedures.
Specific Actions	<ol style="list-style-type: none"> 1. Management of VOCs: Reduce the number of equipment components through collection and takeover of them, and manage the equipment components in separate tiers to strengthen the control of points with high risks of leaks to effectively reduce VOC emissions. 2. To improve the air quality of the work environment and reduce the impact on nearby residents, the Company implements hardware collection and regular testing to enhance odor management and improve the public's perception of the chemical industry. 3. Continuous improvement: The Company updates equipment or adopts low-pollution fuel to continue improvements or respond to more rigorous regulatory requirements.

Effectiveness Assessment

- Strictly implement inspections in accordance with the required frequency, and use online monitoring of pollution control equipment, self-monitoring by the plant, and regular third-party inspections to ensure compliance with regulations for emissions and eliminate excessive emissions.
- Include the [emissions standards for TSP, SO_x, NO_x, and VOCs], [abnormal emissions in the manufacturing process], and [complaints from residents] as important performance indicators. Any anomaly must be addressed immediately and the review result shall be reported to the plant management every month. In the event of unstable emissions or complaints of anomalies from residents, the plant shall promptly propose improvement plans.
- At the end of each year, the Group shall assess the environmental performance of each plant, evaluate whether assessments and improvements have been made, and review the effectiveness of improvement measures. Enhanced standards and emissions reduction performance are listed as bonus items and the assessment results are linked to the performance of the plant-level management.

Active Promotion of Air Pollution Control

Eternal Group's main objectives in plant construction are to maximize resources and reduce emissions. We evaluate the possibility of reusing waste gas in the production process and prioritize the installation of non-destructive recovery and treatment equipment such as cryogenic equipment to recover the solvents in the process waste gas. We currently have 8 sets of cryogenic equipment. For the waste gas that cannot be recycled, we use the latest incineration equipment to achieve the best incineration efficiency. We currently have 7 sets of TOs and 20 sets of RTOs. We also replaced heavy fuel oil with clean energy natural gas and upgraded our RTO incinerator to reduce emissions of particulate pollutants and sulfur oxides. We continue to implement clean production projects for established production plants to reduce emissions while conserving energy. The SO_x, NO_x, and TSP emissions of the plants in China in 2019 were reduced by 29.50%, 24.46%, and 22.47% compared to the previous year.

In addition to internal reviews, Eternal Group also actively responds to the government's supervisory requirements. In recent years, the government of mainland China has implemented increasingly rigorous controls over air pollution, and announced the emission standards for the synthetic resin industry in 2015. The Group assessed that the resin plant needed to improve its NO_x control capacity and therefore invested in an incinerator before the regulations came into force. The total investment in denitrification equipment amounted to RMB 20.05 million. Due to the special composition of the exhaust gas from the fluorocarbon resin process, we invested RMB 19.55 million in two sets of dedicated equipment to improve the treatment efficiency.

The management of unorganized VOCs emissions is also a key part for enhancing monitoring and control measures. In addition to general equipment and components, we set up breather valve port connection for storage tanks, installed exhaust gas balancing pipes to reduce loading emissions for the loading of materials onto tankers, and use water sealing or condensation for transportation into the waste gas incineration treatment system to reduce fugitive emissions. We comply with the government's requirements to create files on equipment components and implement third-party tests of the entire plant.

We also established our own KPI management standards. The Company implements a tiered management system for components, and the plants inspect and monitor high leakage risk locations every two weeks. We use hardware upgrades such as the upgrade to high efficiency shaftless pumps to eliminate fugitive emissions from shaft seals and reduce fugitive emissions from all equipment components. As the competent authorities in Taiwan have tightened the standards and audits on equipment components, the Company has invested large amounts of management capacity for self-inspections in addition to the outsourced statutory regular inspections. We purchased the expensive infrared inspection equipment GasFindIR and assign dedicated personnel or appoint third parties to implement monitoring and detect leaks early for repairs.

Through the outsourced inspections and our own enhanced self-inspection management measures, the quarterly leakage rates based on the leak standard (2,000 PPM) of the three plants in Taiwan were less than 0.02%.

Year	Region	Number of equipment components	Q1 leakage rate (%)	Q2 leakage rate (%)	Q3 leakage rate (%)	Q4 leakage rate (%)
2018	Lu-Chu Plant	32,579	0.003	0.004	0.000	0.000
	Ta-Fa Plant	12,049	0.000	0.000	0.017	0.009
	Ping-Nan Plant	41,662	0.010	0.010	0.000	0.000
2019	Lu-Chu Plant	38,510	0.000	0.000	0.000	0.000
	Ta-Fa Plant	11,711	0.000	0.000	0.017	0.000
	Ping-Nan Plant	41,203	0.007	0.007	0.002	0.002

VOC_s emissions in Taiwan and China in 2019 were as follows:

Year	Region	Sulfur oxides (SO _x) emissions	Nitrogen oxides (NO _x) emissions	Total suspended particles (TSP) emissions	Volatile organic compounds (VOCs) emissions
2017	Taiwan	42.98	74.70	10.18	122.92
	China	38.42	140.92	10.89	34.12
2018	Taiwan	35.36	76.45	10.93	93.22
	China	25.42	103.78	9.3	15.41
2019	Taiwan	30.42	81.00	4.13	100.47
	China	17.92	78.40	7.21	18.18

Note: The emissions from stacks were calculated based on the inspection results of inspection institutions certified by the local government. The emissions of VOCs from equipment components are calculated according to coefficients announced by the local government. The relevant data are reported to the Environmental Protection Bureau (emissions unit: tons).

Eternal Group's investments in air pollution prevention in 2019 are provided in the table below.

Region	Air pollution prevention expenses in 2019 (10,000 NTD or RMB)
Taiwan	7,670
China (RMB)	1,381



Water Pollution Control

Scope of Disclosure: Plants in Taiwan and China

➤ Management Approach

The main water pollutants of Eternal's process are COD and SS. The discharge concentration and management of total effluent must meet the requirements of the competent authorities. In addition, we also established internal controls and enhanced standards for emission concentration to prevent excessive emissions and irregular emissions.

We prioritize measures to reduce the production of wastewater in the process and enhance terminal governance of wastewater recycling to fulfill corporate social responsibilities.



Impact

Water pollution is hazardous to life, health, and the ecological environment. It affects the survival of humans, animals, and plants in the water. If pollutants are discharged directly or indirectly into water bodies without adequate and effective treatment, they will affect the water in varying degrees.

Management Method

<p>Policy</p>	<ol style="list-style-type: none"> 1. Compliance and ethics: Emissions must meet regulatory requirements to fulfill social responsibilities. 2. Enhanced internal regulations: Formulate stringent standards for key control pollutants in the plant to eliminate the possibility of exceeding standard emissions. 3. Prevention of anomalies: Integrate hardware design and the management system to avoid leakages and anomalies in the plants.
<p>Management System</p>	<ol style="list-style-type: none"> 1. Continue to implement the ISO 14001 Environmental Management System to achieve the goals of compliance and emission reduction through system management. 2. Implementation of regular assessments and upgraded audit mechanisms: The Company promptly responds to the latest laws and regulations and evaluates the loading of the governance system. When the evaluation results warrant an alert, the incident is upgraded to the plant-level management to develop improvement plans.
<p>Targets and Objectives</p>	<ol style="list-style-type: none"> 1. Source control: Evaluate environmental risks during purchases of materials and process design to reduce the pollution at the source. 2. Collect water from separate sources: Collect waste water and cooling water from the production process and rainwater separately to reduce the impact on the environment. 3. Terminal processing: Production plants set up separate wastewater treatment facilities based on the characteristics of the wastewater they produce. 4. Regular monitoring: Implement online real-time monitoring to inspect the components of waste processing facilities and the concentration of waste water at discharging points every day. Appoint a third party to implement regular assessment of effluent water quality and monitor the pollution prevention conditions with greater precision.
<p>Grievance Mechanisms</p>	<ol style="list-style-type: none"> 1. Wastewater treatment facilities: <ul style="list-style-type: none"> • Increase autonomy: The Company reviews suitable concentration equipment and back-end application contractors based on the characteristics of effluent produced in the production process to recycle specific contents of the wastewater and reduce the loading on the environment after the wastewater is processed and discharged. • Evaluate improvements: When a process is changed or when a new production line is added, evaluate whether such changes affect emissions and set up additional prevention facilities based on requirements. • Responding to regulations: In the event of updates of regulations, immediately evaluate the compliance of the Company, review the loading of the existing system, and propose improvement measures. 2. Response equipment: Set up emergency response wastewater pool to respond to incidents so that leaked substances, waste water from firefighting, and contaminated rainwater can be effectively collected in the event of an anomaly and the pollution do not spread to areas outside the plant.
<p>Specific Actions</p>	<p>Odor management: To effectively manage the air quality in areas near the plant and the health risks to the operators on site, the Company has completed or enhanced measures for placing lids on wastewater collection pools and wastewater treatment facilities. The waste gas collected from wastewater is directed to the waste gas control equipment to reduce the dissipation of odors.</p>

Effectiveness Assessment

- The production plant has discussed and proposed enhanced standards as the red line for management. The plant can take countermeasures at the early stage of abnormal water quality fluctuations and report to the plant manager to review the load on the treatment system to effectively avoid excessive discharge.
- Strictly implement inspections based on the required frequency and integrate online monitoring, daily COD monitoring, and regular third-party inspections to monitor the effluent water quality and prevent anomalies from exiting the plants.
- The [COD & SS emissions concentration and emissions volume] and [total wastewater effluent volume] are listed as important performance indicators. Any anomaly must be addressed immediately and the KPI achievement rate shall be reviewed every month and reported to the plant management every month.
- At the end of each year, the Group shall assess the environmental performance of each plant, evaluate whether assessments and improvements have been made, and review the effectiveness of improvement measures. Enhanced standards and emissions reduction performance are listed as bonus items and the assessment results are linked to the performance of the plant-level management.
- Pay close attention to the changes in regulations and evaluate and formulate compliance improvement plans to ensure compliance with discharge regulations.

Active Promotion of Water Pollution Control

Plants are mostly constructed in industrial zones and not in natural reserves of any country. Eternal Group currently has two plants (1 plant in Taiwan and 1 plant in mainland China). The wastewater is treated and discharged to rivers and the rest to the sewage treatment plant of the industrial zones. The treatment methods include aerobic biological treatment, MBR treatment, and anaerobic treatment. We are currently actively communicating local authorities in mainland China to treat the wastewater from the plant by transmitting the wastewater into the local wastewater treatment plant after it has reached the treatment standards so that it can later be discharged into the water to reduce the impact on bodies of water. To reduce the discharge of wastewater, Eternal Group rigorously implements the collection of water from separate sources. Wastewater from the process is separated from uncontaminated wastewater and we use valve control to ensure that the weir valves in the tank areas and the general

rainwater valves in the plant are closed under normal conditions to prevent leaks and irregular emissions. In order to prevent soil and groundwater contamination, we implemented construction to move existing buried pipelines above the ground. Tanks and pools that cannot be placed above ground must be covered with materials impenetrable by water. The Company's wastewater collection and storage tanks, pools, and pipelines are inspected each year for leakage prevention.

To reduce the impact on the environment, Eternal's production plants also actively improve the effectiveness of their governance systems. In 2019, we invested NT\$6.01 million in Taiwan and RMB 3.01 million in China on improving wastewater effluent. The SS and COD emissions of the plants in Taiwan in 2019 were reduced by 5.03 % and 4.35%, respectively, compared to the previous year.

At the end of 2017, Kunshan People's Government implemented requirements on limitations of wastewater effluents in response to the deterioration of water quality in the river. The Kunshan Plant continues to implement wastewater reduction tasks and uses stored flow facilities to reduce the impact of temporary policies on production. To prevent excessive government oversight, the Kunshan Plant is actively communicating with the government to apply for direct connections into the municipal wastewater treatment system to avoid direct discharge into the river.

Year	Region	Wastewater discharge volume (10,000 tons/year)	Suspended solids (SS) discharge volume (tons/year)	Chemical oxygen demand (COD) discharge volume (tons/year)
2017	Taiwan	22.98	2.84	18.59
	China	11.44	0.80	4.88
2018	Taiwan	21.48	2.07	14.66
	China	12.03	1.74	5.68
2019	Taiwan	20.40	1.98	14.77
	China	17.78	2.63	6.25

Compliance with Environmental Protection Laws and Regulations

➤ Management Approach

Eternal Group pays close attention to the compliance matters and draft risk assessments of local and international environmental regulations concerning air pollution, water pollution, waste, noise, and toxic substances. Due to the deterioration of environmental quality in recent years, environmental laws and regulations have become increasingly rigorous. The government of mainland China adopted the red, orange, yellow, and blue signals for monitoring the atmosphere and control of enterprises to reduce production and emissions in the Action Plan for Defending Blue Skies. Eternal Group has actively complied with the regulatory requirements and supported the local government's actions during seasons with poor air quality to review and adjust the air quality management system and adjust response measures for product structure. In addition to compliance with laws and regulations, Eternal has achieved environmental protection and business performance targets under rigorous regulations on environmental protection management.

As people's environmental protection awareness increases, the news programs also expanded their reports on environmental pollution incidents. The manufacturing industry's compliance to environmental protection regulations has garnered more attention. Therefore, compliance with environmental protection laws has become more important for business operations and their brand image.



Management Method

Policies and Systems

1. The Company's safety and environmental policies include [comply with regulations and meet all requirements] which are exemplified in Eternal's culture of "compliance with laws, integrity, and moral values."
2. Formulate [procedures for the verification and management of regulations]. Implement conformity and compliance assessment of new/amended regulations in accordance with procedural requirements. Propose response measures based on the assessment results and keep track of the measures. Conduct periodic comprehensive reviews of existing applicable regulations for compliance and improvement of items that fail to meet requirements.
3. Implement regular inspections and onsite inspections to verify the compliance of production plants with environmental laws and regulations. Specify the issues of non-compliance and units responsible for addressing them in the inspection records for the unit to propose improvement measures and follow up until completion.

Targets and Objectives

Compliance with environmental laws and regulations is included in the annual performance evaluation, and the degree of compliance shall affect the year-end performance evaluation of each unit.

Grievance Mechanisms

1. The internal communication paths include: Regulatory compliance inspections, proposal improvement system, telephone, and meetings.
2. The external communication paths include: Telephone, mail, visits, and opinion survey forms.



Impact

Eternal Group has established comprehensive tracking, evaluation, and response systems for the legal compliance evaluation. The safety and environmental protection personnel shall actively pay attention to updates of environmental protection laws and regulations. They shall determine the relevancy and promptly notify related personnel to jointly evaluate the compliance status and promptly take response measures to ensure the timeliness and compliance of environmental protection laws. Fines for environmental protection violations mean more than just monetary losses but also tremendous impact on the Company's image and investors' willingness to invest. Therefore, Eternal Group pays close attention to relevant environmental laws and regulations.



Environmental Protection Fines and Improvement Plans

Eternal Group's plants in Taiwan and mainland China received 5 penalties for environmental protection violations in 2019. The Group uses reporting, comprehensive review across different plants, formulating improvement measures, and implementing monitoring and follow-up mechanisms for every discrepancy found in external audits in order to meet all regulations and standards and attain the goal of zero-fines for the entire Group.

Plant	Description of the Fine	Fine	Improvement Measures
Lu-Chu Plant	Excessive VOC emissions from equipment components on February 14, 2019	NT\$100,000	Three plants 1. Component leakage risk ranking and self-inspections 2. Self-inspection after frequent operation of the component
Lu-Chu Plant	Excessive VOC emissions from equipment components on September 27, 2019	NT\$100,000	3. Atypical component self-inspections 4. Scanning and inspection by infrared instruments
Ta-Fa Plant	Excessive VOC emissions from equipment components on December 5, 2019	NT\$100,000	5. Appointment of test organizations for inspections and comparison 6. Prompt updates of the list of components
Tianjin Plant	Inconsistency between the inventory of dangerous chemicals and safe production date on April 30, 2019	30,000 (RMB)	Revised the statistical method of "Daily Production Safety Report" and provide accurate information in the report.
Changshu Plant	Failure to store type A hazardous chemicals in a designated warehouse on May 21, 2019.	50,000 (RMB)	Storage in a designated warehouse based on the risks of the chemical products

Occupational Safety and Health

Management Approach

The Company establishes environments and operations with controllable risks, and trains employees to reject uncontrollable risks as the starting point for "understanding risks to avoid risks" and "prevention first" to provide a harmless and accident-free work environment. Eternal also focuses on preventing all work-related illnesses and health issues. We continue to optimize and effectively implement all requirements for implementing the occupational safety and health management system.

Impact

Enjoying a healthy and safe working environment is a universally-recognized human right and a major issue of concern to Eternal and its stakeholders. Eternal has effectively promoted and implemented various safety and health management systems and activities, and has reviewed and amended safety and environmental strategies and key points for management each year to build a workplace environment for workers to work comfortably and with peace of mind, thereby creating a corporate culture of sustainability.

Management Objectives

Establish a work environment with zero occupational hazards, zero incidents, and zero occupational diseases.

Short-term objectives:

- Safety: Focus on both process safety and occupational safety, establish standard operating procedures for high-risk items, retrain employees on all levels, and implement operations in accordance with standards.
- Health: Combine and utilize of the regular assessment of the operation environment and the health management system to monitor the work environment and employee health risk information and establish a basic line of defense.

Medium-term objectives:

- Safety: Establish a process safety management in accordance with the Process Safety Lifecycle (PSLC) to increase the capacity for risk identification in the process, improve the mechanical integrity management system, and establish indicator monitoring and process safety performance.
- Health: Analyze and manage monitoring data to effectively reduce or block hazardous factors to personnel at the source.

Long-term objectives:

- Safety: Establish a high-standard safety culture and adopt proactive leading indicators to identify potential risks for early improvements to build a safe and accident-free workplace environment.
- Health: Combine product life cycle database, environmental monitoring database, and health management data cloud to gain advanced knowledge of the risks of health hazards for personnel and eliminate the risks.



Occupational Safety and Health Management System

The Company complies with the Occupational Health and Safety Management System (ISO 45001:2018) published by the International Organization for Standardization (ISO). Under the framework of the existing OHSAS 18001 management system, the Company plans to receive a re-certification inspection by an independent third-party verification institution (BV) in June 2020. Eternal will continue to improve its occupational safety and health management system with the assistance of external consultants.

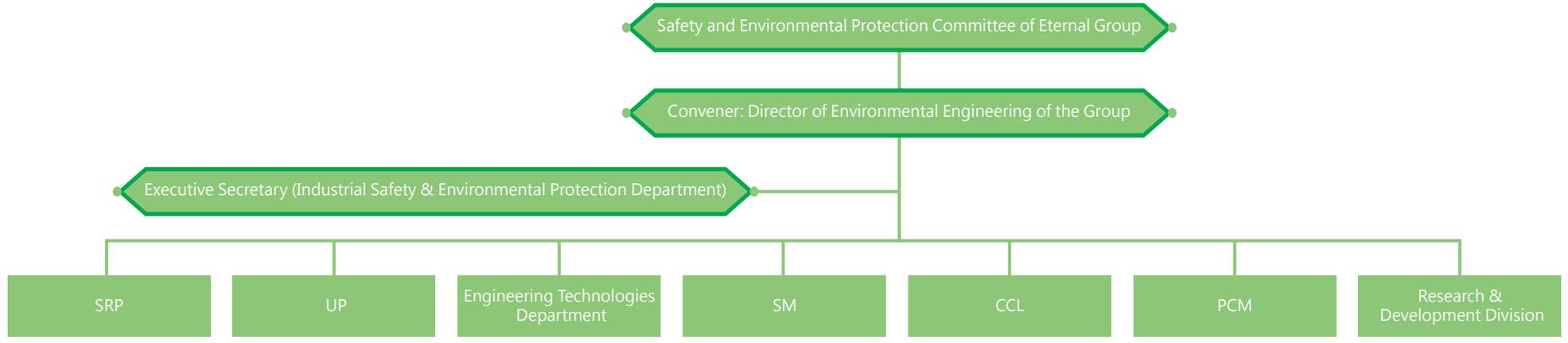
Eternal Group's Industrial Safety & Environmental Protection Department and other plants proposed annual safety and environmental protection plans in accordance with the Group's corporate culture, safety, and environmental protection policies and the key points of its safety and environmental protection strategies. They are implemented with the approval of the management. The Group initiates the safety and environmental assessment of its plants at the end of each year to provide rewards to plants with excellent performance, and establish a management model of mutual learning and assistance. The assessment results also provide the Company with resources to continuously improve the safety and environmental performance of the plants with poorer results.



Promotion of the Occupational Safety and Health Organization

Safety and Environmental Protection Committee of Eternal Group:

Eternal established the Safety and Environmental Protection Committee of Eternal Group in 2017. The President assigned the Director of Environmental Engineering of the Group (Vice President) to serve as the convener of the Group's Safety and Environmental Protection Committee. The heads of business units, Director of the Industrial Safety & Environmental Protection Department, and the Director of the Research & Development Division serve as members of the Committee. The Industrial Safety & Environmental Protection Department serves as the Executive Secretary of the Committee and implements its duties assigned by the Safety and Environmental Protection Committee of "reviewing and promoting the plans and execution of the Group's safety and environmental protection tasks, and integrating the Company's resources to implement the standardization and improvement of units with slower progress in safety and environmental protection." It convenes quarterly meetings for discussions to promote and monitor results. Projects that require the Company's investment of resources based on meeting conclusions shall be implemented with the approval of the senior management meeting convened by the Chairman. For instance, the PSLC process safety management system launched in 2018 was created to enhance the Company's ability to identify and manage process safety risks and provide comprehensive training on process safety technologies for plant supervisors and process safety engineers. The Committee has held 13 meetings which have greatly contributed to the Group's safety and environmental protection performance and the improvement safety and environmental awareness of employees in all departments.



Plant Occupational Safety and Health Committee :

Eternal Group pays close attention to safety and health in the workplace. In terms of the Group's safety and environmental strategy and the safety and environmental protection initiatives organized by the Occupational Safety and Health Committee, the Occupational Safety and Health Committee at the plant manager level and employee participation facilitates the implementation of the safety and environmental protection policies in Eternal's workplace environment. It also helps the Company communicate with labor representatives each quarter to attain a consensus between employers and employees and implement safety and environmental policies in the workplace. The Occupational Safety and Health Committee is convened quarterly by the plant manager to promote, coordinate, and monitor the implementation of safety and health issues in each unit of the plant. It also allows employee representatives to participate and ask questions, as well as to actively participate in legal and occupational safety and health activities organized by government agencies and external professional safety and environmental protection organizations. The number of participants of the Occupational Safety and Health Committee and their respective competencies in 2019 are shown in the table below.

Operating Location "Occupational Safety and Health Committee" Organization Chart					
Category	Operating Location	Head Office	Lu-Chu Plant	Ta-Fa Plant	Ping-Nan Plant
Chairman		Director of the Administration & Service Department	Plant Manager	Plant Manager	Plant Manager
Member		3	23	8	29
Labor Member		13	8	4	22
Proportion of Labor Representatives		81.2	34.7	33.3	43.1

Note:(1) The establishment and operations of the Occupational Safety and Health Committee were implemented in accordance with laws. Members of the Committee include the plant manager (Chairman of the Committee), department heads, occupational safety and health personnel, and experts and healthcare personnel. Labor representatives account for more than one third of the members.

(2) Although the plants in mainland China do not have the organization "Occupational Safety and Health Committee," they use plant management meetings and other activities to implement collective bargaining agreements and establish safety and health regulations for everyone to follow.

Labor-Management Safety and Health Collective Bargaining Agreements

Eternal convenes regular meetings on labor-management safety and health with labor union representatives elected by all employees every year. Therefore, all employees are included in the collective bargaining agreement. In 2019, the meeting agenda and items discussed with the Union in the Occupational Safety and Health Committee and the official agreement discussion items with the union accounted for 21% of the 233 overall meeting items.

Other safety and health items not discussed in the meetings were resolved by inviting labor representatives to jointly formulate the occupational safety work rules which were submitted to the labor inspection authority for registration. These rules became the safety and health rules for compliance of all employees and the Company.

Statistical Analysis of Occupational Hazards

The occupational injury statistics data of Eternal are based on the indicators for important occupational incidents announced by the domestic competent authority of labor. We selected the disabling injury frequency rate (FR), disabling injury severity rate (SR), and frequency severity index (FSI). The statistics do not include traffic accidents during commutes, light injuries, and other care incidents.

In the comparison of FR and SR with chemical material producers in Taiwan from 2017 to 2019, Eternal Group's FR was 0.27, 1, and 0.02 in 2019 which were lower than overall chemical material producers in Taiwan rated at 1.31, 676, and 0.94. There was also no accident that caused death. The absence rate in 2019 was 0.6%.

Year	Eternal Materials (Plants in Taiwan)			Chemical Material Production		
	Disabling Frequency Rate (FR)	Disabling Severity Rate (SR)	Frequency Severity Index	Disabling Frequency Rate (FR)	Disabling Severity Rate (SR)	Frequency Severity Index
2017	0.63	3	0.04	1.26	209	0.51
2018	1.35	65	0.30	0.80	194	0.39
2019	0.27	1	0.02	1.31	676	0.94

Note: 1. The information is based on "Overall Average Injury Index of Industries from 2017 to 2019" (<https://osha-performance.osha.gov.tw>) published by the Occupational Safety and Health Administration on the Occupational Safety and Health Management System Performance Certification Information and Application Platform on February 12, 2020. The Company's original classification under the R.O.C. Commercial Classification Standards was material production. It was changed to chemical material production based on adjustments of the competent authority.

2. Disabling injuries frequency rate (FR) = total employees with disabling injuries × 1,000,000 / total work hours

3. Disabling injury severity rate (SR) = (days lost due to disabling injuries × 1,000,000) / total work hours

4. Frequency Severity Index (FSI): $\sqrt{(SR \times FR) / 1000}$

5. Absentee Rate (AR): Absentee hours (sick leave + occupational leave) / required attendance hours × 100%

6. Total days lost to disabling injuries: The number excludes the day of injury but includes the number of days in between (including national holidays and workplace closures).

Frequency Severity Index of Male and Female Workers in 2019

Region	Male			Female		
	Disabling Frequency Rate (FR)	Disabling Severity Rate (SR)	Frequency Severity Index	Disabling Frequency Rate (FR)	Disabling Severity Rate (SR)	Frequency Severity Index
Taiwan	0.35	2	0.02	0	0	0
Description	There was 1 case of occupational accident involving male employees which was 1 case of injury caused by collision.			There were no occupational accidents involving female employees.		

Note: Plants in Taiwan: Kaohsiung Headquarters, Lu-Chu Plant, Ta-Fa Plant, and Ping-Nan Plant

Safety and Health Management Evaluation

Eternal conducts monthly plant management meetings and meetings of the parent company senior management in accordance with the Safety and Health Management Strategy to track the performance. The Occupational Safety and Health Committee and the Group's Safety and Environmental Protection Committee review and amend the methods for implementation each quarter at their plants and promulgate the plant safety and health environmental protection evaluation standards each year. We implement annual evaluations of all plants in Taiwan and mainland China (including active management and passive management in response to anomaly indicators) to review the effectiveness of the implementation. The results are announced by the President in the Group Safety and Environmental Protection Meeting at the start of the year. We implement continuous review and amendments to achieve management goals.

Safety and Health Training

All employees and contractors of Eternal are required to participate in the safety and health training held by Eternal before operations. They are not allowed to operate onsite until they are qualified in tests. The Company conducts annual training on safety and health in accordance with the annual education and training plan. The training courses include environment, health and safety topics such as personal protection equipment (PPE), process risk assessment, emergency response in plants, ergonomic requirements, and related regulatory requirements on air, water, waste, and toxic materials. Personnel who have yet to obtain the certificates required by law, or the qualification certificates designated by Eternal may not engage in related businesses.

Eternal invited domestic experts to provide assistance in the process safety promotion program and strengthen the Group's internal process risk assessment to improve safety and health management. We enhance Eternal's process safety management capabilities by ensuring the safety of the production process from R&D at the source to the manufacturing process. To strengthen personnel's emergency response capabilities and their emergency response skills in case of irregularities, we organize fire-fighting training provided by fire safety training center. In addition to organizing professional training on emergency response to the Group's large-scale chemical disasters at the Southern Taiwan Emergency Response Center in 2018, the Group also organized chemical leak simulation drills and confined space rescue drill in the plant. The purpose of these measures is to prevent accidents from occurring and to eliminate them immediately when they do occur. They help us reduce the impact to personnel and stakeholders in the event of an accident.



Fire equipment operations training



Chemical leak response drill



Confined space rescue drill



Fire-fighting training provided by fire safety training center

Supplier and contractor management

To ensure that the safety of the purchased materials, equipment, and construction meet the Company's safety and environmental policy, the departments responsible for quality, safety and environment protection, procurement and design assess the capabilities of new suppliers and contractors. Only companies that pass qualification reviews can become suppliers and contractors. We also conduct regular audits and assessments of our suppliers to ensure the validity of their qualifications. In addition to quality audits, Eternal also holds seminars to communicate with suppliers and vendors, ensure smooth progression of operations, and prevent accidents. There were two incidents involving contractors in 2019 and they both occurred at Ta-Fa Plant. One incident involved a clamping injury of a waste disposal contractor and the other involved chemicals spray on a service provider responsible for the transportation of materials. The causes of the accidents have been investigated and related management improvements have been implemented.

Contractors are required to take hazard awareness training and tests before they are permitted to work in the plants. The trained personnel must undergo refresher training and tests within the prescribed training frequency to ensure that the contractor's employees understand the related management systems, equipment, and environment of the plant so that they can avoid operational hazards in the workplace.



Safety education and training for transportation service providers

2019 Contractor Training Hours Statistics

Gender	Male	Female	Total
Training Hours	3129	149	3278
Number of Trainees	1926	86	2012
Average Hours	1.62	1.73	1.62

Scope of Statistics: Lu-Chu Plant, Ta-Fa Plant, and Ping-Nan Plant

To ensure the safety of the operations of contractors that cooperate with the Company's requirements, we provide routine training on transportation safety for transportation service providers inside Eternal's plants. We also regularly organize training on the transportation of dangerous goods and response to accidents for transportation service providers. We require them to purchase fixed-sum insurance premiums in contractual requirements to maintain the safety of transportation vehicles and to ensure the safety of other road users.



Communication on safety issues with contractors

Employee Healthcare

High-risk operations and health management for special hazards

To take care of the health of employees, Eternal has implemented employee health checkups with a frequency and scope that exceed regulatory requirements. We combine the workplace environmental monitoring data, plant safety data, and healthcare data with the results of health examinations based on the results of health examinations and the statistical analysis functions of the health examination software. We conduct comprehensive reviews of workplace health and hazard diagnosis to obtain health information and prevent health hazards in the workplace. In 2019, no occupational diseases have been found in accordance with regulations for special operation health examinations at Eternal. The occupational disease rate (ODR) was 0%. Employees evaluated for level 2 management (level 2 management: irregularities in health examinations that are unrelated to work) in the special operation health examinations in 2019 have been arranged by the nurses of the factory to meet with professional specialist physicians and receive care.

Employees in mainland China with irregularities found in special health examinations were provided with health follow-up management to determine whether their jobs must be changed. They were also provided with care for their health.

Unit	Noise	Dust	Isophorone diisocyanate and toluene diisocyanate	Formaldehyde	Dimethyl formamide	Chromic acid and its salts	Nickel and its compounds	Hexane
Lu-Chu Plant	10	29	5	17	10	0	1	0
Ta-Fa Plant	3	0	1	0	0	0	0	0
Ping-Nan Plant	0	0	1	43	0	1	0	1

Note: The table shows that 122 employees were listed under level 2 management and there were no personnel listed under level 3 management (level 3 management: irregularities in health examinations that cannot be determined to be related to work; level 4 management: irregularities in health examinations that are related to work.)

Employee Health Management

In response to employees' overtime workload, ergonomics in the workplace, and protection of pregnant employees, the Company has established health promotion programs and increased the functions of the health examination software to promote health management. These measures are taken to prevent cardiovascular diseases, musculoskeletal injuries, and increased risks to mothers and fetuses.

Health Management Item	Work Content
Maternity health protection	During pregnancy till one year after child birth, female employees are protected from maternal health hazards through hazard assessment and control, specialist physician interviews and guidance, risk management, and special work arrangements.
Ergonomics in the workplace	Prevent musculoskeletal diseases caused by poor posture, excessive exertion, repetitive movements, etc. by adopting relevant human factors engineering improvement measures.
Diseases caused by abnormal work load	To help employees who suffer from brain and cardiovascular diseases caused by stress due to long working hours, shifts and other abnormal work patterns, the Company provides measures for health guidance, adjustment of work hours, and replacement of job contents. * Certain plants have appointed psychological counselors to provide counseling to employees.
Workplace Safety Protection	The Company identifies and evaluates violence and sexual harassment that affect employees in the workplace. We implement job fitness arrangements, hazard prevention, and communication skill training so that employees can have a work environment that is free from workplace violence. * The Company has set up verbal, written, or e-mail complaint channels.

The Company plans health talks, self-defense techniques, and health education announcements every year. We implement healthy diets and vegetarian day once a week to strengthen the physical fitness of employees, and organize employee health walks to relieve workplace stress. The Company also set up club activities such as softball, yoga, hiking, camping, etc.



Stress and emotion management for workplace supervisors



Flu vaccine administration



Say no to tobacco and betel nut declaration



Health consultation provided by medical personnel



Anti-drug promotional event

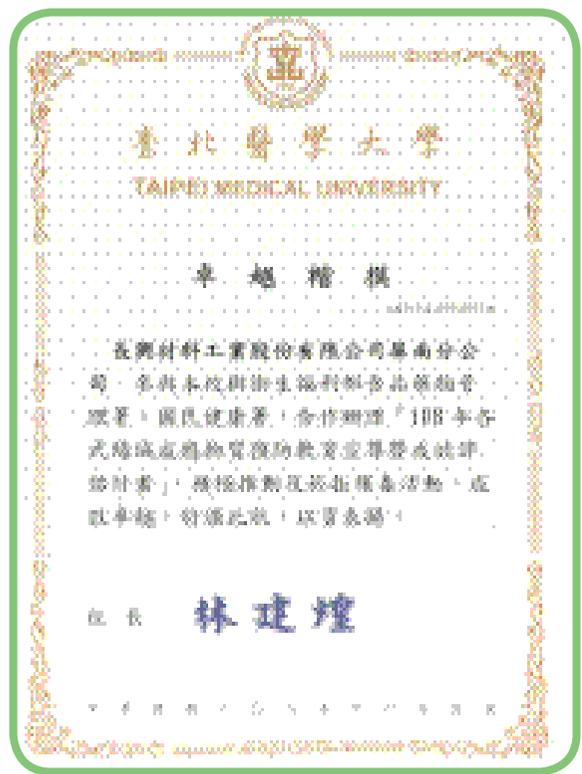


Core preliminary ergonomic training

The Company promotes a tobacco-free workplace, reduces second-hand smoking, organizes blood donation drives, and organizes health promotion activities such as weight loss contests to prevent obesity and reduce hypertension, hyperglycemia, hyperlipidemias. We also organize cardiopulmonary resuscitation (CPR) training to help employees respond to accidents in their home and encourage employees and plants to actively participate in voluntary healthy workplace certification.

Sharing Healthy Workplace Experience with External Entities

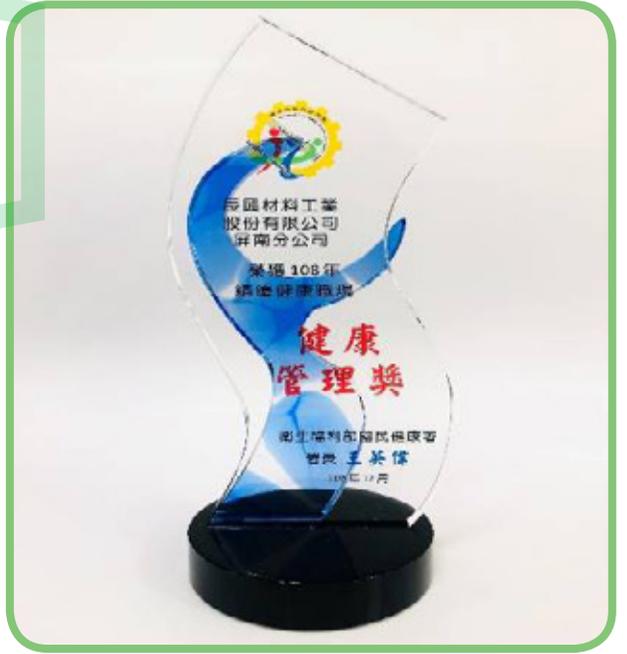
To help more people understand the importance of creating a healthy workplace for employees and to fulfill corporate social responsibility, we actively participated in the healthy workplace activities organized by the competent authorities. In 2019, Ping-Nan Plant received an excellence award for the Preventive Education for Addictive Substances in the Workplace and Performance Assessment Plan. It also received the Health Management Award for a healthy workplace and participated in health promotion and health-related activities organized by Pingtung County Government.



Preventive Education for Addictive Substances in the Workplace and Performance Assessment Plan - Outstanding Role Model Award



Health Management Award in the Excellent Healthy Workplace Awards



Certificate of Appreciation for Labor and Management Cooperation for Lasting Health from Pingtung County Government



Green products

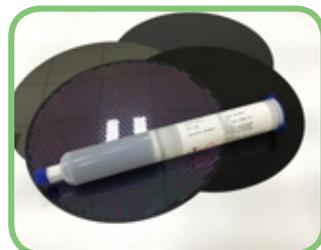
Green Product Development Strategy

Eternal is committed to the development of new products including "green electronic packaging materials," "polyimide materials," "functional environmentally-friendly coating and synthetic resin," "environmentally-friendly cleaning-free CTP photosensitive adhesive," "biomedical materials," "energy storage materials," and "high-frequency materials" that meet world development trends. We are also committed to the development of green products and green energy industry product development. We aim to design applications and materials with low-energy consumption, low harm, low pollution, and high efficiency in the development of our green products.

" Green electronic packaging materials "

- **Compliant to RoHS and WEEE and reduces environmental pollution and burdens**

Eternal develops green electronic packaging materials such as LDI dry film photoresists, thin-film SolderMask, high-reflectivity ink for LED applications, new copper foil substrate, and wafer-level liquid packaging film. These products comply with the RoHS Directive, which prohibits the use of substances that are harmful to human health or the environment. The Company incorporates the 3Rs principles of reduce, reuse, recycle into its product design to reduce the potential impact on energy, the environment, and natural resources (e.g., WEEE regulations).



Advanced packaging technologies link IoT, AI and 5G and they lead the way to many new high-tech applications. Taiwan is a world leader in wafer fabrication and packaging and testing. Eternal has worked with the leading companies to customize their advanced processes by incorporating different technologies for wafer-level or CB-level packaging which will become mainstream in future advanced packaging processes. The Company is also able to form stronger competitiveness in the industry through rapid feedback/upstream materials integration.

Eternal has currently developed fan-in and fan-out wafer-grade liquid packaging glue as well as Mold Underfill (MUF) that covers wafer packaging base glue materials and structure processes. The main applications are in IoT, automotive electronics, and AI products.

" Polyimide Materials "

- **Compliant to RoHS and REACH and reduces the use of solvents or replace them with other solvents.**

The solvents commonly used in the synthesis of polyimide resin are highly toxic and hazardous to the environment. Therefore, we have significantly reduced the usage ratio since 2015. We also continue to communicate with our customers and hope that they can switch to products that do not contain controlled solvents. We hope that the solvents used for new products after 2022 will no longer contain controlled chemicals.

- **Develop alkaline aqueous development materials to reduce the amount of organic solvent used by customers.**

The negative development materials currently sold on the market consist mostly of organic solvent development materials. Such development materials are mostly flammable liquids that are harmful when consumed, inhaled, or absorbed by skin. The materials cause skin and respiratory tract irritation and cause strong irritation in the eyes. To reduce the damage caused during development and process waste solvents, we developed polyimide materials capable of facilitating development based on K_2CO_3 or Na_2CO_3 aqueous development solvents. The new product has been designed to facilitate development with alkaline-free aqueous solutions which significantly reduces the solvent used for development.

" Functional Environmentally-Friendly Coating and Synthetic Resin "

- Development of efficient, easy-to-clean, and multi-functional photocatalysts
- Development of high-grade fluorocarbon resin coating with high weather resistance, high stain resistance, and high durability
- The product meets the requirements for the TN-031 mark with at least 70% visible light penetration

Enhance national competitiveness: Fluorocarbon resin has a high threshold in terms of its core technologies. It remains the most important piece of the puzzle for high-end resins and the one of the most indispensable materials. Eternal has invested resources to actively develop fluorocarbon resin which Taiwan had previously lacked to inject new momentum for growth and new energy into Taiwan's tech industry.

Complete replacement of imports: The fluorocarbon resin market had been monopolized by foreign companies for a long time. However, Eternal takes advantage of its existing R&D advantages to build a comprehensive intellectual property management system. We utilize the equipment design capability of the engineering department to produce fluorocarbon products that meet customer needs. The advancement completely reversed the Taiwan's disadvantages in total dependence on imports.

Green energy-saving products: Eternal Group has adopted sustainable development as a part of its business management philosophy. We are committed to safe production and research and development of green products. We transform fluorinated monomers, substances that are hazardous to the environment, into durable products beneficial to the environment to fulfill our social responsibilities for respecting life and cherishing the earth.

Fluorocarbon resin: We have obtained 11 related patents in the past years and won 3 awards including the third Nano Technology Elite Award organized by the Ministry of Economic Affairs.

◇ Continuous innovation :

As a leader in fluorocarbon resin technologies, Eternal has continuously worked with customers, research institutes, and suppliers to develop water-based fluorocarbon resins and high-solid fluorocarbon resins and powders. The Company will continue to invest resources to maintain its leading position in fluorocarbon resin technologies.

◇ Green and energy-saving products :

To respond to the national energy conservation policies, producing green products has become one of the Company's development strategies. The fluorocarbon resin team shall actively research and develop energy-saving products to reduce environmental impact and improve the efficiency in the use of resources.

VOCs can mix with airborne nitrogen oxides to form two types of pollutants when exposed to sunlight. One type is called secondary organic particulate matter, or secondary organic aerosol (SOA), which is an important component of PM2.5 in the atmosphere. Another pollutant is ozone, which is produced by photochemistry and is one of the main indicators of photochemical smog. Therefore, VOCs produce PM2.5, which has now become a common form of smog. It also increases the concentration of ozone near the surface of the earth, which causes more severe photochemical smog pollution. The damage caused by VOCs therefore cannot be ignored as it is one of the four major pollutants that have a great impact on human health and the environment.

Thermoset fluorocarbon powder coating has excellent weather resistance and does not require recoating for long periods of time. Therefore, the use of fluorocarbon powder coating can reduce the amount of VOCs produced in the process of recoating with solvent-based coatings. In addition, thermoset fluorocarbon powder coatings produce essentially zero VOCs during the coating process, which can be regarded as the final coating required to reduce VOCs.

We use TiO₂, a modified nanocatalyst, to enhance the absorption of photocatalysts in the visible wavelength range to meet requirements for indoor coatings and solvent-based, blended aqueous organic/inorganic resin functional inorganic particles (e.g., those with infrared barrier functions) for nano-milling and dispersion technology equipment. The combination can create coating resins with different functions and we combine the functions of inorganic particles, such as the super hydrophilic and self-cleaning, decomposing, sterilization, deodorization, infrared reflectiveness of photocatalytics with the inorganic end of the organic/inorganic resin blend. The organic end can be used in combination with a different substrate on one side to create a functional coating that is easy to use in coating. We can make use of the high refractive index and super hydrophilic photocatalyst, combined with organic and inorganic resins, to produce self-assembled structures in solar glass. It can produce anti-reflection/self-cleaning effects and improve the photoelectric conversion efficiency and lasting self-cleaning effects.

The Company has invested in the research and development of photocatalysts for years. We have been able to gradually advance from the development of photocatalytic nano inorganic particles to the development of resins and applications of dispersion technologies. In addition to our patented technologies, we can also integrate them into easy-to-use applications. We will continue to develop the use of different substrates including research and development of visible light, insulated and self-cleaning solar glass, anti-reflective/self-cleaning coatings. These applications will become major innovation breakthroughs in the future.

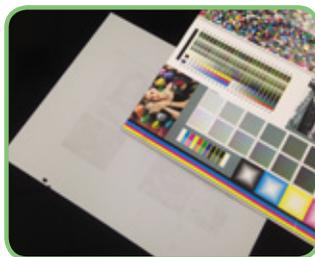
The green photocatalytic materials developed by Eternal absorb ultraviolet or visible light, produce free radicals, and breaks down organic substances. The product meets the requirements for the TN-031 mark. Therefore, it has decomposition, sterilization, deodorization, and surface self-cleaning properties (super hydrophilic functions). The product is used in outdoor self-cleaning coatings, indoor sterilization and deodorization coatings, and self-cleaning heat insulation transparent coatings for glass. It is currently listed as an industry standard by the China Academy of Building Research in Beijing. It can effectively attain at least 70% visible light penetration.

" Environmentally-Friendly Cleaning-Free CTP Photosensitive Adhesive "

- We have developed a CTP photosensitive adhesive which can be developed directly after coating and exposure in the development equipment without any chemical treatment. It can be developed and printed directly and it is a next-generation printing product that is time-saving, fast, and environmentally friendly. It is expected to save 102 million liters of water and 1.68 million liters of alkaline in Taiwan every year.

The printing industry that causes high levels of pollution has become a source of great concern to governments around the world as environmental issues become increasingly severe. In fact, among the environmental pollution caused by printing, ink ranks first. It is followed by fountain solutions, developer waste, and waste printing plate which are all associated with the plate materials. Therefore, we must invariably focus on two main directions in terms of the environmental protection measures of plate materials. The first is to reduce or prevent the production of waste developer fluid in the plate production process and the second is to reduce the waste of fountain solutions in the printing process. Developer fluids are strong alkaline solutions. If we take the annual printing plate consumption in Taiwan, as an example, 1.68 million liters of alkaline waste will be produced and 101.94 million liters of clean water must be used for cleaning. If the waste cleaning fluids are not treated and flow into drinking water sources, they will have a serious impact on the environment and the health of citizens.

The current environmentally-friendly cleaning-free computer-to-plate (CTP) plate materials are monopolized by major foreign companies in terms of technologies, materials, and markets. Taiwan is an important hub in Asia's printing industry and Eternal has responded to environmental protection requirements by developing environmentally-friendly cleaning-free CTP photosensitive adhesives. After CTP plates are made, they can be developed



and printed on the machine without any chemical related treatment or exposure by the plate-making equipment. It completely eliminates water pollution produced in the plate-making process. Compared with traditional PS plates, users of the new CTP plates enjoy advantages such as low carbon emissions, shortened production process, higher plate quality, reduction of production costs, and savings in factory space. Eternal has followed the footsteps of major international companies by making use of its core technologies for environmental protection and powering the next phase of green printing.

" Biomedical Materials "

- Development of eco-friendly, ISO 13485 certified biomaterials for in-vitro diagnostics (IVDs)

Given the rapid growth of older populations and the prevalence of chronic diseases, the demand for healthcare, especially chronic disease management and monitoring, will rise significantly. It is estimated that people with chronic conditions will increase two-to threefold by 2050. Therefore, medical devices are required for prevention and diagnosis of diseases. Research shows that healthcare spending for preventive medicine, clinical monitoring and diagnosis will account for more than 10% of the global healthcare spending by 2025, particularly in developing and newly-industrialized countries.



According to market demands, Eternal has initiated several projects to develop biomedical materials, e.g., materials for blood glucose test strips, biocompatible materials, biodegradable materials, and rapid diagnostic tests and related materials (IVD antibodies, IVD enzymes, test strips, polymer materials, etc.)

In 2018, Eternal's Biomaterials Technology Team started the project regarding rapid diagnostic tests and related materials, and accomplished the development of IVD antibodies (4 strains), test strips (4 types), and IVD enzymes (4 types) within the year. In 2019, Eternal Biomedical Center (Xizhi) was established to strengthen the R&D capabilities. All the necessary facilities were installed, the equipment maintenance plan was implemented, and basic training was provided to its operational personnel. We fully complied with eco-friendly policies, and four of our products were ISO 13485 certified. In the future, with the integration of core technologies and equipment advantages, we will keep focusing on process optimization in order to increase production capacity and efficiency. The ultimate goal of our team is to develop environmentally-friendly in vitro diagnostic biomedical materials.

" Energy Storage Materials "

- The Company develops new high-capacity silicon-based cathode materials, water-based adhesives, and functional additives that effectively improve the energy density, cycle life, and safety of battery.

In recent years, lithium-ion batteries have become the most common battery used for energy storage in all types of portable consumer electronics. The advantages of lithium-ion batteries such as high energy density, high power density, good safety performance, long cycle life, and low pollution make them popular in battery systems for electric vehicles and wind power generation.

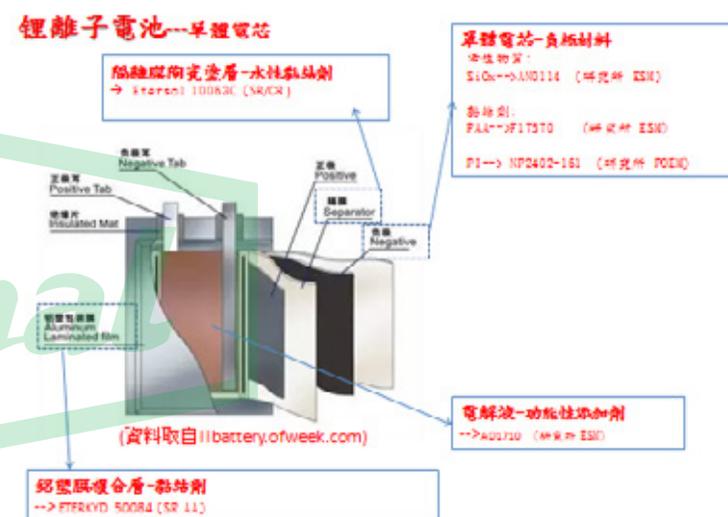
Eternal's current materials for lithium-ion batteries include new silicon-carbon cathode materials, adhesives, electrolyte additives, etc. These materials happen to be the most critical materials in the lithium-ion battery industry today. Silicon-based cathode material has become one of the key materials for increasing the energy density of batteries in the rapid development of global electric vehicles. This material, if effectively paired with appropriate adhesives and functional additives, can effectively reduce the volumetric expansion of silicon-based materials during charging and discharging, which causes battery life degradation and safety issues. It would also accelerate the development of new power batteries and electric vehicles.

Eternal has already invested manpower in the development of new silicon-carbon anode materials, adhesives, electrolyte additives, etc. Eternal's R&D manpower also includes talents in materials, platform testing, formula adjustments and market development. The Company will seek out external resources in the form of research institutes or companies with significant potential that can work with us to accomplish this difficult mission.

Current progress of silicon-carbon anode materials, adhesives, and electrolyte additives.

1. Silicon-carbon anode materials: The Company has established small-scale mass production lines but the overall specifications of the production process, materials, and finished products are still being adjusted. We plan to commence production soon.
2. Adhesives: We have resolved the issue of the fragility and breaking-off of the plate electrodes that many competitors have failed to overcome. We also achieved great results in suppressing the deterioration of silicon-carbon cathode materials and extending the cycle life of batteries. We have obtained certifications from certain customers in the consulting and sample testing conducted with customers and batches of finished products have been shipped. With over 50 years of experience in the resin industry, Eternal is capable of developing products that meet customer needs.

3. Electrolyte additives: Samples sent to customer for testing have attained great results. Eternal's products are especially effective in high temperature storage, high voltage, and suppression of gas generation. Customers have passed IATF16949 certification and are currently purchasing the products in batches. Eternal has worked on the establishment of trial equipment.



We hope to attain the following goals in the following year:

1. Silicon-carbon anode materials: Establish a small-scale mass production line to attain smooth production and establish comprehensive specifications of the production process, materials, and finished products. Sales of small quantities of products.
2. Adhesives: Establish and stabilize the specifications of the production process, materials, and finished products. Pass quality certification of major customers.
3. Electrolyte additives: Set up a medium-sized trial production line and attain smooth production and stable shipments. Develop a series of products to work with silicon-carbon and resin products for joint promotion.

" High-Frequency Materials "

- Develop liquid crystal polymer polyester with high heat resistance and high-frequency usage for the 5G era.
- Respond to the circular economy by developing the thermoplastic polyester material liquid crystal polymer polyester which can be molded, mass-produced, reprocessed, and recycled.
- Develop liquid crystal polymer films to integrate with Taiwan's midstream and downstream electronics industries and fill the gap in the high-frequency flexible board supply chain.

Enhance national competitiveness: Liquid crystal polymer polyester has a high threshold in terms of its core technologies. It remains the most important piece of the puzzle of high-end resins and the one of the most indispensable materials. Eternal has invested resources to actively develop liquid crystal polymer polyester which Taiwan had previously lacked to inject new momentum for growth and new energy into Taiwan's tech industry!

Complete replacement of imports: The liquid crystal polymer polyester market had been monopolized by foreign companies for a long time. However, Eternal takes advantage of its existing R&D advantages to build a comprehensive intellectual property management system. We utilize the equipment design capability of the engineering department to produce polyester products that meet customer needs. The advancement completely reversed the Taiwan's disadvantages in total dependence on imports.

Green energy-saving products: Eternal Group has adopted sustainable development as a part of its business management philosophy. We are committed to safe production and research and development of green products and we actively pursue development of thermoplastics for advanced engineering. The heat resistance and mechanical strength of the product satisfy requirements for compound materials used in special engineering. It has high thermoplasticity and can be mass-produced, reprocessed, and recycled.

Filling the critical gap in the supply chain of the industry: Taiwan is a leader in electronic technologies that has world-leading processing and assembly plants. Upstream materials are mostly controlled by major producers in Japan and the United States. In addition to resin synthesis, Eternal Group also developed liquid crystal polymer polyester film production processes to break through Japanese companies' monopoly over the materials. We have integrated midstream and downstream processes to produce flexible circuit substrates.

◇ Continuous innovation :

With the arrival of the 5G era and the development of general high-frequency applications, Eternal aims to meet the requirements for new materials in high-frequency applications. Eternal uses resin synthesis as the core technology for developing next-generation liquid crystal polymers.

◇ Green and energy-saving products :

To respond to the national energy conservation policies, producing green products has become one of the Company's development strategies. We shall promote the circular economy through the use of flexible substrate materials. The plastic materials can be recycled, mixed, processed, and reused.





Energy Management



➤ Management Approach

Eternal established the Group's Energy Promotion Unit in 2012. Regular meetings are chaired by the President to review energy control indicators each year. Our goal is to reduce energy consumption by 1% per year starting from 2015 from the baseline year of 2014, and to reduce total energy consumption by 10% by 2024 from the baseline year of 2014. We will share the case studies of energy conservation and improvement in each plant with the aim of making greater contributions to environmental protection.

Execution :

- In 2019, Eternal Materials Group used real actions to support national energy policies and goals by actively participating in energy-saving guidance activities with government agencies, and compiled and shared case studies of energy-saving improvement results.
- Plants and business units are required to report and monitor monthly production capacity and unit energy consumption, and to design projects to improve energy efficiency.
- Combustion equipment using heavy fuel has been gradually upgraded and replaced with those that use natural gas since 2014.
- The Company participated in the 2017 Energy-Saving Service Teams of Group Enterprises organized by the Bureau of Energy of the Ministry of Economic Affairs.
- The lighting equipment of the Group has been gradually replaced by energy-saving lighting equipment.
- Rotating equipment has been replaced and high-efficiency IE3 motors have been adopted.
- Chillers were replaced as plants introduced variable frequency chillers.
- Lu-Chu Plant's air compressor system integration was completed and a remote monitoring and control system was adopted to manage the operating efficiency of the air compressor system.
- Adjust the production process to improve energy usage efficiency.



Energy Consumption

Scope of Disclosure: Plants in Taiwan (Lu-Chu Plant, Ta-Fa Plant, and Ping-Nan Plant)

Energy Consumption Table

Year	Electricity (kWh)	Fuel oil (kiloliter)	Natural Gas (m3)	Externally purchased steam (ton)	Total energy consumption (million joules)	Note
2014	79,544,904	10,447	1,401,621	22,995	822,883,034	1. Energy baseline 2. Heavy oil boilers have been replaced with natural gas systems each year
2015	78,674,400	6,260	5,086,043	22,403	788,643,592	
2016	80,297,438	5,388	6,065,505	26,105	806,604,849	1. Research & Development Division Building B was inaugurated
2017	79,332,024	4,724	5,675,489	16,619	735,427,426	
2018	76,687,600	3,862	6,100,405	19,992	716,617,214	1. Replacement of air compressors of the Group (plants in Taiwan)
2019	76,223,000	3,219	6,876,517	11,488	694,777,305	1. Air compressor system integration of Lu-Chu Plant 2. Introduction of variable frequency chillers

Total energy consumption of Eternal Materials



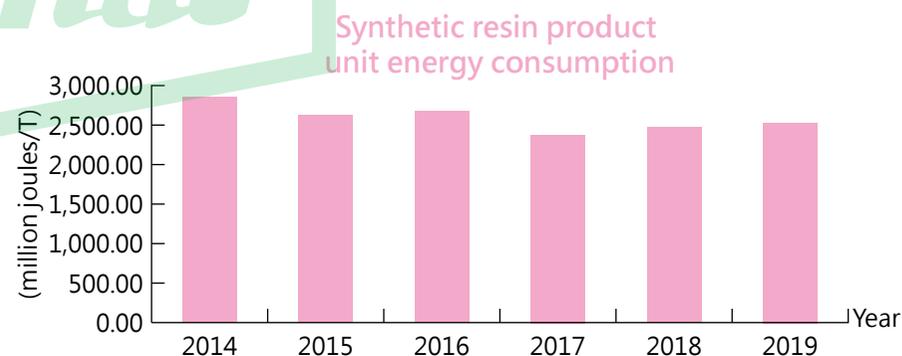
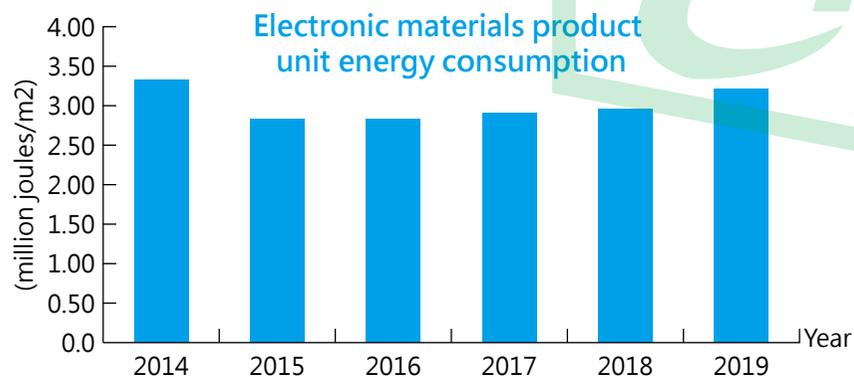
Energy intensity

Scope of Disclosure: Plants in Taiwan (Lu-Chu Plant, Ta-Fa Plant, and Ping-Nan Plant)

Due to the large number of our products, this Report is divided into synthetic resin and electronic material products based on product attributes for the disclosure of unit energy consumption data.

Product Category	Unit energy consumption	Year						備註
		2014	2015	2016	2017	2018	2019	
Electronic materials	million joules/m ²	3.34	2.83	2.82	2.91	2.96	3.22	
Synthetic resin	million joules/T	2,839	2,611	2,657	2,353	2,459	2,518	

Product unit energy consumption :



Reduction of energy consumption:

Scope of Disclosure: Plants in Taiwan (Lu-Chu Plant, Ta-Fa Plant, and Ping-Nan Plant)

Improvement items for the reduction of energy consumption were as follows :

Item	Investment (NT\$10,000)	Power conservation (thousand kWh/year)	Heat conservation (Mcal/year)	Water conservation (ton/year)	Expenses saved (NT\$10,000/year)	Reduction of CO ₂ emissions (tons)
Lighting energy conservation project	106.6	106.2			27.5	56.6
Lu-Chu Plant: air compressor system integration and replacement	289.0	545.1			136.3	290.5
Ping-Nan Plant: air compressor system management and improvement project	145.0	154.9			46.45	82.5
Lu-Chu Plant and Ta-Fa Plant: Chiller replacement (introduction of variable frequency chillers)	893.0	646.1			161.5	344.4
Ta-Fa Plant: replacement of pumps to IE3 high-efficiency pumps	221.9	92.9			22.3	49.5
Ta-Fa Plant: air-conditioning unit replacement	155.8	47.9			12	25.5
Lu-Chu Plant: OB-801 heat exchange boiler replacement	947.0		422,013		157.4	882.0
Lu-Chu Plant: TO-802 exhaust boiler uptake replacement	850.0		540,442		258	648.0
Lu-Chu Plant: TO-803 waste liquid boiler uptake replacement	740.0		746,524		356.4	895.0
Lu-Chu Plant: steam condensate recycling	200.0		258,060	391	61	0.1
Process equipment and process improvement	179.4	267.7	236,989	0	122.16	219.5
Total	4,727.7	1,860.7	2,204,028	391	1361.01	3,493.6
Energy conservation (million joules)			15,926,785			

Note: The calculation of CO₂ emission reduction (tons) is derived from the carbon emission factor calculated based on the "total savings" and "CO₂ reduction volume" in the Group Energy Conservation Service Team provided by the Industrial Technology Research Institute in 2017.

Total water withdrawal by source

Scope of Disclosure: Plants in Taiwan (Lu-Chu Plant, Ta-Fa Plant, and Ping-Nan Plant)

Source of water: Municipal water supply

Plant \ Year	2014 water consumption (ton)	2015 water consumption (ton)	2016 water consumption (ton)	2017 water consumption (ton)	2018 water consumption (ton)	2019 water consumption (ton)	Note
Lu-Chu Plant	271,729	242,507	219,663	280,101	257,753	237,345	2019: 1. Cooling tower emissions adjustments 2. Steam condensate recycling
Ta-Fa Plant	94,906	94,928	91,609	99,901	89,486	95,765	
Ping-Nan Plant	115,287	115,425	118,776	119,449	110,497	117,560	
Ping-Nan Plant	481,922	452,860	430,048	499,451	457,736	450,670	





Respect for Human Rights

Human Resource Management Policy

Talents are Eternal's most valuable assets. We are therefore committed to increasing the human capital of employees (knowledge, skills, and attitude) to ensure the effective implementation of manpower and completion of the Company's overall business goals. We also assist employees in the development of their professional skills and organizational skills.

<p>Policy</p>	<ol style="list-style-type: none"> 1. Staffing & Recruitment : Attract outstanding talents that meet the corporate culture. 2. Training & Development: Talent cultivation and improvement of organization capabilities. 3. Appraisal: Increase talent use and contribution. 4. Reward: Retain excellent talents. 5. Relationship with Employee : Improve employees' work satisfaction.
<p>Management System</p>	<ol style="list-style-type: none"> 1. The Company implements human resource affairs in accordance with related human resource management rules. We regularly review and propose improvement plans. 2. We continue to implement the Talent Quality-management System (TTQS) and use systematic management to attain training effects and talent development.
<p>Targets and Objectives</p>	<ol style="list-style-type: none"> 1. Value human rights: The Company is committed to compliance with international regulations for corporate social responsibility and related domestic labor laws and regulations. We uphold principles such as "respect for human rights," "prohibition of unlawful discrimination," "prohibition of child labor," "prohibition of forced labor," "placing the right person in the right position," and "providing a safe and comfortable working environment for employees." Zero child labor, zero incidents of forced labor, and zero complaints of illegal discrimination are the most basic requirements of the Company's management policies. 2. Employment recruitment and retention: We treat all employees fairly and appropriately, and assign employees to suitable tasks. We also maintain and enhance a fair and healthy environment for talent development. Due to the implementation of appropriate talent retention measures, the turnover rate of employees under the management of the parent company has been less than 5% in past years, and the turnover rate of our subsidiaries in mainland China has been less than 15%. The figures show that our human resources measures can effectively retain talents. 3. Learning and career development: We improve human capital and assist employees in the development of their professional skills and organizational skills. The Group's training policy aims to attain at least 30 training hours per person per year. 4. Salary and benefits: The Company makes suitable adjustments to its overall compensation policy each year through assessments of prevailing salary levels on the market and macroeconomic indicators. We aim to attract and retain high-performance employees that hold key positions in the Company by offering competitive overall salaries above P75.
<p>Grievance Mechanisms</p>	<ol style="list-style-type: none"> 1. Company employees and job seekers can use the Employee Complaint Mailbox to provide feedback on job-related matters or on the Company. 2. Employees who need to respond and provide feedback on matters related to illegal workplace infringement may file complaints directly to the Human Resources Department.

Respect for Human Rights

Eternal is committed to compliance with international regulations for corporate social responsibility and related domestic labor laws and regulations. We uphold principles such as "respect for human rights," "prohibition of unlawful discrimination," "prohibition of child labor," "prohibition of forced labor," "placing the right person in the right position," and "providing a safe and comfortable working environment for employees." The Company does not discriminate or offer preferential treatment based on race, class, language, ideology, religion, party affiliation, nationality, place of birth, gender, sexual orientation, age, marriage, appearance, facial features, physical or mental disabilities, or labor union membership. To fully express its determination to protect human rights, Eternal published the "Eternal Materials Human Rights Policy" in accordance with the United Nations Universal Declaration of Human Rights, and disclosed it on the Company's website (<https://www.eternal-group.com/WebData/Director02>). We also regularly review related regulations and procedures on the rights of employees and work hard to protect and maintain labor rights.

Zero Child Labor and Underage Labor Management

All Eternal operations sites comply with standards of the international community, local laws and regulations, and Eternal's corporate social responsibility standards. The procedures for the employment of related personnel explicitly prohibit the employment of child laborers under the age of 16, and any action that may result in the employment of child laborers is not permitted. Therefore, the review showed that Eternal has not employed any child labor under 16 of age.

Although there is no possibility of employing child labor, Eternal has established remedial measures for child labor hiring practices to implement risk control and fulfill social responsibility. Once a violation is confirmed, it must be immediately reported to the head of the Human Resources Department, who will report to the senior management. The Human Resources Department shall provide solutions (including contract termination, contacting parents or legal guardians to escort them home, provide necessary compensation, training for the identification of human resources recruiters, and enhancement of the identification system) and thoroughly implement them retain records.

Relevant control measures include the hiring procedures (accepted candidates must provide a copy of ID card, proof of academic qualifications, and other relevant information) and the age alerts in the HR management system to ensure that there is no possibility of inadvertent use of child and juvenile workers in the recruitment process.

If it is confirmed that a person aged between 16 and 18 has been employed, the human resources unit shall ensure that the minors do not engage in dangerous or hazardous work. Their normal daily working hours shall not exceed 8 hours each day, and the total number of working hours per week shall not exceed 40 hours. They are also not permitted to work between 8:00 p.m. and 6:00 a.m. They shall have a break of at least 15 minutes after two hours of continuous work, and they shall have one rest day every Saturday or Sunday which shall be designated as a holiday on which they are not permitted to work.



Prohibition on Forced Labor

Eternal provides good working conditions and reasonable work hours to all employees to ensure that they provide labor services on a voluntary basis. The Company respects the freedom and rights of employees, including the freedom of employment and the freedom to leave the company, etc. In addition, the Company may not impose unreasonable restrictions on employees' freedom of movement in the workplace.

The specific measures for the ban on forced labor include the prohibition on requiring employees to pay a deposit or hand over any important document such as education certification, diplomas, national ID card, or original copy of the passport at the beginning or during the period of employment; all employees must be hired on a voluntary basis and no coercion or fraud shall be permitted to induce employees to work for the Company; employee's freedom of movement during break time and their actions that are unrelated to work shall be respected; employees may refuse to work overtime for justifiable reasons if the work requires overtime work; no individual shall be discriminated against, threatened, intimidated, insulted, or deprived of his/her normal wages; supervisors may not use methods such as obstruction of freedom, assault, abuse, threats, etc. when they are responsible for providing job support, assistance, or work assignments; after employees have completed the procedures required by law, they have the right to leave their jobs and their departure may not be delayed in any form.

To implement effective management, specific regulations are provided in related procedures, employee handbook, new hire training, and supervisor courses which explain the definitions and consequences of forced labor as well as complaint channels for employees.



Prohibition on Illegal Discrimination

All Eternal operations sites comply with standards of the international community, local laws and regulations, and Eternal's corporate social responsibility standards. They have implemented internal regulations on employment management, prevention of sexual harassment and workplace violence, as well as internal control and verification procedures to eliminate unlawful discrimination and ensure equality in employment.

In addition, we teach employees and supervisors about their rights and interests and the impact of violations of laws in new hire training, employee handbook, and supervisor courses to protect employees from illegal infringement in the workplace (including workplace violence and sexual harassment). To ensure smooth communication and complaint channels, the Company has set up a complaint channel (the mailbox and telephone number of the Director of Human Resources Department) and various communication channels, including the message function on the Company's official website, the mailboxes of plant managers, and regular meetings of the Employee Welfare Committee and labor-management meetings.

Year	Region	Incident Category	Taiwan		Mainland China and Other Regions	
			Complaint	Processing and case closed	Complaint	Processing and case closed
2018		Sexual harassment incidents	1	1	0	0
		Workplace violence	1	1	0	0
2019		Sexual harassment incidents	0	0	0	0
		Workplace violence	0	0	0	0
		Other complaints	0	0	0	0

Human Rights Protection Measures

The Company is committed to the protection of labor rights. In addition to promoting the internal control and review system, Eternal has continued to organize related training on human rights protection with 24 classroom courses on workplace protection and complaint/communication channels in 2018. After the expansion of the physical courses, the Company created the digital course Prevention and Handling of Workplace Violence (the supervisor version and the employee version) for new recruits in 2019. The total number of training hours for human rights courses amounted to 21 hours in 2019, with an average of 0.3 hours for each participant. Existing employees also received training through the announcement of Eternal's Human Rights Policy on the official website. Therefore, all employees have been trained in the Company's Human Rights Policy. The Company shall continue to expand related training activities to protect labor rights and interests.

Human rights training includes the following :

- (1) Provide legal compliance training for new recruits with contents including prohibition of workplace violence, prohibition of child labor, anti-discrimination, anti-sexual harassment, and related laws and regulations, and provide a healthy and safe environment.
- (2) Provide online courses on sexual harassment with contents including prevention of sexual harassment, handling of sexual harassment incidents, and filing complaints.

Unpaid Parental Leave

To help employees meet their personal needs and take care of their family, the Company implemented related matters in accordance with the regulations in the "Act of Gender Equality in Employment" (including setting up breastfeeding rooms, the contract signed by Lu-Chu Plant with a children daycare institution). When an employee needs a longer leave of absence due to military service, caring for an infant, serious injury or illness, etc., he/she can apply for leave without pay and be reinstated at the end of the period. These measures are taken to help employees respond to special circumstances.

In terms of unpaid parental leave, 12 employees applied for unpaid parental leave in 2019 including 4 male employees and 8 female employees. The reinstatement rate and retention rate are specified in the table below.

Item	Gender	Year				Total
		2019		2019		
		Male	%	Female	%	
Number of employees eligible for unpaid parental leave in 2019 (A)		169	83%	34	17%	203
Number of applicants for unpaid parental leave in 2019 (B)		4	33%	8	67%	12
Number of employees expected to be reinstated from unpaid parental leave in 2019 (C)		3	25%	9	75%	12
Number of employees reinstated in 2019 (D)		3	27%	8	73%	11
Reinstatement rate (D/C)		100%		89%		
Number of employees who applied for reinstatement in 2018 (E)		2	22%	7	78%	9
Number of employees who applied for reinstatement in 2018 and have worked for more than one year (F)		2	22%	7	78%	9
Retention rate after parental leave (F/E)		100%		100%		

Note 1: Calculation of the number of employees eligible for unpaid parental leave: The number of employees who have applied for maternity leave or paternity leave in from 2017 to 2019.

Note 2: Reinstatement rate calculation formula = number of employees reinstated after parental leave in 2019 / number of employees that should be reinstated after parental leave in 2019 x 100%

Note 3: Retention rate calculation formula: number of employees employed by the Company 12 months after their reinstatement from parental leave in 2018 / number of employees reinstated after parental leave in 2018 x 100%

Communication channels

Eternal attaches great importance to communication between employees and the management. We look forward to establishing positive relations with employees through positive interactions. Eternal holds labor-management meetings and meetings of the Employee Welfare Committee each quarter to communicate with employees on key management tasks, labor conditions, and employee welfare policies. The Company also respects the employees' freedom of association and their right to form associations and organize labor unions in accordance with the law. Therefore, each subsidiary in mainland China has its own union and plants in Taiwan have established the Labor Union of Eternal and Affiliate Companies which represents the laborers. 82% of the employees in Taiwan were members of the Union in 2019. The Company holds regular labor-management meetings every year to discuss major issues or changes in laws/policies. We will also hold communication meetings to facilitate consultations and discussions.

In Taiwan, 4 labor-management meetings and senior management seminars and 4 meetings of the Employee Welfare Committee were held in 2019. Business units also convene monthly inter-department meetings to discuss the Company's policies, communicate ideas, and discuss employee remuneration and benefits. We gradually compiled opinions and provided them to the management as one of the sources of support for system implementation. Eternal conducts an employee opinion survey every two years. In response to the five issues with less favorable results in the 2018 survey, we invited business units to work together to develop improvement plans. These plans include employee promotion and performance management methods, strengthening the performance interview mechanisms, strengthening the links between incentives and promotions, and requiring the participation of senior managers in morning or regular meetings to share their vision and exchange ideas with employees. These plans were continuously implemented in 2019 to make improvements.

The plants in mainland China convene meetings of the labor unions, employee representatives, and plant management meetings. These meetings consist of different types of staff representatives and supervisors who meet from time to time based on requirements or attend government meetings, training programs, and activities.

Multiple communication and interaction modes are implemented in each plant to respond to local conditions and needs. Therefore, when there is a change in the law or a significant change in internal operations (if there is a change in operations that requires a notification to employees, employees will be notified before the statutory deadline), the Company and employees can disclose information through multiple communication channels and quickly provide information and interactive opinions to create a positive work environment.



Employee Recruitment

Management Approach

Attract excellent and suitable talents to join Eternal and maintain and enhance a fair and healthy environment for talent development.

Eternal upholds the principles of "respect for human rights" and "placing the right person in the right position" in its Employment Policy. We comply with local labor laws and regulations and we respect all talents by providing them with fair opportunities for interviews and selections in the recruitment process.

In terms of work location distribution, approximately 40% of Eternal's employees are located in Eternal's main operation sites in Taiwan. Eternal's overseas subsidiaries are located in mainland China, United States, Japan, Thailand, Vietnam, India, Indonesia, Korea, Italy, and other regions.

Eternal recognizes the importance of employee diversity. In addition to recruiting a large number of employees in Taiwan and mainland China, Eternal also actively recruits talents from around the world.



Manpower Structure

As of the end of December 2019, Eternal had 4,797 employees across the globe including 4,782 full-time employees, 10 contracted employees, and 5 dispatched workers. The Group had 1,924 employees in Taiwan which was a 1.2% decline from 2018. The employees included indirect employees of 1,638 people and direct employees of 286 people. The ratio of male and female employees is 78% to 22%. Employees aged 30 to 50 account for 67.5% of all employees and 54.8% of the employees have served at the Company for more than 10 years. The Group had 2,344 employees in mainland China including indirect employees of 1,660 people and direct employees of 684 people. The ratio of male and female employees is 75% to 25%. Employees aged 30 to 50 account for 75% of all employees and 32% of the employees have served at the Company for more than 10 years. The Group had 529 employees in other regions including indirect employees of 314 people and direct employees of 215 people. The ratio of male and female employees is 75% to 25%. Employees aged 30 to 50 account for 39% of all employees and 22% of the employees have served at the Company for more than 10 years. As Eternal is a manufacturing company, we have a higher proportion of male employees (female employees account for 23.7% of all employees). However, we still a significant number of female executives (15%). The hiring, promotion, performance appraisal, and salary systems for Eternal's employees are not affected by gender.

Region		Taiwan			Mainland China			Others		
Item		Male	Female	Subtotal	Male	Female	Subtotal	Male	Female	Subtotal
Human structure	Full-time employees	1490	422	1912	1767	577	2344	396	130	526
	Contracted workers	3	4	7	0	0	0	1	2	3
	Dispatched workers	5	0	5	0	0	0	0	0	0
	Total	1498	426	1924	1767	577	2344	397	132	529

Note: Other regions include Japan, Thailand, USA, Vietnam, India, Indonesia, Malaysia, Korea, and Italy.

Manpower Structure in Taiwan in 2019							
Item		Male	Ratio	Female	Ratio	Total	
Functions	Direct employees	281	15%	5	0%	286	
	Managerial roles	316	16%	43	2%	359	
	Professional roles	901	47%	378	20%	1,279	
Age	Direct employees	<30years old	70	4%	0	0%	70
		30-50years old	172	9%	3	0%	175
		>50years old	39	2%	2	0%	41
	Indirect employees	<30years old	91	5%	13	1%	104
		30-50years old	829	43%	295	15%	1124
		>50years old	297	15%	113	6%	410
Duration of employment	< 1 year	99	5%	21	1%	120	
	1-3 years	177	9%	26	1%	203	
	4-5 years	133	7%	30	2%	163	
	6-10 years	289	15%	93	5%	382	
	11-15 years	271	14%	80	4%	351	
	More than 16 years	529	27%	176	9%	705	
Total		1498	78%	426	22%	1,924	

Manpower Structure in Other Regions in 2019							
Item		Male	Ratio	Female	Ratio	Total	
Functions	Direct employees	205	39%	10	2%	215	
	Managerial roles	82	16%	9	2%	91	
	Professional roles	110	21%	113	21%	223	
Age	Direct employees	<30years old	99	19%	0	0%	99
		30-50years old	70	13%	6	1%	76
		>50years old	36	7%	4	1%	40
	Indirect employees	<30years old	75	14%	58	11%	133
		30-50years old	80	15%	51	10%	131
		>50years old	37	7%	13	2%	50
Duration of employment	< 1 year	80	15%	28	5%	108	
	1-3 years	146	28%	52	10%	198	
	4-5 years	44	8%	17	3%	61	
	6-10 years	33	6%	11	2%	44	
	11-15 years	24	5%	9	2%	33	
	More than 16 years	70	13%	15	3%	85	
Total		397	75%	132	25%	529	

Manpower Structure in China in 2019							
Item		Male	Ratio	Female	Ratio	Total	
Functions	Direct employees	638	27%	46	2%	684	
	Managerial roles	400	17%	90	4%	490	
	Professional roles	728	31%	442	19%	1170	
Age	Direct employees	<30years old	169	7%	14	1%	183
		30-50years old	448	19%	31	1%	479
		>50years old	21	1%	1	0%	22
	Indirect employees	<30years old	169	7%	108	5%	277
		30-50years old	867	37%	419	18	1286
		>50years old	92	4%	5	0%	97
Duration of employment	< 1 year	92	4%	22	1%	114	
	1-3 years	418	18%	148	6%	566	
	4-5 years	246	10%	76	3%	322	
	6-10 years	441	19%	152	7%	593	
	11-15 years	371	14%	92	4%	409	
	More than 16 years	253	11%	87	4%	340	
Total		1767	75%	577	25%	2344	

Note 1: Direct employees are defined as onsite personnel in direct contact with products

Note 2: Management roles are defined as employees with management responsibilities

Note 3: Professional roles are defined as non-direct employees or managerial roles

Note 4: Other regions include Japan, Thailand, USA, Vietnam, India, Indonesia, Malaysia, Korea, and Italy.

Talent Recruitment

As times change, Eternal believes that only active recruitment and talent retention can allow talents to support the Company in global competition and challenges, and maintain long-term competitive advantages. Eternal organizes multiple community talent recruitment activities and campus recruiting activities each year. We venture into communities and campuses to promote the Company's R&D technologies, R&D substitute servicemen recruitment, and scholarship activities for chemistry departments at major universities in Taiwan to recruit suitable and outstanding talents.

In 2019, the Company employed a total of 137 people in Taiwan. To promote Eternal's growth momentum, new recruits under the age of 30 account for 54.7% of all new employees; the Company employed a total of 356 people in Taiwan and new recruits under the age of 30 account for 47.8% of all new employees; the Company employed a total of 141 people in other regions and new recruits under the age of 30 account for 76.6% of all new employees. These new recruits have powered Eternal's continuous growth.

Item	Indirect employees						Direct employees						Total
	Total	By Gender		By Age			Total	By Gender		By Age			
		Male	Female	<30	30~50	>50		Male	Female	<30	30~50	>50	
Number of new employees	91	68	23	47	40	4	46	46	0	28	18	0	137
(number of employees at the beginning of the year + number of employees at the end of the year)/2	1643	1224	419	99	1133	412	285	280	5	67	177	42	1928
New hire rate	4.72%	3.53%	1.19%	2.44%	2.08%	0.21%	2.39%	2.39%	0.00%	1.45%	0.93%	0.00%	7.11%
Number of turnover	55	48	7	16	37	2	20	20	0	9	11	0	75
Turnover rate	2.85%	2.49%	0.36%	0.83%	1.92%	0.10%	1.04%	1.04%	0.00%	0.47%	0.57%	0.00%	3.89%

Item	Total	By Gender		By Age			Total	By Gender		By Age			Total
		Male	Female	<30	30~50	>50		Male	Female	<30	30~50	>50	
	Number of new employees	179	118	61	81	93	5	177	169	8	89	87	1
(number of employees at the beginning of the year + number of employees at the end of the year)/2	1723	1156	534	313	1292	85	654	605	47	191	444	17	2377
New hire rate	7.53%	4.97%	2.57%	3.41%	3.91%	0.21%	7.45%	7.11%	0.34%	3.75%	3.66%	0.04%	14.98%
Number of turnover	189	126	63	73	108	8	157	149	8	72	84	1	346
Turnover rate	7.95%	5.30%	2.65%	3.07%	4.54%	0.34%	6.61%	6.27%	0.34%	3.03%	3.53%	0.04%	14.56%

Item	Total	By Gender		By Age			Total	By Gender		By Age			Total
		Male	Female	<30	30~50	>50		Male	Female	<30	30~50	>50	
	Number of new employees	76	45	31	54	18	4	65	63	2	54	10	1
(number of employees at the beginning of the year + number of employees at the end of the year)/2	301	187	115	125	124	52	215	205	11	94	80	42	516
New hire rate	14.73%	8.72%	6.01%	10.47%	3.49%	0.78%	12.60%	12.21%	0.39%	10.47%	1.94%	0.19%	27.33%
Number of turnover	50	34	16	30	15	5	52	50	2	35	14	3	102
Turnover rate	9.69%	6.59%	3.10%	5.81%	2.91%	0.97%	10.08%	9.69%	0.39%	6.78%	2.71%	0.58%	19.77%

Note:
 New hire rate = direct (indirect) new recruits in the category / [(number of employees in the region in the beginning of 2019 + number of employees in the region at the end of 2019) / 2]
 Turnover rate = direct (indirect) employee turnover in the category / [(number of employees in the region in the beginning of 2019 + number of employees in the region at the end of 2019) / 2]

To retain outstanding talents, Eternal has provided various incentive measures for employees with different qualifications and professional skills including newcomer orientation training, employee care and motivation, reward for long-serving and outstanding employees, internal job rotations, promotions, salary structure adjustments, and various incentives for strengthening the management system. We seek to actively establish a healthy system and excellent work environment.

The turnover rate in Taiwan has remained stable with 3.9% annual turnover and a new hire rate of approximately 7%. In mainland China, the annual turnover rate was approximately 14.6% and the new hire rate is approximately 15%. In other regions, the annual turnover rate was approximately 19.8% and the new hire rate was approximately 27.3%. These statistics fully demonstrate the prosperous development of Eternal's human resources.

Local Talent Hire

As for local talent acquisition, we have increased the localization of local talent acquisition to leverage the advantages of a diverse range of talent development in different countries. All senior management positions in Taiwan are held by Taiwanese employees while 14% of senior management positions in mainland China are held by local employees and 25% of senior management positions in other regions are held by local employees.

Region	Senior executives	Senior executive roles filled by local employees	Ratio
Taiwan	17	17	100.00%
Mainland China	21	3	14.29%
Others	12	3	25.00%

Note 1: Management roles are defined as employees with management responsibilities

Note 2: Senior executives are defined as managers ranked Assistant Vice President and above





Talent Training and Development

➤ Management Approach

Eternal helps employees obtain the necessary knowledge, attitude, and skills to achieve the goals of the organization and the individual employee in accordance with the requirements for the development of the Company and the organization's manpower plans to improve efficiency and quality.

Learning System

The learning system follows the needs of business development and organizational workforce planning. Eternal is committed to help employees obtain the necessary knowledge, attitude, and skills to achieve the goals of the organization and the individual employee in accordance with the requirements for the development of the Company and the organization's manpower plans to improve efficiency and quality. Eternal has planned a training system for all employees at all levels that is suitable for their individual responsibilities. The Company offers different training courses and development methods for core functions, management functions, professional functions, and self-development. Since 2015, the Company has built the Eternal Digital Learning Platform which mainly contains courses on functional training courses and training courses for new recruits. In addition, Eternal has partnered with external language training organizations to introduce a digital language learning model so that employees can improve themselves anytime, anywhere.

Eternal's training system is provided below. Employees on all levels follow their respective training development paths for training and development. The recipients are divided into the three following categories:



Eternal Training System

Target	Off-JT(Off-The-Job Training)				OJT(On-The-Job Training)	SD(Self-Develoment)			
Supervisor	Business management	Corporate governance/business management training		Master of business administration on-the-job training	Reading books and magazines and job rotations/deputies Project assignment and deputy supervisor training Assignment (enhanced) to overseas subsidiaries and mentoring				
	Senior management	Senior management training							
	Mid-level management	Long-term overseas training	Mid-management training						
	Entry-level management		Training for new managers and entry-level management training						
	Functional management	Functional professional training					Internal lecturer training		
All employees	Business and marketing	Training for sales cycle and internal control procedures		Quality/ environment, safety, and health training	Meeting instructions Job rotations Job role deputy Project assignment STAMPQ professional training Operating procedures training Instructions training	Language training subsidies (enhanced) Lectures Rewards for on-the-job training and lease of books			
	R&D and technology	Quality system tools	Introduction to the core process technologies of the Group Project reports and patent training				Industry platform lectures	Internal auditor training	Inspection and calibration R&D and technology personnel training
	Manufacturing quality		Professional manufacturing quality training				Manufacturing supervision operations training		
New recruits	Lecturer-level	Pre-service training	Lectures for new recruits (lecturer-level) Tour of the plant and courses on products and industry trends		Professional training of each department				
	Employee-level		Lectures for new recruits (employee-level)						

1. New recruits

All new recruits are required to attend "pre-service training/professional training of each department" and "lectures for new recruits." "Pre-service training/professional training of each department" is provided within three months after the first day of employment. The main contents include basic safety and health courses, basic employee rules and regulations, and professional functions of the department. The "lectures for new recruits" are divided into those for employees and lecturer-level employees. They are provided with courses on the organization of the Company, rules and regulations, career development for Eternal's employees, Eternal's culture, company products, and industry trends. The Company also arranges an optional course called the "Plant Tour" for new employees to gain a better understanding of the Company's management, system and culture. These courses help integrate new recruits into the organization and help them adapt to the corporate culture and the working environment more quickly.



Lectures for new recruits and courses on product industry trends (lecturer-level)



Plant Tour

2. Management personnel

The Company arranges training courses for managers based on the needs of the organization and the managers' level so that they have the necessary management skills. The Company provides skills training for new managers, entry-level managers, and middle management, performance interviewing skills, employee sensitivity, team motivation, Carnegie management, management seminars based on key points for the annual training, etc. The Company also offers customized training courses for assigned managers based on their individual training needs. We help them understand related local systems and regulations before they are sent on their assignments.



Carnegie Leadership Consensus Camp



Course on performance interview skills

3. All employees

The Company offers courses to meet employees' needs for their different professional functions, including process, R&D, sales and marketing, and environmental safety. We opened 113 different types of courses in 2019 based on key training points to provide knowledge and skills training for employees in different professional fields and enable them to make full use their talents at work.



English business presentation design and practical presentation course

To help employees make full use of their talents and achieve their goals in career development in Eternal, the Company regularly implements the performance evaluation system (the evaluation coverage rate is 99.67%) and the Management by Objectives (MBO) system. Through regular performance interviews, Eternal provides employees with a clear understanding of their individual performance, strengths, and weaknesses to help them to attain better results. In addition to work, we provide incentives and benefits for employees to work life balance, and family and help employees make long-term contributions to the Company's goals.

Category		Ratio of performance evaluation of employees in Taiwan				Ratio of performance evaluation of employees in mainland China				Ratio of performance evaluation of employees in other regions			
		Male	Female	Total	Ratio	Male	Female	Total	Ratio	Male	Female	Total	Ratio
Direct employees		281	5			638	46			205	10		
Indirect employees	Managerial roles	315	43	1191	99%	400	90	2344	100%	82	9	526	99%
	Professional roles	893	374			728	442			109	111		

Note 1: Management roles are defined as employees with management responsibilities

Note 2: Total number of employees in Taiwan was 1,924; total number of employees in mainland China was 2,344; total number of employees in other regions was 529

Learning and Participation

In 2019, our training focused on middle and senior manager training, and the Company strengthened the proportion of on-the-job training for entry-level employees provided by each unit. The total number of training hours in Taiwan was 28,152 hours, the average number of training hours for direct employees was 16.6 hours. The average training hours were 17.2 hours and the total training cost was more than NT\$5.74 million. The total number of training hours in mainland China was 101,993 hours and the average training hours was 43.5 hours. The total training cost was NT\$6.79 million.

Starting from the end of 2015, each unit in Taiwan began establishing a career development blueprint for each job role and they continued to build up their own training materials for professional competencies each year. Through the enhancement of professional competencies, learning by doing, and self-learning, they have succeeded in helping talents in different roles build up their skills from the ground up.

Region	Employee Category	Male			Female			Total		
		Training Hours	Number of Employees	Average Hours Per Employee	Training Hours	Number of Employees	Average Hours Per Employee	Training Hours	Number of Employees	Average Hours Per Employee
Taiwan	Direct employees	4744	281	16.9	4	5	0.8	4748	286	16.6
	Managerial roles	7005.8	316	22.2	474.5	43	11.0	7480.3	359	20.8
	Professional roles	16089.4	901	17.9	4582.7	378	12.1	20672.1	1279	16.2
	Subtotal	23095.1	1217	19.0	5057.2	421	12.0	28152.3	1638	17.2
China	Direct employees	34516	638	54.1	890	46	19.4	35407	684	51.8
	Managerial roles	33826	728	46.5	14345	442	32.5	48171	1170	41.2
	Professional roles	83327	1766	47.2	18666	578	32.3	101993	2344	43.5
	Subtotal	106422	2983	35.7	23723	999	23.7	130145	3982	32.7

(1) Training hours = internal training hours (including new recruit training, environmental protection, management, professional, and procedures) + external training hours (including licenses, trade shows, and seminars)

(2) Number of employees of the parent company at the end of 2019

(3) Training hours per person = hours of training / number of employees

(4) Managerial roles: team and group managers, section managers, managers, plant managers, assistant vice presidents, vice presidents, president, and chairman

(5) Professional roles: Non-management roles

(6) Note 1: Direct employees refer to those in direct contact with the production line and engaged in manufacturing activities, such as employees of the departments responsible for manufacturing, coating, film processing, resin, slitting, etc. However, it does not include team and group managers, section managers, or managers.

Note 2: Indirect employees: Other employees not considered direct employees.



Salary and Benefits

To attract and retain the best talents and to reward employees for their performance and long-term contributions, Eternal has conducted annual salary surveys to ascertain market salary levels and macroeconomic indicators and make appropriate adjustments to the overall salary policy. Adjustments include annual salary adjustments and a comprehensive promotion system. The Company has established a variety of incentives to encourage outstanding performance such as R&D bonuses, patent bonuses, sales bonuses, production bonuses, performance bonuses, and employee compensation. The Company also offers bonuses for long-serving employees and model employees each year regardless of gender, age, race, nationality, religion, or political affiliation.

The starting salary standard for entry-level employees of the parent company to the statutory minimum wage in 2019 was 1.13:1 and there was no difference between male and female employees. When comparing the basic salary of female and male employees, the ratio is 1:0.96 for direct employees, 1:1.04 for managers, and 1:1.12 for professional employees. When comparing the annual salaries of female and male employees, the ratio is 1:0.96 for direct workers, 1:1.09 for managers, and 1:1.13 for professional employees. There is very little difference. Equal pay is also an important factor for Eternal's retention of excellent employees.

Women to Men Average Salary Ratio		
Employee Category	Basic salary	Remuneration
Managerial roles	1 : 1.04	1 : 1.09
Professional roles	1 : 1.12	1 : 1.13
Direct employees	1 : 0.96	1 : 0.96

Note 1: Direct employees refer to onsite personnel in direct contact with products

Note 2: Management roles refer to employees with management responsibilities

Note 3: Professional roles refer to non-direct employees or managerial roles

If we exclude the Company's managers (including the president, vice presidents, assistant vice presidents, head of finance, head of accounting, and other persons with managerial and signature authority) and employees who have been employed for less than six months, the Company has 1,809 employees with total salaries amounting to NT\$1,625,353 thousand. The average salary of each employee is \$898 thousand and the median salary is NT\$784 thousand. These figures show that Eternal pays close attention to the salary of its employees. In addition to fixed salaries, Eternal also encourages employees to actively create their own achievements.

Information on Salaries of Full-time Non-management Employees

Item	Year	2019 (A)	2018 (B)	Difference from Previous Year (A)-(B)
Number of employees (person)		1809	1,833	-24
Total salary (thousand NT\$)		1,625,353	1,582,688	-42,665
Average salary (thousand NT\$)		898	863	35
Median salary (thousand NT\$)		784	-	-

Note: The "full-time non-management employees" refer to full-time employees other than Directors and managerial officers. This definition is based on the definitions of TWSE

Policy and Procedures for Salary of Managerial Officers

The annual remuneration of the Company's managerial officers includes salaries, bonuses and compensation for employees based on earnings distribution. The remuneration is based on prevailing standards in the industry, the Company's operating performance, individual performance, and the reasonableness of the connection to future risks. In 2019, the amount of bonuses and employee compensation allocated based on the managerial officer's position and participation in the performance of operating contributions accounted for approximately 40% of total annual remuneration. It is evident that the managerial officer's remuneration is closely connected to operating performance. The amount of employee bonuses to be distributed is proposed for approval of the Board of Directors and adopted in the shareholders' meeting. The remuneration of the senior management is ratified by the Remuneration Committee and disclosed in the annual report of the Company.

In 2019, the ratio of Eternal's highest remuneration and annual average remuneration was 20 times in Taiwan and 5.53 times in mainland China. The ratio of the highest annual salary increase to the average annual salary increase was 0.6 times in Taiwan and 0.32 times in mainland China in 2019. The salary adjustment percentage is different in each region due to differences in the composition of the manpower structure.

Employee Benefits

The Company offers a variety of employee benefits, including allowances for childbirth, marriage, and funerals, travel subsidies, group insurance, birthday and festival bonuses, senior employee reward, regular health examination, year-end bonus, employee cafeteria, shuttle bus service, dormitory, and library access.

According to the Labor Standards Act, the years of service of regular employees before the implementation of the Labor Pension Act on July 1, 2005 and the years of service to which the regular employees choose to apply the Labor Standards Act after the implementation of the Labor Pension Act shall be included in the calculation of the years of service for retirement. In addition, the Company appropriates 10% of total salaries to the designated account at the Bank of Taiwan and reviews the balance every month. If the balance is insufficient to pay the statutory retired employees in the following year, the Company will complete the appropriation by the end of the following March to ensure the rights and interests of the retired employees. The Company shall also convene regular meetings of the Supervisory Committee of the Labor Retirement Reserve to review the allocation and use of the pension and fully protect the employees' interests in retirement and their pension. Starting from July 1, 2005, new recruits are enrolled in accordance with the Labor Pension Act, which stipulates that the Company shall appropriate 6% of an employee's salary to the employee's account at the Bureau of Labor Insurance every month as pension. In addition, subsidiaries in mainland China are required to pay pension insurance every month in accordance with the local government regulations.

Type	Function	2019			Type	Function	2018		
		Classified as Operating Costs	Classified as Operating Expenses	Total			Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expenses					Employee benefit expenses				
Salary expense		739,451	1,086,565	1,826,016	Salary expense	721,783	1,065,650	1,787,433	
Labor Insurance and National Health Insurance expenses		68,085	81,563	149,648	Labor Insurance and National Health Insurance expenses	67,657	79,696	147,353	
Pension expenses		44,460	56,638	101,098	Pension expenses	47,615	59,141	106,756	
Remuneration of Directors		-	19,135	19,135	Remuneration of Directors	-	18,150	18,150	
Other employee benefit expenses		50,377	70,091	120,468	Other employee benefit expenses	47,909	73,373	121,282	
Depreciation expenses		485,437	168,637	654,074	Depreciation expenses	494,230	150,952	645,182	
Amortization expenses		-	7,630	7,630	Amortization expenses	-	3,489	3,489	

Note 1: The information is taken from Eternal's 2019 parent-company-only financial report. As of December 31, 2019 and 2018, the number of employees of the Company was 1,972 and 2,005, respectively. There were 8 and 7 Directors who did not serve concurrently as employees (the number of employees is calculated based on definitions of the TWSE: average number of employees each month).

Note 2: For companies whose shares are listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEX), the following information should also be disclosed:

1. The average employee benefit expense for the year was NT\$1,119 thousand ("Total employee benefit expense for the year - Total remuneration for Directors" / "Number of employees for the year - Number of Directors who do not serve concurrently as employees"). The average employee benefit expense for the previous year was NT\$1,082 thousand ("Total employee benefit expense for the previous year - Total remuneration for Directors" / "Number of employees for the previous year - Number of Directors who do not serve concurrently as employees").
2. The average employee salary expense for the year was NT\$930 thousand (Total salary expense for the year / "Number of employees for the year - Number of Directors who do not serve concurrently as employees"). The average employee salary expense for the previous year was NT\$895 thousand (Total salary expense for the previous year / "Number of employees for the previous year - Number of Directors who do not serve concurrently as employees").
3. The adjustment and change of average employee salary was 3.91% ("The average employee salary expense for the current year-The average employee salary expense for the previous year"/The average employee salary expense for the previous year)

The Company has adopted sustainable development as its goal and encourages employees to understand the Company's management philosophy and stay with the Company over the long-term. Therefore, the Company recognizes its long-serving employees every year by publicly presenting them with commemorative medals and gold coins in recognition of their hard work and achievements. In addition, we provide travel bonuses and vacation subsidies to reward senior employees for their long-term contributions to the Company after they have served for more than 15 years and after they reach the prescribed length of service. The Company also encourages employees to support each other in times of need. We established the employee funerary mutual assistance fund and established employee compensation management regulations. The Company also established the Employee Welfare Committee to provide subsidies for employees' travel, education of their children, and employee club activities.

Eternal values each employee and treats them with sincerity. Whenever the Company celebrates a major event, related departments always invite retired employees to join the event. They also send calendars and cards to retired employees at the end of the year to celebrate the New Year. Eternal fully implements a culture of taking care of its employees and contributing to the society. The welfare system of the parent company in Taiwan is explained below:

Note: Benefits provided to full-time employees (excluding contracted or temporary employees)

Economic Benefits

• Insurance Plan

- Company : The Company provides employees with coverage under Labor Insurance, National Health Insurance, employer's liability insurance, and group accident insurance starting from the day of employment.
- Welfare Committee : The Company purchases group insurance for employees with contents that include fixed-term life insurance and cancer medical insurance. Employees can also increase the level of insurance or purchase insurance for their family members based on their own needs.
- The Company provides a comprehensive insurance package for employees assigned overseas including travel insurance and local medical insurance.

• Pension System

- The Company complies with related laws and regulations and deposits reserves to the statutory pension account.
- Voluntary retirement with terms superior to regulations: "Employees who have served at the Company for more than 20 years may apply for voluntary retirement."
- The Company provides preferential retirement plans for employees with a certain number of years of service to apply for preferential retirement within a certain period of time and be eligible for preferential pension after approval.

• Travel subsidies for senior employees :

We provide travel bonuses and vacation subsidies to reward senior employees for their long-term contributions to the Company after they reach the prescribed length of service.

• Employee mutual assistance fund :

The Company also encourages employees to support each other in times of need and established the employee funerary mutual assistance fund.

• Year-end bonus and annual performance bonus :

The Company reward employees for their contributions to the operating performance of the Company.

• Periodic health examination

• Meal subsidies

• Gift money for birthday and the four traditional holidays

• Emergency relief and subsidies :

The Employee Welfare Committee provides funerary subsidies, marriage subsidies, childbirth subsidies, new home subsidies, and hospitalization subsidies.

• Scholarships for employees and their children :

The Employee Welfare Committee provides scholarships to encourage current employees and their children to study. Economic Benefits.



Work-Hour Benefits

- **Vacation leave for senior employees :**
We provide travel bonuses and vacation leave to reward senior employees for their long-term contributions to the Company after they reach the prescribed length of service.
- **Special leave**
- **Unpaid parental leave**
- **Menstruation leave/maternity leave/prenatal checkup leave/family care leave.**

Other Benefits

- **Employee vacation**
- **Club activities**
- **Year-end party**
- **Language training subsidies**
- **Commemorative company jackets**
- **Leisure activities :** Eternal Family Day, annual softball games, etc.
- **Art and cultural activities :** Eternal cultural seminars.
- **Awards for long-serving employees :**
Employees receive medals and commemorative gold coins after they reach the prescribed length of service.
- **Awards for model employees :**
praise employees with good performance and regard them as role models.

Facilities Benefits

- **Employee cafeteria**
- **Employee dormitory**
- **Library**
- **Commuting shuttles**



Remuneration Committee

The Company established the Remuneration Committee in October 2011 in accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange."

The Company's Remuneration Committee was created to assist the Board of Directors in evaluating the level of remuneration for Directors and managerial officers. The Remuneration Committee has three members. External experts including Ms. Hung, Lee-Jung, Mr. Lo, Li-Chun, and Mr. Hsu, Jui-Yuan serve as members of the Committee. The committee member Hung, Lee-Jung serves as the convener and the chair of the meeting. A total of 5 meetings were organized in 2019. With the exception of Mr. Hsu who attended 60% of the meetings, other members attended 100% of the meetings in person.

Note: Please refer to the Company's Annual Report for detailed information.



Community and Social Activities

Local communities

Among Eternal's three production sites in Taiwan, the oldest plant and the only plant that is not established in an industrial zone is Lu-Chu Plant. When it was built in 1973, the Company opened a road to help employees get to work safely and conveniently and the road was named Changxing (Eternal) Road. The Plant later cooperated with the Township Office in various greening activities to improve the cleanliness and appearance of the nearby environment. Eternal has spared no efforts in promoting local development and is a good neighbor in the Luzhu community. The other plants were located in industrial zones (Ta-Fa Plant and Ping-Nan Plant). In addition to cooperation with the management of the industrial zones by providing assistance to community activities, the Plants also directly participate in certain activities based on actual conditions and provide care to nearby schools or communities. Eternal complies with the environmental protection requirements of the competent authorities on air and wastewater discharge and the information is disclosed in the chapters on sustainability indicators. In terms of social requirements, we take care of our employees and maintain good interactions with relevant stakeholders. All our operation sites have established communication channels with local communities.



Management Approach

Eternal upholds the spirit of "giving back what is taken from society" in interactions with local communities. We have therefore continuously supported various local activities. After a long period of observation of the development of the society and the regions, Eternal has become convinced that education and culture are the best ways to generate positive energy for society. These areas could also benefit the most from the support and assistance of companies and rural areas and disadvantaged groups may be the most suitable recipients

Scope

As Eternal's business operations are spread across the world, our interactions with local communities and societies have expanded along with our operating activities.

Approach and Objectives

The relevant departments are responsible for evaluating and proposing projects to be included in the key annual plans for full implementation. With Eternal's investments, we hope to improve the education or cultural environment and opportunities in remote areas. We seek to help the disadvantaged to successfully complete their education or acquire skills to support or improve their lives and families and reduce social issues.

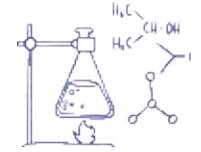
Other community and social activities are summarized below : " Eternal Charity "

This year, Eternal visited Ren'ai Junior High School — a school located 1,400 meters high in the mountains of Ren'ai Township, Nantou County. We organized volunteers of the Company to use the environmentally-friendly fluorocarbon products we developed to resolve the issues of rust and stains on the campus footbridges and railings to enhance the safety of public facilities on campus.



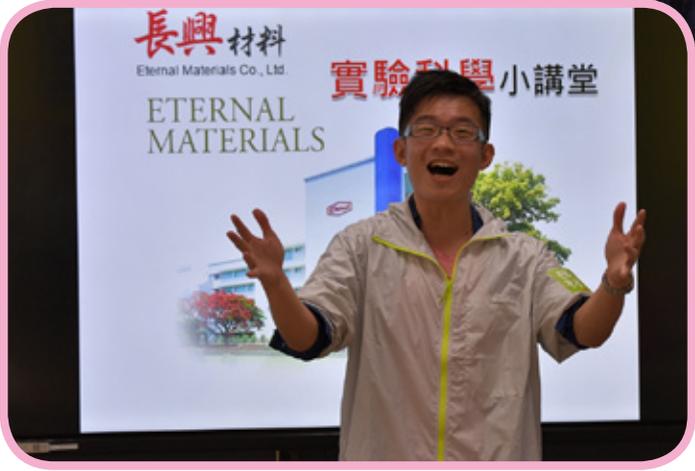
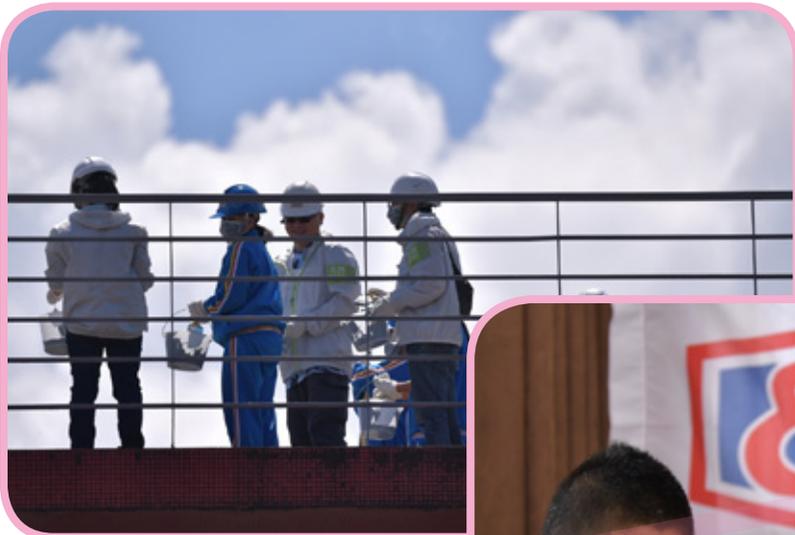
Eternal knew Ren'ai Junior High School for the corroded condition of the footbridges in the high mountain areas near Wushe through serendipity at the end of 2018. The conditions affected the safety of the steel structure. We have had many discussions with Ren'ai Junior High School and launched the campus safety "hand" protection program. We assigned professional engineering firms to remove rust in unsafe areas and public facilities to prevent corrosion and deterioration. We then organized the Company's volunteer service team to go to high mountain areas and apply the environmentally-friendly fluorocarbon coating by hand to strengthen the structure. On the day of the event, teachers and students of Ren'ai Junior High School joined us and made contributions to their own campus by working together. We resolved the issues of the corroded footbridges and railings in the school to protect the safety of students. "We truly hope to provide the children with a green, safe, and brand-new campus environment." Chairman Kao, Kuo-Lun of Eternal Materials stated.

Eternal focused on its core competencies and used the patents and weather endurance characteristics of the products it developed and produced to improve the safety of public facilities in schools in remote areas and defend them against the high mountain climate. We also planted the seeds of science by encouraging children to engage in science and brought knowledge of chemical materials into science education. We seek to inspire students to have fun with chemistry applications and fulfill our corporate social responsibility.



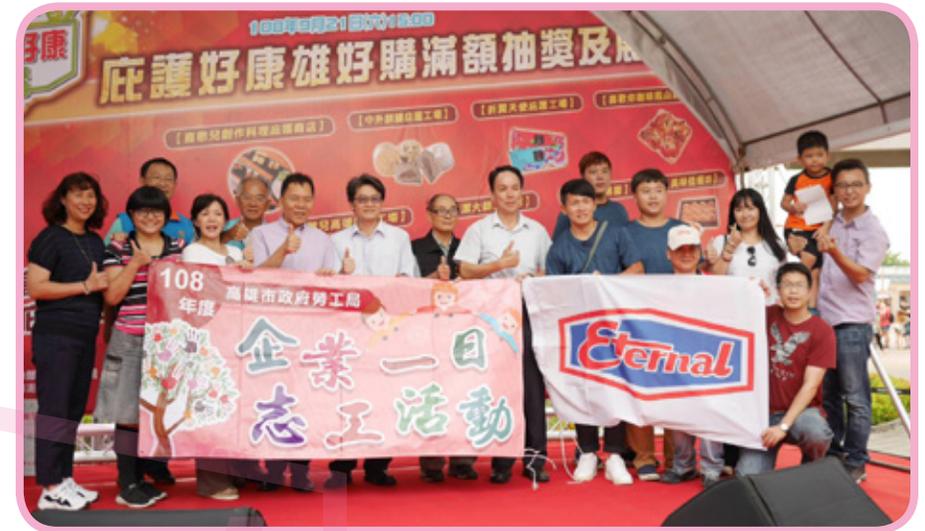
Every child has the potential to be a brilliant future scientist. On our visit to the high mountain areas, Eternal improved the safety of the school's footbridge and railing. We also hope to extend the Group's social welfare "Education Take Root Project" from music education, baseball education, and citizen reading education projects in the past to the discussion, design, and execution of "Creative Science" science education by Eternal R&D and business professionals this year. We aim to use interesting and simple language to discuss why chickens get wet but not ducks and use simple and interesting experiments to observe why lotus leaves do not get wet. These courses allow children to experience science and "make corrections along the way." They also help children understand the characteristics of hydrophobic and self-cleaning materials.





" One-Day Volunteers "

Activities for marketing products from sheltered workshop are organized in Kaohsiung every year. These activities require volunteers to be onsite during the exhibition and activities to promote the products, fill out purchase orders, maintain records, and assist in communication to encourage consumers to make and increase purchases. This year, Eternal also organized a group of "One-Day Volunteers" to take part in sheltered workshop product promotion activities on holidays. Eternal's volunteers demonstrated their usual passion and professionalism in serving customers and vigorously promoted various products. The event this year achieved record sales of \$5.54 million, which helped support the disadvantaged workers in the sheltered workshops. By providing services, Eternal's volunteers also benefited from the most direct and sincere interactions between people. They received spiritual rewards which proved that "there is greater blessing in giving than receiving."



" Eternal Arts Center" — Dream Come True

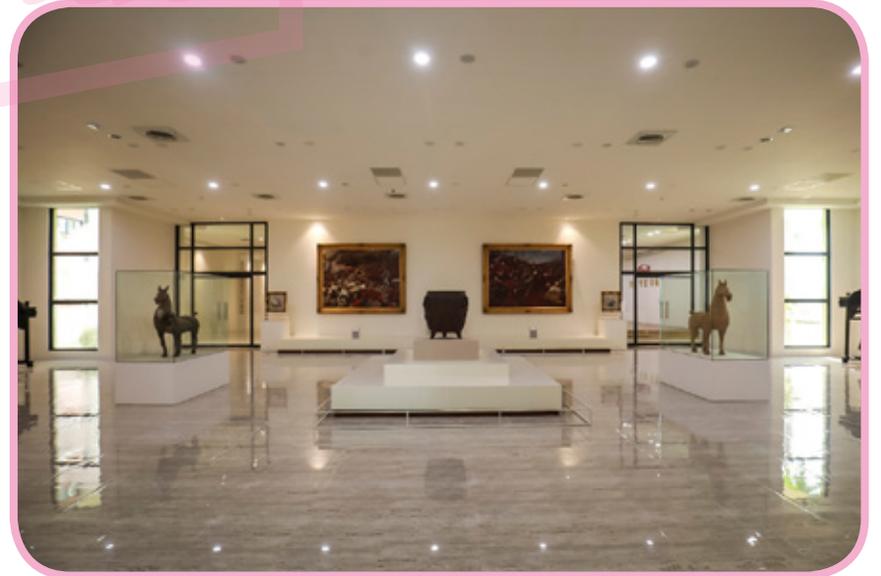
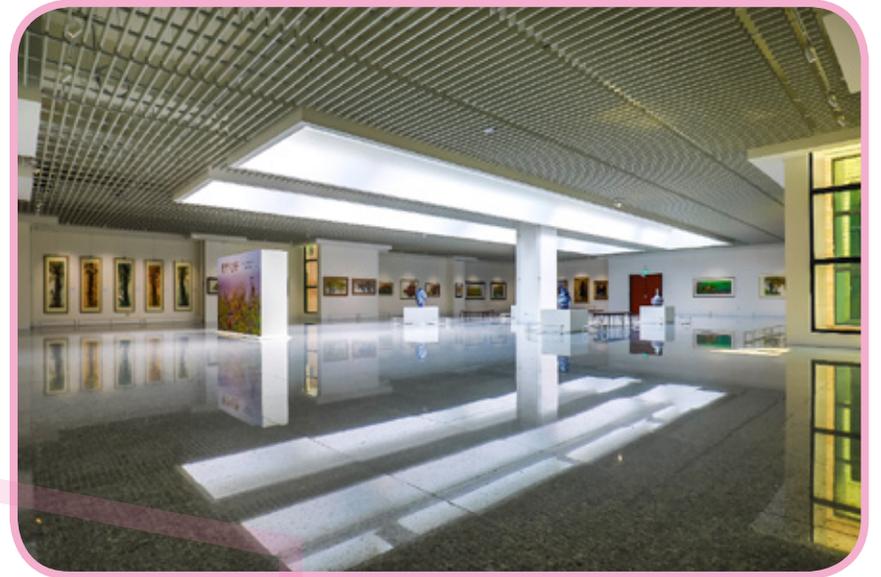
After more than two years of preparation and construction, the "Eternal Arts Center" located in the Company's Lu-Chu Plant was finally inaugurated and opened on February 20, 2019. As stated on the inscription written by the Company's founder Mr. Kao, Ying-Shih on the lobby of the Arts Center, the Eternal Arts Center is a space that integrates art and culture and the symbol of Eternal's corporate culture. Based on Mr. Kao's functional positioning and hopes for the Eternal Arts Center, we selected around 50 works of art including stone Buddha, bronze works, porcelain, wood carvings, and woven items from nearly three thousand items in his collection for display in the first-floor permanent exhibition. Various paintings are displayed in the second-floor exhibition space for different exhibition periods.

The architect and artist Mr. Han, Pao-Teh once said that exhibition design is creating space for art and the display must be educational. Aesthetics is its inherent nature and the aesthetics on display is not merely intended to attract the viewers but designed to reach the viewers through beauty. The Eternal Arts Center was created to be an aesthetic space for sharing art and life with the public. Therefore, the design and plan of the exhibition space uses natural light instead of artificial lighting wherever possible. The space and elevated ceilings are used to create smooth and unobstructed connections between spaces for visitors to provide them with a comfortable and pleasant experience.



We hope that the Eternal Arts Center will become a platform for art and aesthetic exchanges. In addition to regular exhibitions of the collection, we also hope that it can become a place for artistic and cultural exchanges and achieve sustainable operations.

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" Family Day — Beach Cleanup Activity "

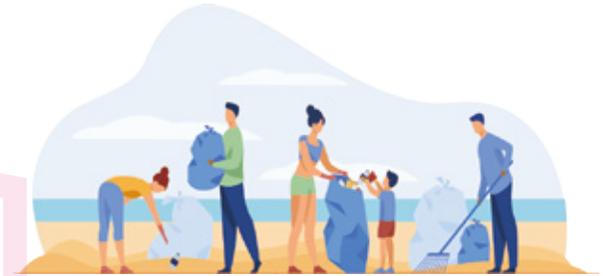
Humans are bound to suffer the consequences if we ignore the pollution of the oceans. The Blue Planet Society, a marine conservation group, estimates that between 4.8 and 12.7 million tons of plastic waste flow into the ocean each year. This is equivalent to having 100 to 300 plastic shopping bags for every meter of coastline in coastal areas. When plastic products enter the ocean, they slowly decompose under sunlight over time. The particles become smaller and smaller, and eventually become invisible to the naked eye, transforming into we refer to as microplastics.



Microplastics in the ocean that cannot be decomposed are often mistaken as food by sea turtles, cetaceans, and many other marine creatures. Their digestive tracts are often blocked by plastic materials or they may be malnourished or die due to the accumulation of toxic materials from excessive amounts of plastic in their bodies. Humans that sit atop the food chain are not only the producers but also the victims, because the damage of plastic waste or plastic particles to marine life will invariably affect human health through the food chain.



Eternal seeks to protect the earth, humans, and the ecology. We gathered employees and family members to roll up their sleeves and help clear the beach of marine waste. "Marine waste" is defined by the United Nations as "any persistent, manufactured or processed solid material discarded, disposed of or abandoned in the marine and coastal environment." Beaches need to be cleaned and the pollution needs to be stopped. We hope all earthlings will think carefully and take real actions.





GRI Standards 2016 Comparison Table

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ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE ETERNAL MATERIAL'S CO., LTD.'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2019

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by Eternal Materials Co., Ltd. (hereinafter referred to as Eternal) to conduct an independent assurance of the Corporate Social Responsibility Report for 2019 (hereinafter referred to as CSR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the sampled text, and data in accompanying tables, contained in the report presented during on-site verification. SGS reserves the right to update the assurance statement from time to time depending on the level of report content discrepancy of the published version from the agreed standards requirements

The information in the Eternal's CSR Report of 2019 and its presentation are the responsibility of the management of Eternal. SGS has not been involved in the preparation of any of the material included in Eternal's CSR Report of 2019.

Our responsibility is to express an opinion on the report content within the scope of verification with the intention to inform all Eternal's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured using our protocols for:

- AA1000 Assurance Standard (2008) Type 1 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008) at a moderate level of scrutiny; and
- evaluation of the report against the requirements of Global Reporting Initiative Sustainability Reporting Standards (100, 200, 300 and 400 series) claimed in the GRI content index as material and in accordance with.

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, CSR committee members and the senior management in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from Eternal, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, RBA, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within Eternal's CSR Report of 2019 verified is accurate, reliable and provides a fair and balanced representation of Eternal sustainability activities in 01/01/2019 to 12/31/2019.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. In our opinion, the contents of the report meet the requirements of GRI Standards in accordance with Core Option and AA1000 Assurance Standard (2008) Type 1, Moderate level assurance.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

Eternal has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, CSR experts, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns.

Materiality

Eternal has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders.

Responsiveness

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, Eternal's CSR Report of 2019, is adequately in line with the GRI Standards in accordance with Core Option. The material topics and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material topics and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. As a whole, Eternal's sustainability report is presented in a balanced and honest way. The report covers both favorable and unfavorable results and topics. Also, the report distinguishes clearly between facts and the organization's interpretation of them, enabling a reasoned assessment of overall performance. Among a wide range of sustainability issues, Eternal considers the employee caring and assistance to be highly important. In the future, the emphasis within Eternal's report is expected to reflect its relative priority.

Signed:

For and on behalf of SGS Taiwan Ltd.

David Huang
Senior Director
Taipei, Taiwan
19 May, 2020
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