QST

International Corporation

2021 Sustainability Report

June 2022

Contents

Editing Principles

QST International Corporation (hereinafter referred as QST or the Company) compiles and discloses the Sustainability (ESG) Report with the internal data from the divisions within the Company. To ensure correct and integral content and to meet the expectations of the stakeholders, the editorial meeting is held upon the completion of the first draft for the review and revision of the content. The Report is finalized and published after being approved by division directors, the president and the chairman.

Report Release Schedule and Frequency

This report is the fourth one published by QST. From this time, it is called "Sustainability" Report.

The last one was released in June 2021.

The current one is released in June 2022.

The next one will be released in June 2023.

Scope and Boundary of the Report

Geographical boundary: This Report covers the information of the Head Office, the Bao-An Plant and the Jen-Der Plant of QST International Corporation. The Head Office of QST is at 3F, No.203, Sec. 1, Changrong Rd., East Dist., Tainan City, Taiwan.

Time frame: The reporting time frame is from Jan. 1st to Dec.31st, 2021.

Scope of the Report: This Report discloses the business activities and results in sustainability of QST, the manufacturer and seller of fasteners and components. The financial performance is presented in consolidated financial statements and calculated in New Taiwan Dollars. All the financial data were audited by Deloitte.

External Verification

This Report was verified by TÜV Rheinland, Taiwan for the conformity of the Core Option of Global Reporting Initiative Standards (GRI Standards). The appendixes include the GRI Standards Index for the content of every chapter and the AA1000 Assurance Standard of Type I Moderate Level.

Contact Information

Please contact us if you have any interest in or for any question or suggestion about this Report.

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Message from the Chairman

The economy recovered and brought an explosive order growth in 2021, after the global economy suffered from the COVID-19 pandemic in 2020. The consolidated net revenue of QST increased by 15% compared to 2020. Thank all employees for their efforts.

The pandemic caused higher costs of raw materials and freight, currency exchange rate fluctuation, and labor shortage. Our company has responded prudently to this difficult situation by improving competitiveness, expanding production capacity and diversify risks also in response to the continuous growth of demand for electric vehicle products.

To reduce the impact of the COVID-19 pandemic, QST cooperates with the government policies, such as temperature checks before entering the factory, using alcohol to clean hands, employees taking turns for meals, and working in separate areas. The physical visits were replaced by online meetings to avoid face-to-face contact to reduce the risk of infection.

The disclosure of ESG (Environmental, social, and governance) information has become an international trend and a requirement of Taiwan government. The company incorporated TCFD climate related financial disclosure and SASB sustainability accounting standards into this sustainability report to improve the integrity of ESG information disclosure. The environmental measures taken in 2021 include: designing an environmental data collection system, checking the accuracy and consistency of data, and analyzing and identifying carbon emission hotspots.

"For heaven and earth, for the people, for the saints of the past to continue learning, for all ages to open peace." Zhang Zai, a thinker in the Northern Song Dynasty of China, expounded the responsibility of mankind to society and history. The company's vision is to achieve sustainable operation, common prosperity and sharing. We encourage all employees to participate, work together for this land, and preserve a better future for generations to come.

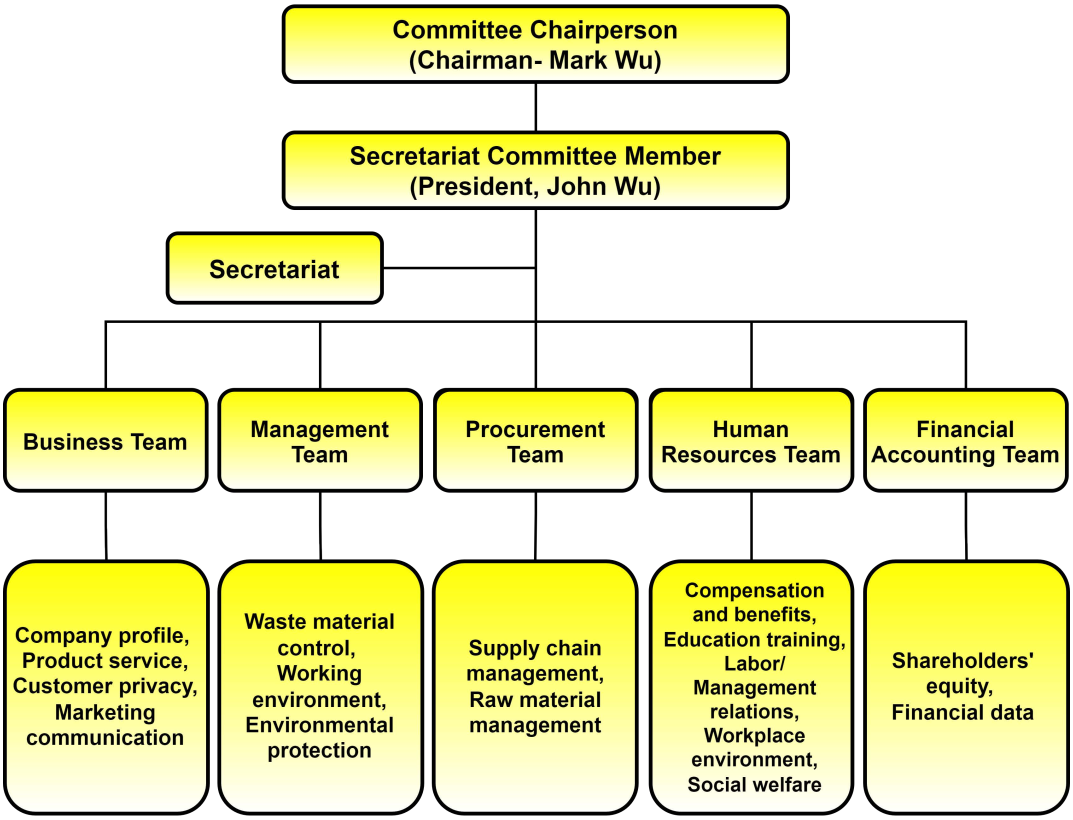
1. CORPORATE SOCIAL RESPONSIBILITY FRAMEWORK

1. Corporate Social Responsibility Framework

1.1 CSR Committee

Composition of the CSR Committee

The CSR Committee was officially established in April 2018, serving as the highest-level organization for sustainability management of QST that directly supervises issues related to the sustainable development of the Company. The chair of the committee will directly report the related policies and corresponding efficacy to the Board of Directors. The Secretariat is responsible for the compilation and organization of this Report.



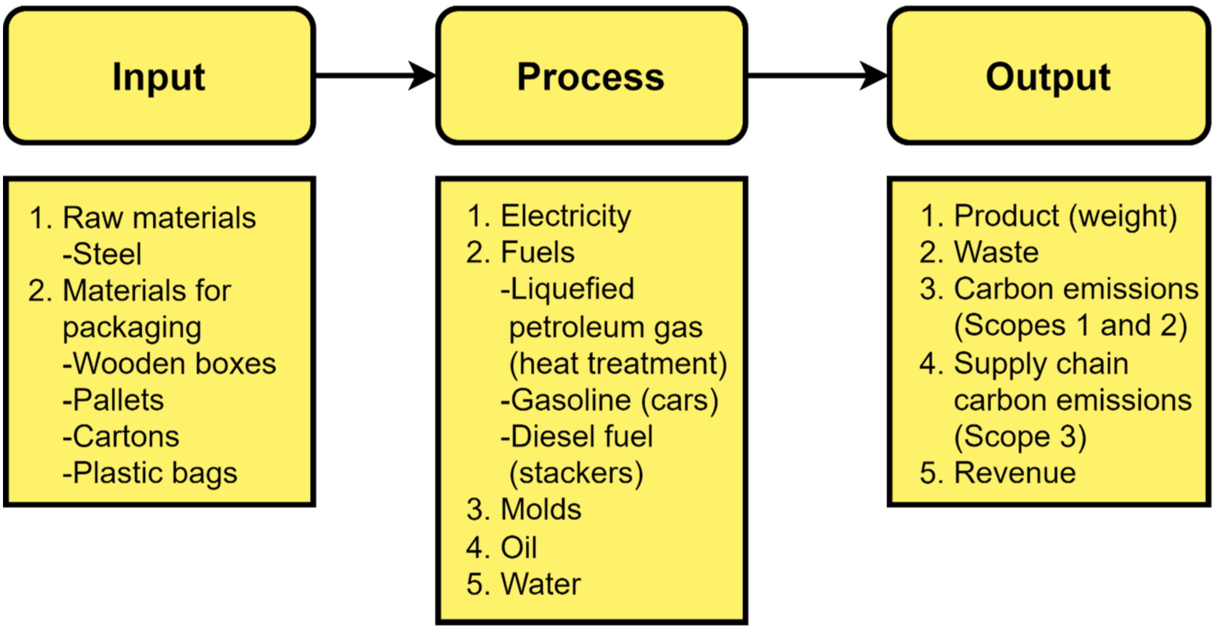
Operation of the CSR Committee

The CSR Committee, headed by the Chairman of the Board, is in charge of CSR affairs, guiding the direction of sustainable development of the Company. The president serves as the committee member while the staff of the Secretariat are assigned by the committee member, responsible for maintaining the operation and coordination of the committee. Under the CSR Committee, there are a Secretariat and five sections, including the Business Section, Management Section, Accounting Section, Human Resources Section and Procurement Section, and section members are composed of relevant units of the Company. Economic, environmental and social issues related to CSR are clearly corresponded in the sections, and at least three formal meetings are convened each year.

1.2 ESG Strategy

Disclosing information of ESG (environmental, social and governance) has become an international trend. The “Corporate Governance 3.0 - Blueprint for Sustainable Development” issued by the Taiwan Stock Exchange in August 2020 states that sustainability reports need to strengthen ESG information disclosure, and relevant regulations will be applicable from 2023. The company incorporated the TCFD and SASB requirements in the sustainability report this year to enhance the integrity of ESG information disclosure.

For the environmental issue of ESG, the company started with operation figures such as materials, energy, water and effluents, greenhouse gas emissions, and waste in response to the government's goal of "Net-zero carbon emissions" in 2050. As shown in the figure below, the company analyzed the relationships between the parameters of the production process to find out the sources and hot spots of carbon emissions.



The three carbon emission scopes in the above figure are used in the GRI Standards. They correspond to the carbon emission categories of ISO 14064-1:2021: Scope 1 corresponds to Category 1, Scope 2 corresponds to Category 2, and Scope 3 corresponds to Category 3 and 4.

The sustainability measures of 2021 are as follows:

(1) Designed an environmental data collection system.
(2) Checked the correctness and consistency of the collected data.
(3) Analyzed and identified carbon emission hotspots and Thinking of carbon reduction initiatives.

1.3 Identification of Stakeholders' Issues of Concern and Communication

Identification of Stakeholders

Our stakeholders are identified through assessment of the global sustainability trends and operational development goals and analysis of major issues in economic, environmental and social aspects among the CSR Committee and the heads of all departments. QST's stakeholders can be classified into six categories, including Clients, Employees, Shareholders, Suppliers, Communities, Government.

To identify the extent of business impact, an internal survey was filled out by the supervisors of all departments was conducted based on the issues of concern to the stakeholders contacted and influenced for the assessment of the material topics of importance, substance, and impacts. A total of 15 questionnaires were returned.

The survey results show that social topics such as occupational safety and health, employment and labor/management relations are still more important, higher than the environmental and economic topics.

IDENTIFICATION OF MATERIAL TOPICS

Ten material topics were identified and listed in the table below. The material topics of 2019 and 2020 are also listed for comparison.

Aspect	2019	2020	2021
Economic	4. Salary structure 6. Economic Performance	4. Economic Performance	2. Salary Structure 8. Economic Performance
Environment	7. Water and Effluents 8. Waste	5. Waste 6. Water and Effluents 9. Energy 10. Materials	4. Waste 6. Energy
Social	1. Occupational Health and Safety 2. Compliance 3. Customer Service and Safety 5. Employment and Labor Relations/Labor Management Relations 9. Training and Education	1. Compliance 2. Employment and Labor Relations/Labor Management Relations 3. Occupational Health and Safety 7. Customer Service and Safety 8. Training and Education 11. Employee Diversity and Equal Opportunity 12. Human Rights and Forced Labor	1. Occupational Health and Safety 3. Employment and Labor/Management Relations 5. Compliance 7. Customer Service and Safety 9. Employee Diversity and Equal Opportunity 10. Training and Education

Order of Material Topics

Compared with those in 2020, the topics with materiality increased are Occupational Health and Safety, Salary Structure, Waste, Energy, and Employee Diversity and Equal Opportunity; the topics with materiality decreased are Employment and Labor/Management Relations, Compliance, Training and Education, and Economic Performance; the topic remains the same materiality is Customer Service and Safety.

Material Topic	Aspect	Disclosures
1. Occupational Health and Safety ▲	Social	403-1、403-2、403-3、403-4、403-5、403-6、403-7、403-8、403-9
2. Salary structure▲	Economic	102-35、102-36、102-37
3. Employment and Labor/Management Relations ▼	Social	401-1、401-2、401-3、402-1
4. Waste ▲	Environmental	306-1、306-2
5. Compliance ▼	Environmental Social	307-1、419-1
6. Energy ▲	Environmental	302-1、302-2、302-4
7. Customer Service and Safety	Social	416-1、416-2、418-1
8. Economic Performance ▼	Economic	201-1、201-3、201-4
9. Employee Diversity and Equal Opportunity ▲	Social	405-1、406-1
10. Training and Education ▼	Social	404-1、404-2、404-3

Stakeholder Communication

The stakeholder are assigned with a unit based on the business contacts. Different stakeholders' issues of concern, units in charge, communication channels, and frequency are detailed in the table below.

Stakeholders	Issues of Concern	Unit in Charge	Communication Channels	Frequency
Clients	1. Economic Performance 2. Salary structure 3. Waste 4. Material 5. Compliance 6. Employment and Labor/Management Relations 7. Occupational Health and Safety 8. Employee Diversity and Equal Opportunity 9. Human Rights and Forced Labor	Business Section	1. Mail 2. Telephone 3. Customer audits 4. Survey of satisfaction 5. Participation in exhibitions	Occasional
Employees	1. Salary Structure 2. Energy 3. Waste 4. Employment and Labor/Management Relations 5. Occupational Health and Safety	Human Resource Section	1. Labor management meeting 2. Employee welfare committee 3. Grievance hotline 4. Email address 5. Communication with unit managers 6. Employee satisfaction survey 7. Employee health check 8. Training and education	1. Quarterly 2. Quarterly 3. Occasional 4. Occasional 5. Occasional 6. Annual 7. Annual 8. Occasional
Shareholders	1. Market status 2. Indirect economic impact 3. Energy 4. Compliance 5. Occupational Health and Safety	Financial Accounting Section	1. Regular shareholders' meeting 2. Extraordinary shareholders' meeting	1. Annual 2. Occasional

Stakeholders	Issues of Concern	Unit in Charge	Communication Channels	Frequency
Suppliers	1. Economic Performance 2. Salary structure 3. Energy 4. Water and Effluents 5. Waste 6. Compliance 7. Employment and Labor/Management Relations 8. Occupational Health and Safety	Procurement Section	1. Supplier visiting 2. Supplier auditing	1. Occasional 2. Annual Assessment
Communities (Neighbors, Media, Civil Groups, Associations, etc.)	1. Salary structure 2. Waste 3. Employment and Labor/Management Relations 4. Occupational Health and Safety 5. Customer Service and Safety 6. Employee Diversity and Equal Opportunity	Management Section	1. Management committee meeting 2. Guard room interview 3. Interview Invitation 4. Public information 5. Policy seminar, forums, and public hearings 6. Responding to Strategic alliances and initiatives 7. Official documents	1. Annual 2. Occasional 3. Occasional 4. Occasional 5. Occasional 6. Occasional 7. Occasional
Government	1. Salary structure 2. Waste 3. Compliance 4. Employment and Labor/Management Relations 5. Occupational Health and Safety 6. Customer Service and Safety	Management Section	1. Publicity meeting of regulations 2. Declare from system 3. Exchanges of official documents 4. Factory auditing	1. Occasional 2. Annual 3. Occasional 4. Occasional

QST External Members

The Company enhances relevant professional and technical knowledge and understands our stakeholders' issues of concern by participating in professional associations and through exchanges with them.

Association	Membership
Taiwan Industrial Fasteners Institute	Special Top Member Standing Director – Chairman Mark Wu
Taiwan Fastener Trading Association	Group Member

1.4 Management Approaches

For the material topic of Occupational Health and Safety, QST regards the health of the employees as the basis of the company's operation. To enable the employees to work in a safe and healthy manner, we have established Occupational Safety and Health Management Plan and Safety and Health Work Rules in accordance with the Occupational Safety and Health Organization Management, Occupational Safety and Health Act and other relevant legal regulations for a safe working environment. The boundary of this topic includes the employees working in our plants in Taiwan (including contractors), and the disclosure is limited to those working within the company.

1

Material Topic 1- Occupational Health and Safety	
Objectives	To implement occupational health and safety management to safeguard the safety and well-being of the employees, clients, suppliers, contractors, and communities as well as the company assets, creating a safe and comfortable work environment.
Policies	In the process of product R&D, manufacturing, testing and sales, it is required to meet the safety and health regulations and other relevant requirements. Furthermore, the philosophy of "Continuous Improvement of Safety and Health, Prevention of Occupational Disasters" should be upheld to avoid the occurrence of unsafe behavior, environment, and equipment for the fulfillment of the responsibility of safeguarding the safety and health of the employees.

Material Topic 1- Occupational Health and Safety	
Commitments	1. Comply the requirements of Occupational Health and Safety laws and regulations of training. 2. Prevent the occurrence of work-related injuries, unhealthiness, disease, and accidents to protect the safety and health of all employees and suppliers, contractors as well as visitors entering the Company. 3. Abide by relevant national regulations concerning safety and health and follow other requirements and develop relevant SOPs and methods. 4. Continue the improvement in the Safety and Health Management system and the safety and health performance. 5. Communicate safety and health issues to all employees, suppliers, clients, contractors, and related interested groups. 6. Continue to provide necessary training to employees, suppliers, and contractors to ensure they are aware of safety and health related knowledge and correct behavior.
Goals	1. Injury rate = 0 2. Occupational disease rate = 0
Responsibility	Environmental Engineering Section
Grievance	Tel: + 886-6-2081997#11121, 11122
Specific Actions	1. Annual health examinations for employees. 2. Hearing tests for employees in special operations, and customized earplugs programs. 3. Regular review of occupational safety and health with labor representatives. 4. Monthly occupational safety and health committee meetings.
Management Mechanism	Continuous improvement in safety and health and prevention of occupational disasters.
Performance and Adjustment	1. Injury rate = 1.24 (For high-risk crimp injury items, the whole process is evaluated and improved.) 2. Occupational disease rate = 0

In terms of the four material topics of Salary Structure, Employment and Labor/ Management Relations, Diversity and Equal Opportunity, and Training and Education, The Company has excellent customer services, professional industrial knowledge and product innovation capability. The cultivation of manpower quality is also one of the key factors for QST's industrial competitiveness.

In view of this, the Company regards its employees as the most important assets invested and is devoted to the in-depth management of human resources, working on the close integration of the growth of the employees and the development of the Company, enabling the effective operation of the input of manpower, equipment, materials, regulations, and environment to continue the maintenance of our future competitiveness.

The disclosure boundary of the four topics is the company's plants in Taiwan. The subsidiaries and affiliations are not included.

2 3 9 10

Material Topic 2, 3, 9, 10 – Salary Structure, Employment and Labor/Management Relations, Employee Diversity and Equal Opportunity, and Training and Education	
Objectives	Every employee can develop skills, be competent in jobs, increase efficiency and experience. Meanwhile, employees grow along with the Company and improve performance.
Policies	To attract and retain talents needed for the development of the company, we continuously promote and improve employee welfare, salary bonus, education and training, pension system and labor relations. The measures include the followings. 1. Employee welfare: Establish the Employee Welfare Committee for various welfare plans. 2. Education and training. 3. Salary and bonus planning. 4. Pension system. 5. Labor agreements and various measures for the protection of labor rights. 6. Work environment and personal safety protection measures 7. Employee behavior and ethics.
Commitments	Protecting employees' rights and creating a sound working environment. The legal compliance concerning HR management include the followings. 1. Domestic regulations: Labor Standards Act, Labor Pension Act, Labor Safety and Health Act, Settlement of Labor-Management Dispute Act, Gender Equality in Employment Act, and Employees' Welfare Funds Act. 2. International regulation: IATF16949 requirements.

Material Topic 2, 3, 9, 10 – Salary Structure, Employment and Labor/Management Relations, Employee Diversity and Equal Opportunity, and Training and Education	
Goals	1. The ratio of the starting salary of general technicians to the local basic salary is greater than 1.12. 2. The annual employee satisfaction survey reaches 3.5 points on average (5 points scale). 3. The proportion of employees with disabilities is more than 1.2%. 4. The implementation rate of staff training is greater than 80%.
Responsibility	HR Dept.
Resources	Manpower invested: Responsible personnel of the HR Section and the heads of all departments. Finances invested: 1. Benefits: Total expenditure of NTD 2,970,513 in 2021. 2. Pension reserve fund: The balance of the pension reserve account was NTD 101,042,082 by December 20, 2021.
Grievance	Tel: +886-6-2081997#11121 or #11122 or 11126 Sexual harassment complaint email: 113@qst.com.tw Employee grievance email: 1999@qst.com.tw
Specific Actions	1. To effectively manage human resources, Work Rules and relevant management measures are made in accordance with labor regulations. 2. New employees will start orientation immediately to understand the benefits, system, environment, quality and work regulations so that they can adapt to and fit in the corporate culture and the big family faster. 3. The Company attaches great importance to employee health and conducts annual health checkups. 4. The Company regularly organizes domestic trips to enhance the staff coherence. 5. The Company grants Service Award to employees based on their service years.
Management Mechanism	Every year, the Company conducts the audit on the effectiveness of the human resources management in accordance with the internal management audit procedures of IATF16949.
Performance and Adjustment	1. The ratio of the starting salary of general technicians to the local basic salary is 1.16. 2. The average score of annual employee satisfaction survey in 2020 are 3.4 points, and the company will respond to the survey results and improve employees' satisfaction year by year. 3. The proportion of employees with disabilities is 1.4%. 4. The implementation rate of the annual employee training plan was 86.1%.

Recently, it has become important to manage the acquirement, use, and protection of natural resource due to climate change. QST is a traditional manufacturer with good control in using mainly electricity and create little pollution. In terms of Waste and Energy, QST considered to reduce the use of materials and energy, as well as the use and transportation of products. Our environmental policy shows the environmental philosophy of the Company's executives and our commitment to compliance and continuous improvement. This policy is observed within the scope defined by the environmental management system to reduce the environmental impacts of business activities, products, and services.

4 6

Material Topic 4, 6- Effluents and Waste, Energy	
Objectives	The business activities, products and services complying with environmental regulations and requirements.
Policies	With the spirit to serve, the Company is willing to implement environmental protection and pollution prevention in the production process and service activities. The environmental management system is used for the setting of the direction of continuous improvement to pursue corporate sustainable management.
Commitments	Continue to conduct effective environmental management within the environmental areas of the plants. Our employees are trained to work on the followings. We also inform relevant residents and vendors of the following commitments. 1. We uphold the spirit of "continuous improvement and pollution prevention" and pass the system policy on to all relevant staff working for or on behalf of the Company. 2. All the activities, products and services are in line with government regulations, and environmental policy, objectives and targets should be properly revised, and relevant announcement should be made based on the internal and external audit results and results of management review. 3. Proper production and pollution prevention technologies and equipment are adopted to effectively reduce industrial waste and prevent pollution. 4. PDCA cycle and other management methods are effectively used to establish relevant rules so as to ensure all the Company's activities, products and services are designed to reduce environmental impacts to the minimum.

Material Topic 4, 6- Effluents and Waste, Energy	
Goals	1. Wastewater discharge is lower than standard value (COD less than 100ppm; SS less than 30ppm). 2. To reduce air pollution emissions and improve air quality in the plant. 3. Domestic waste/number of employees is less than 0.1 ton. 4. Energy consumption/product weight is less than 6,500 (MJ/ton).
Responsibility	Environmental Engineering Office
Grievance	Tel: +886-6-2081997#11121, 11122
Specific Actions	1. Regular checks of the values of wastewater discharge. 2. Regular air pollution testing. 3. Paperless office and No disposable tableware. 4. Replacement of old equipment, regular inspection, and maintenance of machines.
Management Mechanism	ISO 14000: 2015 Environmental Management System
Performance and Adjustment	1. Detected value of wastewater discharge, COD=33.9, SS=9.5. 2. Air pollution test results, granular pollutants: -2 mg/Nm3. 3. Weight of domestic waste/number of employees is 0.054 (ton/person) in 2021. 4. Energy consumption/product weight is 5,919 (MJ/ton).

In terms of the material topic of Compliance, there were no economic and social violation fines in 2021. QST planned education training focusing on employees' safety and health.

5

Material Topic 5- Compliance	
Objectives	Quality, environment, and occupational safety and health management system work with the PDCA to achieve improvement.
Policies	With the sustainable management concept of "progress in Innovation and making routine to be a career," QST continues to work toward legal compliance of environment, occupational safety and health, and social regulations.
Commitments	1. Integrate the requirements of quality, environment, and occupational safety and health management system into the operation of the organization and operate effectively. 2. Ensure the management policies and objectives are in line with government regulations and the Company's direction to operate sustainably.
Goals	No violation of environmental protection, occupational safety and health, and social regulations.
Responsibility	A management representative is assigned for quality, environmental protection, and occupational safety and health. A dedicated department is also set up for relevant procedures.
Grievance	Tel: + 886-6-2081997#11121, 11122
Specific Actions	1. Checking related regulations of environmental protection, occupational safety and health, and society regularly to ensure the compliance. 2. Reviewing violation events about environmental protection, occupational safety and health, and society to prevent from occurring again. 3. Announcements of violation events about environmental protection, occupational safety and health, and society to enhance employees' awareness.
Management Mechanism	ISO9000: 2015 Quality Management System. ISO14000: 2018 Environmental Management System.
Performance and Adjustment	No violation of regulations in 2021.

The material topic of Customer Service and Safety is a commonly recognized goal in national regulations and organizational policies. If a company violates relevant regulations, in addition to the direct impact on cost, the company's reputation and customer loyalty and satisfaction will also be affected. The scope of impact includes the customer privacy management of all QST employees, contractors, and suppliers (affiliated companies and subsidiaries not included). Limited access to data of the internal system is set to protect customer privacy. In addition, for the health and safety requirements of customers' products, international (European Union) standards are followed to ensure the health and safety of products for the benefit of customers.

7

Material Topic 7- Customer Service and Safety	
Objectives	1. Protect customer privacy properly to avoid leakage of customer information and strengthen information security. 2. Follow the regulations of EU (RoHS and REACH), strictly control quality of the products and ensure no impacts on health and safety of customers.
Policies	1. To strengthen the Company's information security to protect customer privacy. 2. To ensure the health and safety of the product for the benefit of the customers.
Commitments	1. Make no public of any forms of information about clients, employees, or products. 2. For customer product health and safety requirements, international (EU) standards are followed.
Goals	1. No incident of leakage, theft or loss of customer information. 2. No incidents of violating product health and safety regulations.
Responsibility	Information Dept, Sales Dept.
Grievance	Tel: +886-6-2081997 E-mail: qstmail@qst.com.tw

<table>
<tr><th colspan="2">Material Topic 7- Customer Service and Safety</th></tr>
<tr><td>Specific Actions</td><td>1. Personnel from Information Department regularly check whether the internet operating environment is safe.
2. Propaganda and lecture on information security.
3. All computer equipment is equipped with anti-virus software.
4. Make real-time update of virus pattern to prevent e-commerce from spreading viruses.
5. Setup firewall to isolate external attacks.
6. Purchase additional firewall hardware and software portfolio (including threat defense/malicious URL filtering/new-state malicious program attack protection) in 2018 to establish a safe network between the intranet and the external network for control.
7. Consolidates AD accounts for advance control.
8. The access to the intranet is all controlled by MAC authentication.
9. Firmware updates on a quarterly basis.
10. Products are produced according to customer drawings and specifications, and comply with relevant international regulations REACH, RoHS & ELV. Materials are also sourced from major international manufacturers – China Steel Corporation (Taiwan), Nippon Steel (Japan) and Posco (South Korea). There is no concern about the use of conflicting substances.</td></tr>
<tr><td>Management Mechanism</td><td>Conduct information assets inventory regularly every year and make regular checks of the firewall settings and abnormal records.</td></tr>
<tr><td>Performance and Adjustment</td><td>1. No information security incident has occurred so far. To implement internal control standards, review or update information security policies and implement hardware equipment management every year.
(1) Regular backup and proper storage, and recovery drills twice a year.
(2) Information security is inspected and evaluated annually to ensure the consistency of information security policies and practices.
(3) Regular equipment maintenance with records.
2. No violation of product health and safety regulations.</td></tr>
</table>

The topic of Economic Performance is always important to the Company. QST is devoted to market expansion, raise self-capacity utilization, and pursue lean operation for the maximum benefits of the Company and the shareholders.

For the topic of economic performance, its impact scope only discloses relevant information of the company, including retirement plans, donations, etc., excluding the data of subsidiaries.

8

Material Topic 8- Economic Performance	
Objectives	Continue to pursue sustainable development, profits and growth.
Policies	Introducing advance technologies, equipment and processes to enhance product scale, expand supply capacity and optimize customer and market structure to establish long-term competitiveness.
Commitments	We abide by the Company Act, Securities and Exchange Act and other relevant laws for the maximum benefits for the company and its shareholders.
Goals	Revenue growth: 15%.
Responsibility	Accounting Dept.
Grievance	Tel: +886-6-2081997 E-mail: qstmail@qst.com.tw
Specific Actions	Increase the dollar amounts of orders.
Management Mechanism	Quarterly analysis and comparison of operational performance and budgets.
Performance and Adjustment	Revenue and profit achieved the goal of 15%.

2.

Company Management

2. COMPANY MANAGEMENT

2.1 COMPANY PROFILE

QST is a manufacturer and trader of auto and industrial fasteners with a worldwide customer base and global market layout. To give full play to the greatest value of the internal and external stakeholders, QST was listed on the OTC market in 2006, and currently ranked among the Top 500 Manufacturing Corporations, taking the leading role in the industry.

The company name, QST, stands for Quality, Service and Teamwork, which are the three core values the company has always adhered to.

Company Name	QST INTERNATIONAL CORPORATION
Chairman	Mark Wu
President	John Wu
Headquarters	3F, No.203, Sec. 1, Changrong Rd., East Dist., Tainan City 701, Taiwan
Date of Establishment	April, 1985
Number of Employees	550
Capital	NT$ 1,263,830,000
Products and Services	Exporting fasteners such as screws and nuts, procurement integration and remote inventory management, manufacturing of OEM-grade industrial fasteners and other C-parts
Business Philosophy	To Progress in Innovation, Following the Principles Behind All Things to Attain Success
Core Values	Quality, Service, Teamwork
Website	http://www.qst.com.tw/

Enterprise Spirit

"To Progress in Innovation, Following the Principles behind All Things to Attain Success" symbolizes the Company's ambition to contribute to all mankind and the shared vision of all our employees. QST started from scratch, and every step is managed as life-long business. We never forget to give back to the society while managing business. From our perspective, manufacturing metal parts has gone beyond the meaning of sales. It is to ensure our customers' safety, comfort, and efficiency, which is exactly what we do to make contributions to the society.

Milestones of QST

The milestones of the Company since its establishment in 1985 are detailed in the table below. Newco International Co., Ltd. (Newco) was renamed as QST (Thailand) Co., Ltd. in November 2020, and increased shareholding from 49% to 90%.

Year	Milestones
1985	Jun Hui Co. Ltd was established.
1996	Changed the company name to QST International Corp. and established its subsidiary, Q-Lab Inc.
1998	Obtained ISO 9002 Quality Management System certification; re-invested in Suzhou Yeswin Manufacture Industry Co., Ltd. and Xiamen Boltun Metal Co., Ltd.
2002	Obtained QS 9000 and ISO 14000 certifications.
2005	Obtained certification of ISO/TS 16949 Quality Management System.
2006	Completed Bao-An Plant and obtained the Constructional Improvements Ownership for official operation.
2007	Established YESWIN (Shanghai) Co., Ltd in Shanghai, China.
2009	Established Suzhou Q-Lab Inc.
2010	Indirectly invested in Xiamen Boltun Metal Co., Ltd, Xiamen Boltec Metal Co., Ltd, Xiamen Bolwir Co., Ltd and Xiamen Bolmac Co., Ltd.
2012	Obtained FORD Q1 Certification.
2014	Officially changed the name into QST International Corporation; held an 85.71% shareholding in the German company, ESKA Automotive.
2017	Purchased land and warehouses in Ohio, USA.
2018	Revised certification of TS-16949 to IATF-16949.
2020	Newco International Co., Ltd. (Newco) was renamed as QST (Thailand) Co., Ltd. and increased shareholding from 49% to 90%.

QST

Xiamen Boltun Metal Co., Ltd

Xiamen Boltec Metal Co., Ltd

Xiamen Bolwir Co., Ltd

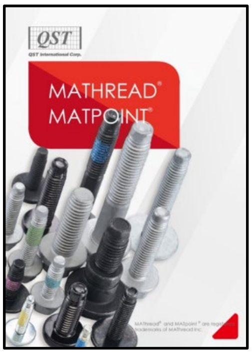
Suzhou Yeswin Manufacture Industry Co., Ltd.

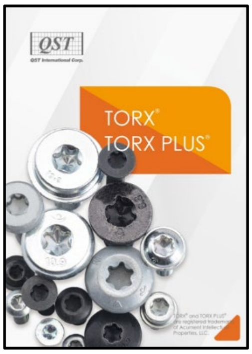
ESKA

Products

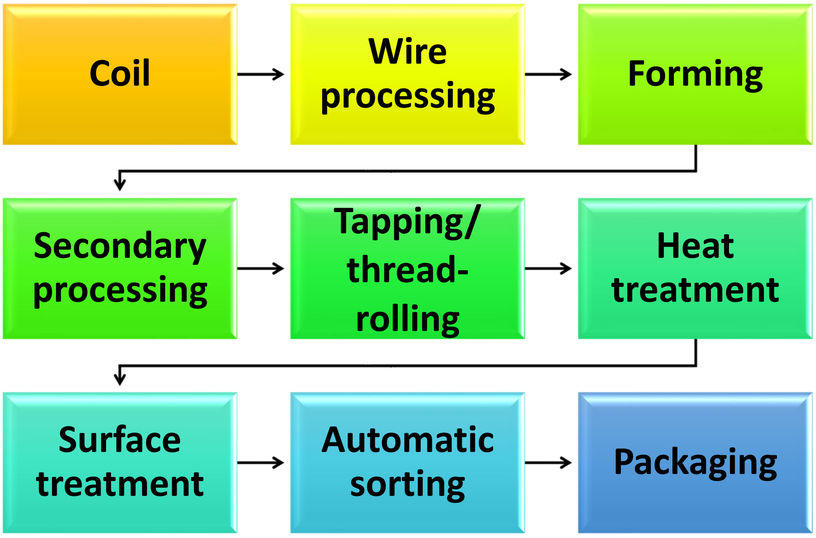
QST is one of the top manufacturers of industrial metal parts in Taiwan. We integrate the manufacturing capabilities of elite manufactures inside and outside the industry to form a broad product range to meet the OEM market demands. The products of the Company are generally referred to as Fasteners, which include internal- and external- threaded fasteners, C-parts for industrial use and so on, and are used in a variety of industries. Among them, automotive fasteners and parts account for approximately 80% of the total revenues, making them the core products of the Company.

Product	Item	Purposes and Functions
External threaded fasteners	Torx Screws	Widely used in various industries; the specially designed driving sockets can reduce the wear of assembly tools, improve assembly efficiency and reduce costs.
	Taptite® Screws	Mainly used in automotive industry; the patented thread-rolling process eliminates the tapping procedure of the joining parts and effectively improve the bonding strength.
	Matpoint Screws	Mainly used in automotive industry; the patented auto guiding function can prevent assembly tilt, reducing failure rate while improving assembly efficiency and reducing costs.
Internal threaded fasteners	Prevailing torque nuts	Mainly used in the automotive industry; the combination of spring washer and the nut not only prevents looseness but also effectively reduces the assembly process and costs.
	Prevailing torque nuts	Widely used in various industries; the specially designed pre-torque function makes it possible to achieve the needs for anti-loose and shock-resistance at lower costs.
	Weld nuts & Weld Studs	Mainly used in automotive industry and widely used in sheet metal structural parts, not only providing high strength and consolidating function but also suitable for automatic feeding.
Others	Customized spare parts and accessories	Special spare parts and accessories are manufactured based on the customers' specifications and blueprint (non-internal and non-external threaded fasteners), with the usage and functions meeting the needs of the original engineering design.

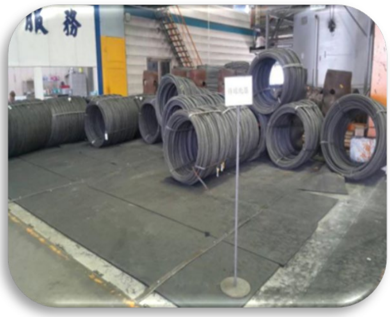




Production Process



Coil/Wire



Forming

Secondary processing

Thread -rolling

Heat treatment

Surface treatment

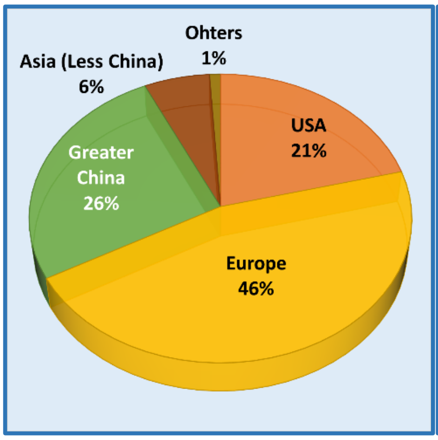
Automatic sorting + Packaging

Product Markets

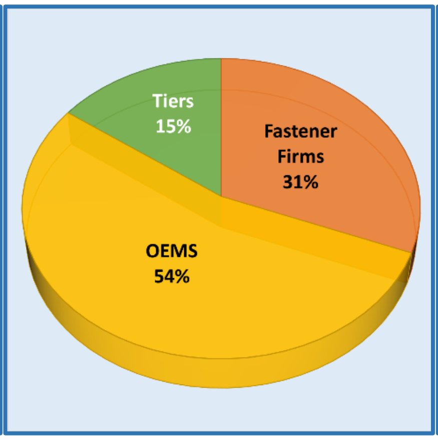
The fasteners we manufacture, including screws, nuts, stamping parts, pipe fitting, and assembly parts are marketed worldwide, among which, 80% are for automotive industry while 20% are for construction, wind power and other industries.

Our customers include importers, distributors, manufacturers, first and second tier suppliers of automakers and automakers. Our quality-oriented suppliers are mainly concentrated in central Taiwan, providing us with materials, semi-finished products and finished products. We promote product diversification and products that meet the markets and customer needs in a quality-oriented manner.

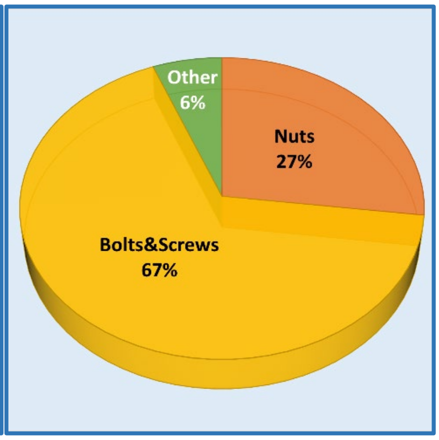
Distribution of customers



Customer base



Product Category



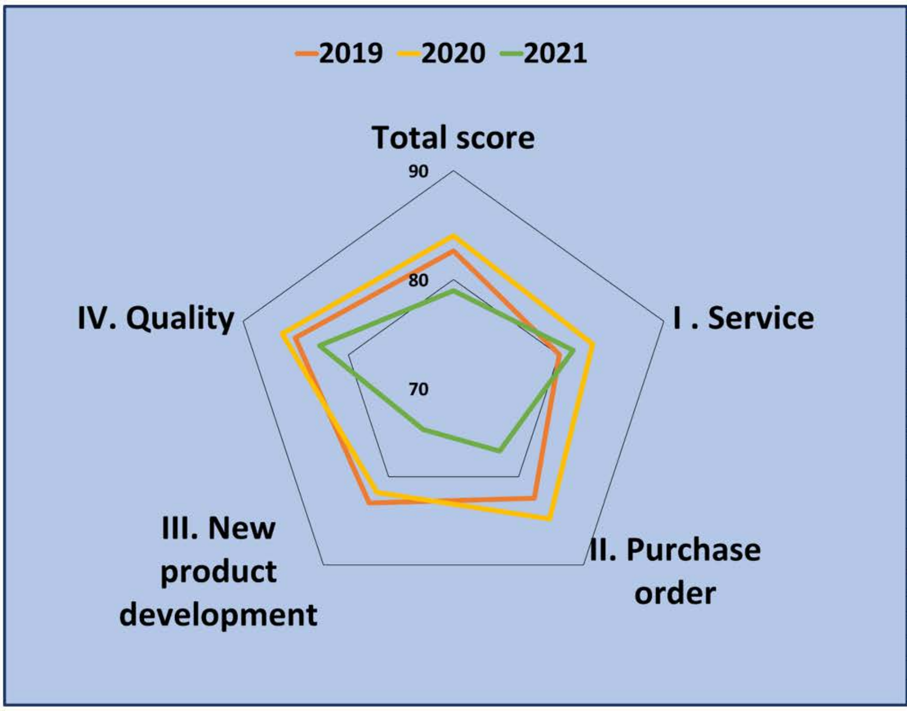
Customer Service

QST attaches great importance to its customers and takes immediate actions to respond to customers' opinions and problems. In addition, the customer complaint process procedure was in place for fast complaint handling. We understand our customers' needs and their satisfaction as well as where to improve through annual questionnaire survey.

The questionnaire items are divided into four sections, and under which there are sub items. The total score of the annual questionnaire is the average score in the four sections. In 2021, a total of 45 questionnaires was retrieved, with the average satisfaction of 79 points. This satisfaction rate of less than 80 is mainly due to the decrease in the on-time delivery rate and changes in the external environment. The company takes the following measures:

a. Business side - Check customers, optimize customers and order structure, and reduce the impact of production bottlenecks.

b. Increase production equipment, labor, and expand the factory to meet the increasing demand of customers.



Service
Price competitiveness
RFQ response time
Range of product search
Salespeople's communication skills
Salespeople's response and efficiency
Overall impression on the service
Purchase order
Price stability
Rate of timely repeat order
Lead time of repeat order
Product quality
Accuracy of documents/ inspection report
Overall impression of product development
New product development
Quality of first sample
Accuracy of PPAP/ISIR document
Rate of timely new sample delivery
Lead time of new product development
R&D expertise and communication
Overall impression on new product development
Quality
Product quality
Packaging quality
Quality of corrective action report
Response speed of quality problems
Quality communication and expertise
Satisfaction of quality management system

2.2 Operating Performance

It has been more than two years since the variant coronavirus ravaged the world in 2020. The global supply chain has not been able to recover so far. In 2021, the company experienced shortages of raw materials and containers, ship delays, urgent orders placed by customers needing goods, and a global shortage of chips, etc., which led to production reductions by car factories and inflation driving up costs. All of these impacted the company's daily operations.

Thanks to Taiwan's well-protected pandemic prevention with the concerted efforts of the company management and all employees, we have properly coped with excessive difficulties, and seized business opportunities, expanded production capacity, and filled the gaps in the customer's supply chain. The 2021 consolidated revenue was NT$10,193,388,000, increased by NT$ 1,369,357,000 or 15.52 % from 2020.

Distribution of Economic Value

(NT$ 1,000)

Item/Year	2019	2020	2021	Note
A. Direct economic value generated	9,925,200	8,824,031	10,193,388	
B. Economic value generated	9,476,826	8,128,506	9,225,582	
a) Operating costs	6,861,720	6,022,124	6,970,733	
b) Employee compensation and benefits	1,856,577	1,663,403	1,800,850	
c) Interest payment or dividend distribution	660,058	332,097	340,369	Interest expense & Dividend
d) Payment of taxes	98,471	110,882	113,630	
f) Community investments	N/A	N/A	N/A	
C. Economic value retained (A-B)	448,374	695,525	967,806	

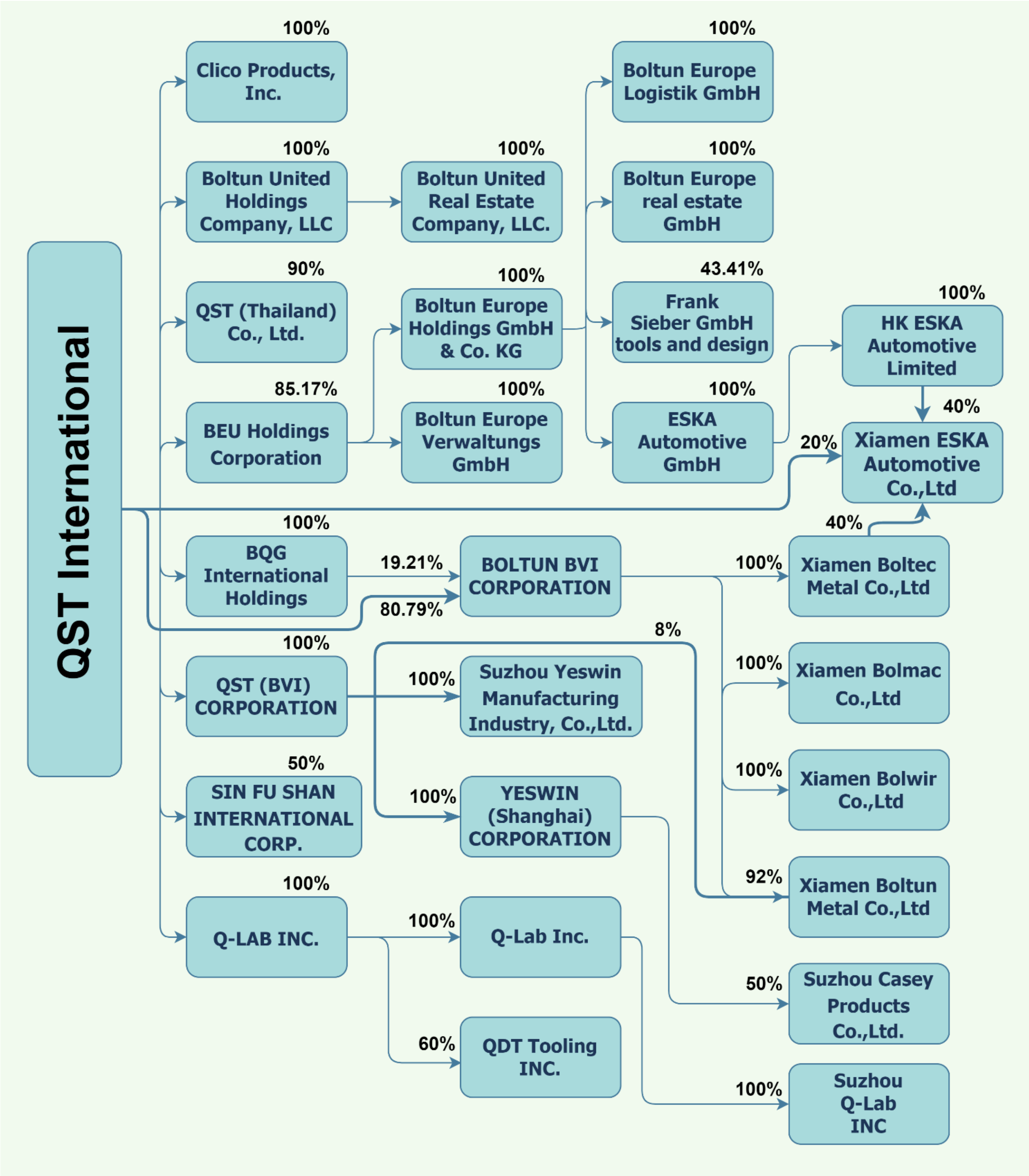
Financial performance

(NT$ 1,000)

Item/Year	2019	2020	2021
Operating income	9,925,200	8,824,031	10,193,388
Gross profit	1,833,572	1,696,986	1,933,723
Net operating income	374,899	343,980	447,468
Profit attributable to owners of the parent (net profit)	251,235	293,359	376,055
Earnings per share (NT$)	2.16	2.52	3.03

Affiliated Companies

The QST's affiliated companies and information are shown in the following figure.



Shareholder’s structure

Common stocks Date：Apr. 18, 2021

Shareholder’s structure	No.	Stocks	%
Individuals	5,391	49,042,410	41.2
Foreign institutions and foreigners	37	2,935,653	2.5
Financial institutions	1	130,000	0.1
Other legal persons	52	66,870,715	56.2
Government institutions	0	0	0
Total	5,481	118,978,778	100

Preferred stocks Date：Apr. 18, 2021

Shareholder’s structure	No.	Stocks	%
Individuals	2,031	7,335,218	73.3
Foreign institutions and foreigners	4	6,367	0.1
Financial institutions	1	375,000	3.8
Other legal persons	28	2,283,415	22.8
Government institutions	0	0	0
Total	2,064	10,000,000	100

There were no government subsidies in 2021.

2.3 CORPORATE GOVERNANCE

Integrity Management

All employees shall adhere to the policy of “To Progress in Innovation, Following the Principles Behind All Things to Attain Success” abide by legal regulations and provide customers with quality products and services; never gain results via illegal or unethical means; give fair treatment to trade creditors and debtors. Competitors shall not manipulate, conceal and use information they obtain from their duties, make false statements about important matters, or gain improper benefits from unfair trading. The Company did not engage in anti-competitive, antitrust and monopolistic behavior or corruption incidents in 2021.

Management System

Over the past three decades, QST has been providing the best quality and services. Our quality products, customized services and commitments to integrity has won our customers’ trust and support. We abide by the people-oriented principle and do not hire child labor or use conflict minerals.

To speed up the internationalization process and consolidate long-term cooperation with automakers, we continue the important practices of promoting international certification for continuous quality improvement. Through the enhancement of quality concept and implementation of production system, we provide customers with stable and high-quality products. QST has successively obtained certifications of ISO 9001, 14001 (International Organization for Standardization), and IATF 16949 (International Automotive Task Force) and was even granted the Ford Q1 Certification in 2012, successfully promoted to one of Ford’s qualified suppliers. The honor of Q1 certification is not the end. Instead, it represents another brand-new continuation.

The following table lists the requirement version and the certification cycle. The Company has not signed any external initiatives.

Requirement	System	Version	Certification cycle
IATF 16949	Automotive Quality Management System	2016	Every three years
FORD Q1	Qualified Suppliers	2012	Scored ever week after granted the certification
ISO 9001	Quality Management System	2015	Every three years
ISO 14001	Environmental Management System	2015	Every three years

Product Quality Requirements

The Company's products are manufactured in accordance with the following specifications:

- AIAG (Automotive Industry Action Group) Conflict Minerals
- Directive on ELV (End-of-Life Vehicle)
- REACH (Registration, Evaluation and Authorization of Chemicals System)
- RoHS (Restriction of the use of certain hazardous substances)
- IPPC (International Plant Protection Convention)

IMDS Introduction

The International Material Data System (IMDS) is the material data system for the automobile industry. In the IMDS, all materials present in finished automobile manufacturing are collected, maintained, analyzed and archived. IMDS is used to meet the obligations placed on auto manufacturers by national and international standards, including their laws and regulations.

The IMDS process is shown in the figure below.

Implementation performance: in 2021, QST completed 298 IMDS items for meeting the obligations of national and international standards, including their laws and regulations.

Values, Principles, Standards, and Code of conduct

QST's internal code of conduct and code of ethics are clearly defined for the employees. These requirements are publicized on the intranet and promoted through meetings and emails.

QST's employees are responsible for safeguarding and increasing the legitimately obtained interests of the Company and should avoid the opportunity for personal gain by himself or a third person through the use of company property, information or the use of his or her position. In the performance of his duties, he shall not, in the interests of himself or a third party, require, contract, deliver or accept any form of gift, entertainment, kickback, bribe or other improper benefit. Except where gifts or entertainment are permitted by social etiquette customs or company regulations.

When an employee performs his or her duties, he or she shall, in the event of a matter of interest involving himself or his relatives, avoid it on his own in accordance with the principle of conflict-of-interest avoidance. Any information obtained in his position that may have a material impact on the price of the Company's securities transactions shall be strictly confidential in accordance with the provisions of the Securities Exchange Act before disclosure and shall not be used for insider trading.

Professional Ethics Training

In order to enable QST's employees to perform their duties with integrity, learning, gratitude, commitment of the spirit, new employees in the new training period are educated through ethics trainings. Current employees are educated by internal or external ethics trainings.

Training for Code of Ethics

Year	2019			2020			2021		
Item	No. of people	No. of trainees	% of training	No. of people	No. of trainees	% of training	No. of people	No. of trainees	% of training
New employees	22	22	100	28	28	100	114	106	93
Procurement staff	8	6	75	9	3	33	-	-	-
Accounting staff	11	1	9	11	4	36	11	7	64
Audit office	-	-	-	3	3	100	2	2	100
Human Resource staff	-	-	-	-	-	-	7	5	71

Grievance Mechanism

The Company abides by domestic regulations (civil and criminal laws) and client requirements, making timely revision of rules and regulations concerning fair competition, gifts, bribes or improper benefits, confidentiality responsibility, information security, anti-harassment/discrimination and internal audit. Internal regulations concerning related incidents are also in place. There was no occurrence of corruption incident in 2021.

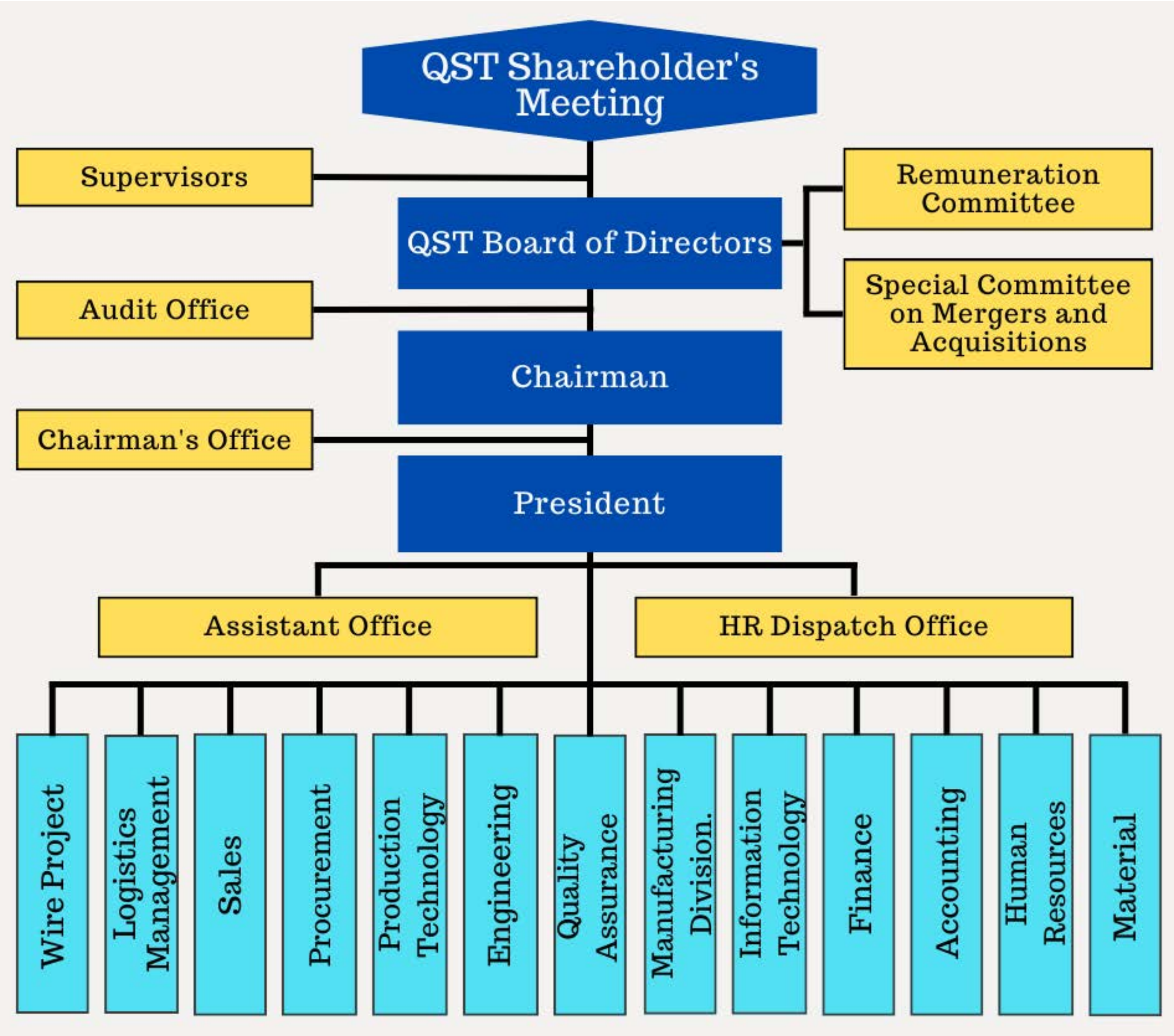
For any violation of Code of Ethics or for any illegal behavior, employees shall actively report to their immediate supervisors, and there are also a hotline and mailbox for reporting. The public and the vendors can make use of the dedicated email to provide relevant information. The reporting channels are as follows.

Internal Reporting Channel

QST Grievance Mechanism
Tel: 886-6-2081997 ext#11121、11122、11126
Sexual harrassment complaint email: 113@qst.com.tw
Employee complaint email: 1999@qst.com.tw

External Reporting Channel
Tel: 886-6-2081997
E-mail: qstmail@qst.com.tw

2.4 Organization Structure



Board of Directors

As of Dec. 31, 2021, as stipulated in Article 15 of the Articles of Incorporation, the Company shall have 7~15 directors and 3 supervisors with a term of 3 years elected by shareholders and shall be eligible for re-election. The Board members are elected in the Shareholders General Meeting, and the directors shall elect from among themselves a Chairman to chair the Board internally while representing the Company externally. The board members are all experienced professionals with expertise. With their expertise and management capabilities, they will provide the most appropriate strategic guidance for the future development of the Company.

Supervisors are responsible for attending the shareholders' meetings and the board meeting, reviewing the audit reports and the financial statements regularly. In addition, supervisors should also make direct contact with the employees and the shareholders to maintain smooth communication channels.

The Chairman reports to and discusses with the Board and shareholders the relevant resolutions. CSR related issues in terms of economy, society and the environment are also submitted to the Board for discussion in the same manner as the basis of the promotion of corporate social responsibility.

Title	Name	Term	Theme-related capability	Major Educational/ Experience Background	Current position (s) in this company and in other companies
Chairman and Chief of manufacture	Mark Wu, representative of QST INTERNATIONAL CORP.	2019/06/14 ~ 2022/6/13	Economic	● Mechanical and Electro-Mechanical Engineering, Tamkang Univ. ● Director, San Shing Fastech Corp.	● Chairman and President of Boltun Corp. ● Chairman of Boltun BVI Corp. ● Chairman of Bofood Corp. ● Chief Production Officer of QST Corp.
Director	Rong-Jin Wu, representative of QST INTERNATIONAL CORP.	2019/06/14 ~ 2022/6/13	Economic	● Salesian Technical School, Tainan, Taiwan.	● Director, Executive Director and Vicepresident of Manufacturing Department of Boltun Corp.
Director	Jin-Neng Lin	2019/06/14 ~ 2022/6/13	Economic	● MA in Business Administration, National Taiwan University (MBA). ● President, Huzhou Iron Force Metal Products co., Ltd. ● Vice-president, Ruentex Industries Limited.	● Supervisor of Normtech Corp. ● Chairman of Aili International Inc. ● Director of Ji Ge International Investment Ltd.
Director	Jian-Ming Huang	2019/06/14 ~ 2022/6/13	Economic	● Department of Engineering Science and Mechanics, SHIBAURA Institute of Technology ● MBA, University of Texas at Arlington (UTA).	● President, Wonder Formosa Chemicals Co., Ltd. ● President, Xuan Sheng Management Consulting Co., Ltd. ● Management consultant, Foresight Optical Ltd.

Title	Name	Term	Theme-related capability	Major Educational/ Experience Background	Current position (s) in this company and in other companies
Director	Kevin Xu	2019/06/14 ~ 2022/6/13	Economic	● Department of Management Information Systems. National Chengchi University ● Graduate Institute of Money and Banking. National Kaohsiung University of Science and Technology ● Manger, CTBC Bank.	● Vice-president, QST Corp. ● Special Assistant to the President's Office of Boltun Corp. ● Director of Q-Lab Inc.
Independent director	Zheng-an Huang	2019/06/14 ~ 2022/6/13	Law	● College of Law, National Taiwan University. ● Legislator of the Legislative Yuan.	● Attorney of Taiwan Patent and Trademark Office. ● Director of Man Zai Industrial Co., Ltd. ● Director of Tayih Landis Hotel.
Independent director	Shun-fa Xu	2019/06/14 ~ 2022/6/13	Economic	● Department of Public Administration, National Chengchi University. ● MA in Accounting, Memphis State University. ● Commissioner of First Examination Division, National Taxation Bureau of Kaohsiung, Ministry of Finance.	● Partner Accountant of Kaohsiung Branch, Pan-China (TW). ● Director of Cebit Asia Business Co. ● Independent Director of Ma Kuang Healthcare Holding Limited ● Supervisor of Fwu Kuang Enterprises Co. Ltd. ● Independent Director of Concord International Securities Co., Ltd. ● Director of Chuang Hwa Hsin Yu Co. Ltd.

Title	Name	Term	Theme-related capability	Major Educational/ Experience Background	Current position (s) in this company and in other companies
Supervisor	Henry Wu	2019/06/14 ~ 2022/6/13	Economic	● Institute of Computer and Communication Engineering, National Cheng Kung University ● Senior Software Engineer, Delta Networks, Inc.	● Assistant Vice President of Information Technology Department and Special Assistant to the President's Office of Boltun Corp. ● Supervisor of He Jian International Co. Ltd. ● Supervisor of Q-Lab Inc.
Supervisor	Zong-Zheng Wu	2019/06/14 ~ 2022/6/13	Economic	● Department of Accountancy, National Cheng Kung University. ● MA of Dept, of Industrial Information Management Institute of Information Management, National Cheng Kung University.	● Supervisor, Fu Chun Shin Machinery Manufacture Co., Ltd. ● Associate Professor of Department of Statistics, National Cheng Kung University.
Supervisor	Ginn-Zhong Tsai, Representative of Hai Xin Investment Co. Ltd.	2019/06/14 ~ 2022/6/13	Economic	● National Hsin Hua Senior High School ● Director of the Wire Division of San Shing Fastech Corp. ● QC Section Chief, Nai Li Industrial Co. Ltd.	● Manager of Procurement Department and Department of Sales II of Boltun Corp.

Mechanism of Conflicts of Interest Avoidance

The board meeting shall be convened at least once a quarter as stipulated, and in 2021, a total of 6 board meetings was convened. When a director or his/her representative legal person is an interested party in relation to an agenda, that director shall explain his/her interest at the board and may not vote on that item. All important resolutions are disclosed immediately on the Market Observation Post System.

Training of Directors and Supervisors in 2021

Title	Name	Date	Organizer	Name of course	Hours
Independent director	Zheng-An Huang	5/4	Taiwan Institute of Directors	Digital transformation-Driving new enterprise value	3
		4/28	Taiwan Institute of Directors	Corporate Governance 3.0 Sustainable development blueprint - New norms, new trends	3
Director	Jian-Ming Huang	9/1	Taipei Exchange	Full launch of sustainable investment	2
		8/31	Taipei Exchange	Decoding the sustainability DNA of SMEs	2
Director and Deputy General Manager of Operations Management	Ji-Wen Xu	10/18	Taipei Exchange	Insider equity publicity briefing of OTC and emerging companies	3
Supervisor	Zong-Zheng Wu	10/18	Taipei Exchange	Insider equity publicity briefing of OTC and emerging companies	3
		9/1	Taipei Exchange	Full launch of sustainable investment	2

Mergers and Acquisitions Committee

The M&A projects shall be deliberated in a fair and reasonable manner, and the results of the review shall be reported to the Board of Directors and the Shareholders' Meeting. However, in accordance with the Enterprises Mergers and Acquisitions Act, when there is no need to convene a shareholder meeting to resolve the merger and acquisition, no submission of the resolution shall be required. This Committee shall be composed of at least 3 independent directors, with one serving as the convener. If the number of independent directors is not sufficient, the member(s) are selected among board members.

Remuneration Committee

Pursuant to the Item 1 of Article 14-6 of the Securities and Exchange Act and the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter, the Remuneration Committee was established on November 28, 2011, and its organizational rules were also set up for compliance.

The Remuneration Committee is in charge of setting and regularly reviewing the performance evaluation and the policy, system, standard and structure of the remuneration of the directors, supervisors and managers of the Company as well as other matters considered by the board. In 2021, a total of 3 meetings was convened, with the attendance rate reaching 100%.

Title	Name
Convener	Shun-Fa Xu
Member	Zheng-An Huang
Member	Jin-Rong Lin

Remuneration Policy of the Board of Directors and Senior Executives

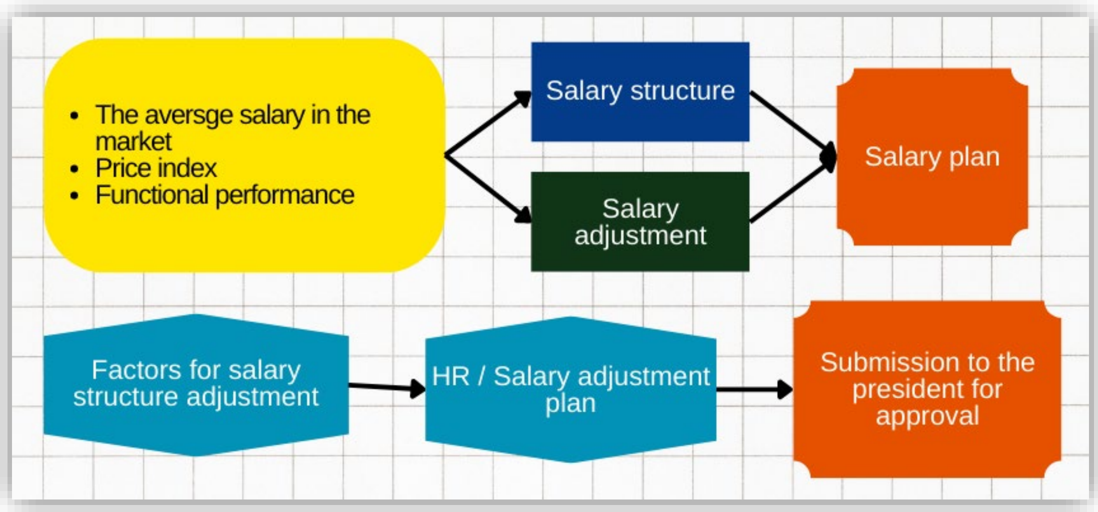
The highest governance unit and high-level management of the Company refers to the management holding a position of vice president and higher. Such personnel’s remuneration follows the same way the salary is paid to the employees in accordance with the Salary Management Practices on a monthly basis. The bonuses of the highest and high-level management will be appropriately adjusted based on the business performance.

Currently, the Company does not provide share-based payment, signing bonus, resignation pay, claw-back except for the monthly fixed salary, bonuses and special expenses as well as surplus distributed to employees. The design of the retirement benefits mechanism is different from general employees.

Determining Process of Compensation

The Company's compensations are mainly considered from the average salary in the market, price index and functional performance, and the employees' compensation is determined by the Compensation Management Practices. The salary changes and structural adjustment are reviewed by the unit chief of the HR Department and approved 41 Company Management CH2 by the president.

The design of the salary structure of internal staff is based on the job categories and capability development plans. The existing structure includes the following items and each corresponds to a management control idea.



Responsibilities of Departments

Department	Responsibilities
Assistant Office	Collection of market information and analysis of business performance; developing and promoting relevant business plans and regulations and rules; organizing and coordinating collaboration related affairs among departments.
HR Dispatch Office	Supporting overseas subsidiaries or handing related affairs of affiliations concerning business needs, professional techniques or management.
Audit Office	Survey and evaluation of the internal control system and provides timely suggestions for improvement to promote the effective operation of the company.
Materials	Coordination and allocation of equipment, materials and parts procurement within the Group
Wire Project	Coordination and allocation of raw materials, procurement, sales and shipping related affairs within the Group.
Logistics Management	Storage and packaging operations, and coordinating export shipment related affairs.
Sales	Product orders, sales, procurement and follow-up customer service within the dedicated market area; focusing on the development of the OEM market to gradually improve the company's revenue structure; coordinating export and shipping related affairs.
Procurement	Development and maintenance of supply resources as well as the cultivation of long-term cooperation.
Production Technology	Design, drawing and making a standard drawing of the product mold for product production, providing a mold needed for manufacturing and warehouse management as well as cooperating with the trial run and test mode for the development of new products.
Engineering	Product development, technology R&D and industrial research and the development and maintenance of supply resources as well as the cultivation of long-term cooperation, continuing the expansion of the range and technical depth of our products.
Quality Assurance	Maintenance and continuous improvement of the quality system, evaluation and assistance of the supplier quality system and continuous improvement of customer satisfaction.
Manufacturing Division	Professional production and key value-added process of licensed products and developing production technologies such as Agile Manufacturing and Pilot Assembly.
Information Technology	Planning, operating, maintaining and training of e-operations and providing strategic information to assist in the Company's decision-making and operations.
Finance	Formulating fund scheduling strategies and fund formation plans, strengthening financial management and improving financial structure.
Accounting	Planning accounting system and performing the establishment and analysis of financial statement and tax declaration, providing decision-making basis and accounting related services.
Human Resources	Recruitment and selection of human resources; planning and arranging internal and external training and education and professional training as well as providing general affairs related services.

2.5 Risk Assessment

The business operation related risks are managed through existing administrative organizational structure and internal control mechanism. The identification of risks in every aspect is conducted by means of the division of labor among all departments, and management policies and related measures are established to prevent, reduce or transfer risks.

The management of every unit jointly promote the risk control measures to strengthen the internal risk control mechanism and reinforce the emergency response and resilience capabilities. It is hoped that by working and learning together with our suppliers, the resilience of various risks can be strengthened to cope with the rapidly changed external environment.

The Company has divided the risks into operational risk, disaster risk and financial risk.

Operational Risk

To reduce operational risk, QST continues to expand the development of automotive bolts, screws, nuts, components and combination of multiple work pieces while at the same time stepping into the field of wind power fastener for high value-added items. In addition, we cooperate with automakers and provide the one-stop service from product design to mass production, inventory management for customers and distribution.

Risk Category	Reason	Solution	Prevention Mechanism
Human resource risk	Serious shortage of labor or suspension order from the government.	Notify affiliated companies for support upon customers' consent.	For labor shortage development of production line automation, and functional analysis mechanism (maneuver regulation).
Material shortage	Occurrence of raw material and material supply (production line or quality problem).	Seek qualified alternative suppliers.	Production Management Department establishment of a database of qualified suppliers.

Risk Category	Reason	Solution	Prevention Mechanism
Manufacturing equipment	Serious equipment failure that cannot be repaired in a short time.	Start peer-to-peer equipment support for production upon customers' consent.	Implement maintenance certainly and prepare stocks of spare parts of fault prone components.
Supplier	Failure to return to work or deliver goods for external processing suppliers due to production line interruption or quality problems.	Seek qualified alternative suppliers.	Production Management Department establishment of a database of qualified suppliers.
Shipping	Serious transport delay caused by force majeure factors (transport disruption, customs detention, disaster), infectious disease or risks generated from major quality problems.	Transportation disruption: Seek support from back-up transport companies, transfer goods from front-end warehouse and initiate handy service of front-end engineering personnel. Coordinate the customers to ship the goods through different ports or export warehouses (such as Kaohsiung to Taichung).	If the customs detention occurs due to the seed problem, the exported American timber pallets or dunnage will be changed to pinewood material to reduce the risk of detention due to discovery of seeds. If the arrival time continues to be delayed, we coordinate with the customers to ship earlier, and if preparing goods for overseas customers, we increase the safety stock.

Disaster Risk

The Company has established the Emergency Response Plan to take precautions against natural disasters (such as windstorm, flood, fire and earthquake) and industrial emergencies and to make emergency response and rapid recovery to effectively reduce environmental impacts and ensure the safety and properties of people in the event of a disaster. The Company has established the "Emergency Response Plan" and divides the risks into alertable and unalertable ones.

Alertable risks

- **Unplanned blackouts in typhoons, extremely heavy rain and earthquakes.**
- **Approval for shift changes and other related matters according to the news released by the local government and make advance preparations, such as closing the doors and windows and strengtheningthe fixation of objects in higher places while making relevant record for future review.**

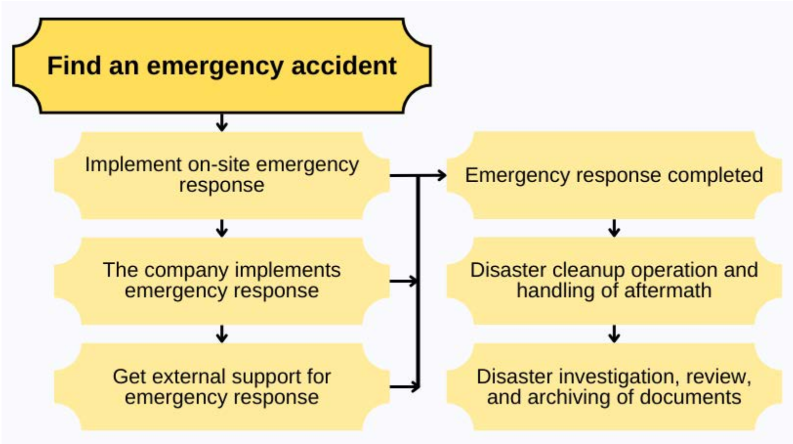
Unalertable risks

- **Fires, explosion, chemical spills, abnormality in waste and effluent and so on.**
- **Regular and irregular inspections of the structure and beam columns of all the plant buildings, the stacks of various items and the inspection as well as the placement of various discharge equipment (imnmedite improvement is made when there is a problem), and the location of fire extinguishers, fire water sources, hydrants and water hoses.**

Risk Category		Primary Risk	Solution	Prevention Mechanism
Alertable	Meteorological disaster	Typhoon	Inspection of the structural conditions for repair and reinforcement	Pay attention to typhoon trends and implement relevant typhoon prevention measures.
	Meteorological disaster	Extremely heavy rain	Implementation of education and training and inspection of the structures after disasters for repair and reinforcement	Install the waterproof gate and implement relevant education and training
	Environmental disaster	Pandemic	Quasi-level 3 continuing operation plan and measures in response to the Covid-19 pandemic	Perform name-based health management and split work
Unalertable	Meteorological disaster	Earthquake	Implementation of education and training and inspection of the structures after disasters for repair and reinforcement	Implement education and training related to earthquakes
	Accident	Unplanned blackout	Continue to maintain the maintenance status with Taipower	Purchase emergency generators
	Accident	Fire	Maintain the status of fire equipment and manual operation of equipment	Fire control and fire training
	Accident	LPG tank	Implementation of the emergency response plan of leak and fire	Maintain the leak alarm and fire equipment
	Accident	Abnormality in waste and effluent	Entrust qualified treatment plants for follow-up treatment	Self-inspection and capacity control, and provide dedicated waste storage area

Emergency Response Measures

The highest competent personnel on-site shall initiate the handling of emergency response in the event of an emergency or accident and shall notify relevant competent personnel as prescribed. The relevant procedures are as follows.

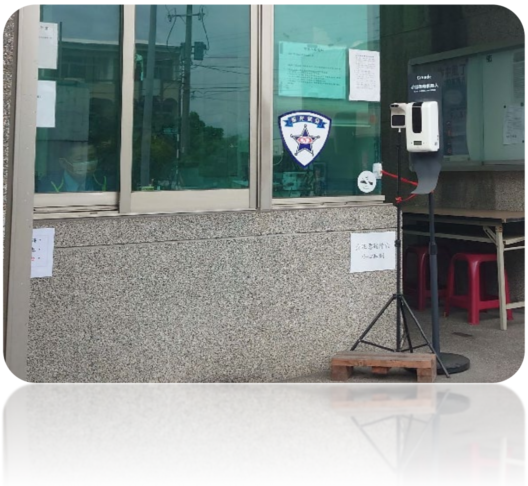


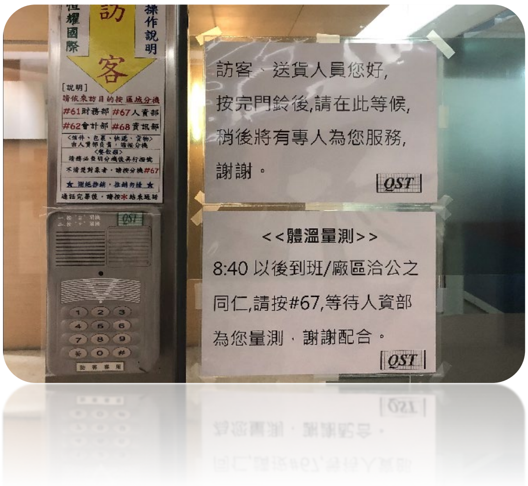
Flood Prevention -Flood prevention drill

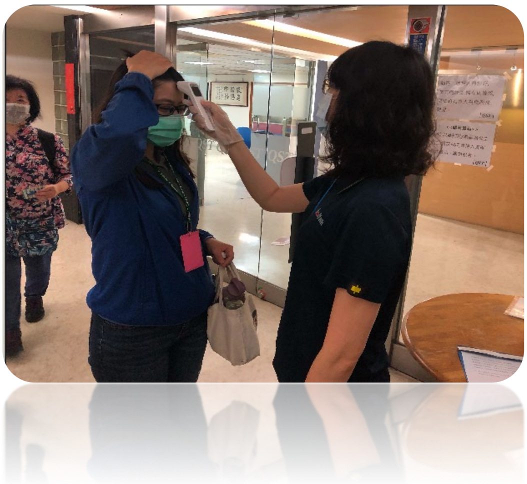
Disaster Prevention Drill

The Company makes regular checks and reports of the fire equipment based on the protection plan, and the disaster prevention drill is conducted every six months.

Pandemic prevention and health management







Financial Risk

The Company continues to pay close attention to the changes in the international exchange rates and the bank interest rates. Close attention will be paid to any changes that may affect the company’s financial performance and active improvement will be made to reduce risks.

2.6 ESG RISKS AND OPPORTUNITIES OF CLIMATE CHANGE

In order to reduce the impact from climate change, the company follows the four core elements of TCFD Recommendation, including governance, strategy, risk management, and metrics and targets to disclose the risks and opportunities caused by climate change and formulate relevant measures.

Governance

The Board Chairman reminded the importance of climate change. The relevant issues were discussed in the CSR meeting of October 22, 2021. The climate change related risks and opportunities as well as losses and benefits of the company were discussed, accessed and identified.

Strategy

The company identified the short-, medium-, and long-term risks and opportunities as shown in the Table below. There are six risk factors and four opportunity factors. The company assessed their occurrence probability (1-5), impact, degree of loss/benefit (1-5), and actions that the company may take.

Risks and Opportunities of the Company

	Factors of risks/ opportunities	Probability	Impact	Loss/ profit	Actions the Company may take
Risks	1. Rising price of steel	5	Due to strong post-pandemic demand, green energy boosted the demand for high-grade steel products, driving up steel price and increasing the cost of raw material iron sand.	-5	The company can sign long-term contracts with steel mills. Raise the selling price appropriately.
		2	Due to regulations and EU carbon policy, suppliers may increase steel prices, which increases the costs of company.	-1	
	2. Rising price of freight	5	The pandemic has led to container shortage and clogged port, and sharply raised the prices of international sea and air freight.	-5	Negotiate and share freight with customers.

	Factors of risks/ opportunities	Proba bility	Impact	Loss/ profit	Actions the Company may take
	3. Electric vehicle trends	5	Reduced demand for conventional screw caps for combustion engines, impacting existing customer orders.	-1	Develop new customers of electric vehicles and special products.
	4. New regulations	4	To save energy and reduce carbon emissions, the government establishes new regulations, which may increase the costs of company.	-1	Analyze to find out the company's energy saving and carbon reduction methods.
	5. Power shortage	1	Production suspended.	-2	To adjust the production schedule in response to power offs, and prepare generators to provide basic power.
	6. Water shortage	1	Production suspended.	-2	To adjust the production schedule in response to water restrictions and sign contracts with water tank company.
Oppor-tunities	1. Electric vehicle trends	5	Increased demand for electric vehicle screw caps.	+5	Develop new electric vehicle customers and dedicated products.
	2. High-grade product	5	Increased demand for high-grade (electric vehicle and green energy) screw caps.	+3	Develop high-quality products.
	3. Energy/ resource efficiency	2	Save operating costs.	+2	Review current production energy efficiency.
	4. Green energy	1	Reduce electricity carbon emissions.	+1	Set up solar panels, and purchase green electricity.

Risk management

The risk and opportunity factors were collected and discussed in meetings to identify the climate change risks and opportunities of the Company. Then individual department heads evaluated the impact on the company. The process of managing climate-related risks is shown in the figure below, with 4 steps:

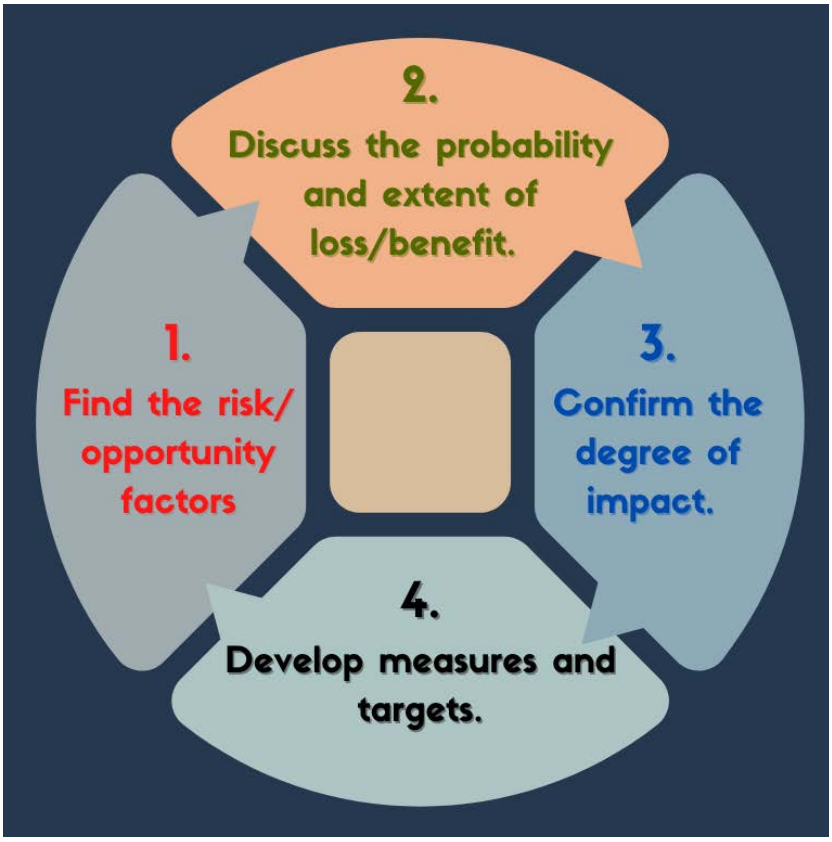
(1) Find the risk/opportunity factors. Refer to the same industry and companies with excellent CSR (such as ASE, Delta electronics) reports, and the opinions of management level and external expert assistance.

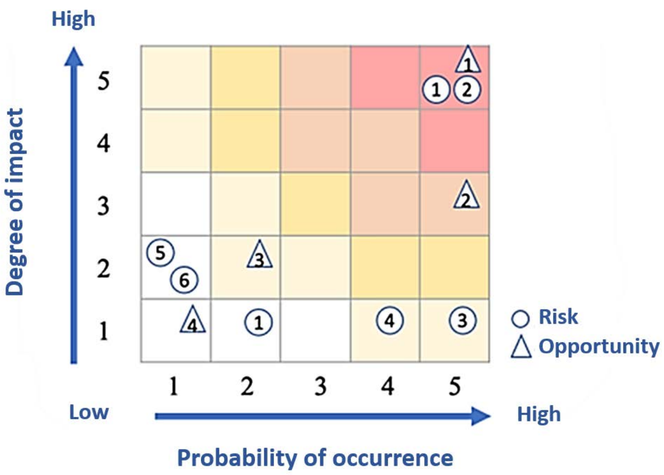
(2) Discuss the probability and extent of loss/benefit. Hold CSR meetings to discuss and determine the occurrence probability of each risk and opportunity and the degree of loss/benefit.

(3) Confirm the degree of impact. Calculate the degree of impact by multiplying the probability by the loss/benefit. Decide action priorities according to the degree of impact.

(4) Develop measures and targets. Develop measures for the ten risk and opportunity factors and set carbon emission reduction targets.

In the steps 2 and 3 above, the probability and degree of impact of the risk and opportunity factors are ranked 1 to 5 from low to high. The risk assessment matrix is drawn below. The upper right corner of the figure represents the factors of greater impact to the company.





Risks	Opportunities
1. Rising price of steel*2	1. Electric vehicle trends
2. Rising price of freight	2. High-grade product
3. Electric vehicle trends	3. Energy/ resource efficiency
4. New regulations	4. Green energy
5. Power shortage	
6. Water shortage	

Metrics and targets

1. Disclose Scopes 1, 2, and 3 carbon emissions of the company in the sustainability report and get certified by a third-party agency to find out the carbon emission baseline.
2. Review the performance of metrics and targets over the years to effectively manage risks and opportunities caused by climate change, including the increase in the proportion of electric vehicles (green products) revenue, the increase in the proportion of high-grade products, and the decrease in energy consumption intensity per unit product weight.
3. Collect environmental data regularly and analyze metric performance, review and improve the management process with performance results.

2.7 COMPLIANCE

There was no violation against any economic, environment, and social regulations in 2021. In addition, in terms of customers, QST has been adhering to the best services to our customers and attaching great importance to customer privacy. We sign confidentiality agreement with customers to protect their confidential information. Information Coordination Meetings are held on a monthly basis to make timely review and improvement of the existing system. In addition, data protection is also conducted through the information system and the control of information access.

ISO 14001 Environmental Management System Verification is carried out every year to ensure the compliance with relevant environmental regulations.

Items and Expenditures on Environmental Management

Unit: NT$1,000

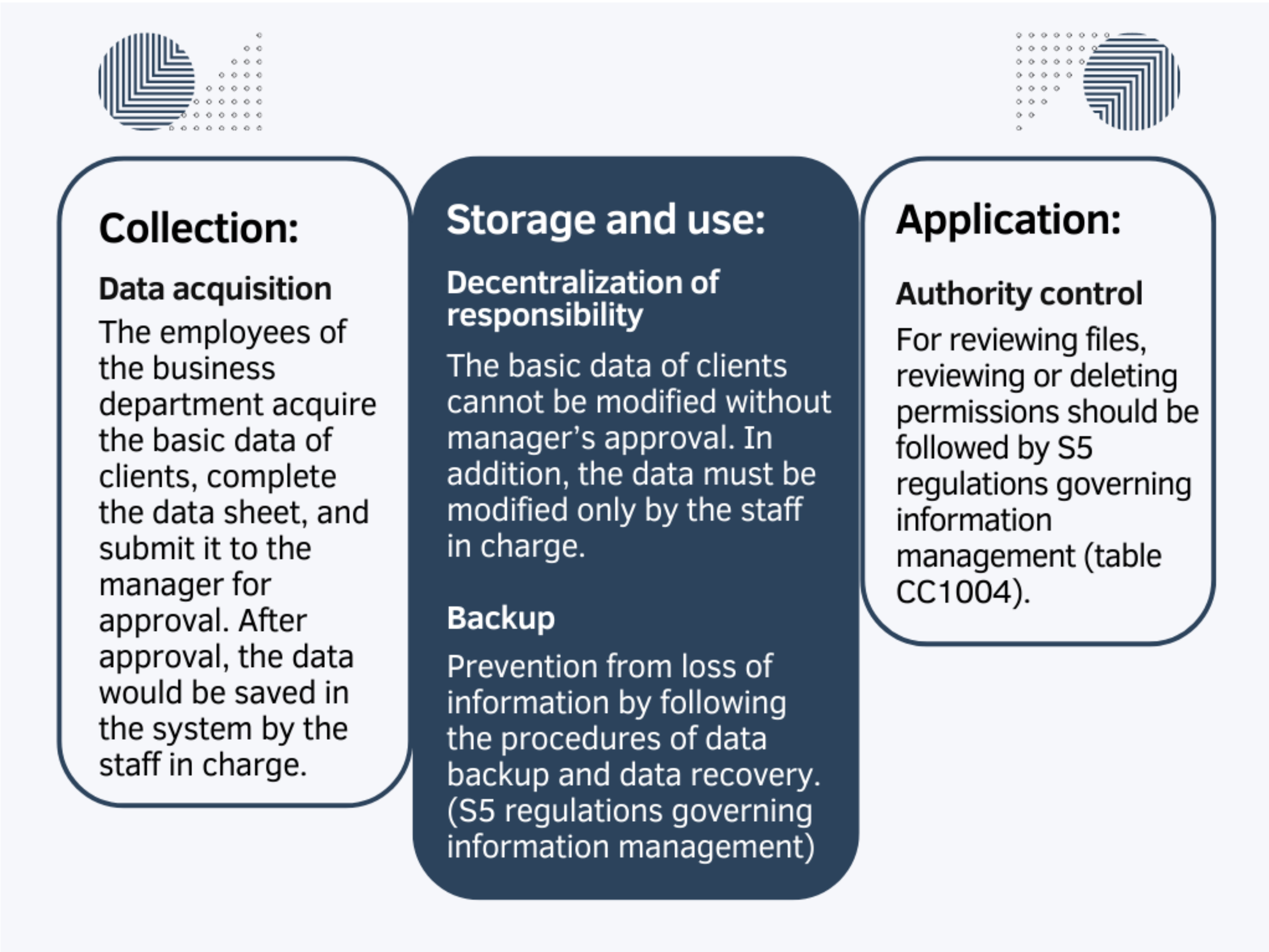
Item	2019	2020	2021
Air pollution prevention	650	535	250
Water pollution prevention	805	538	786
Waste treatment	2,580	4,164	4,330
ISO14001 Environmental Management System	71	154	73
Environmental protection related training (internal + external) - ISO 14001 internal audit, air pollution training	200	200	200
Salary of environmental protection staff	1,430	1,430	1,430
Environmental related hardware	250	250	186
Total	5,986	7,271	7,255

Complaints of invasion of customer privacy or loss of customer data

Data are collected and analyzed to improve the quality of service and strengthen personalized services. QST is devoted to enhancing customer service and pays more attention to customer privacy and intellectual property rights. In addition to signing confidentiality agreements to protect customer confidential information, QST ensures doing a good job of confidentiality in the implementation of business. In accordance with IATF 16949 requirements, QST has exactly implemented matters of data protection.

In 2021, QST had no incidents of material leakage, theft or loss of customer information. The AEO high-quality enterprise certification, originally expected to be completed in the fourth quarter of 2021, was suspended due to the Covid-19 pandemic. It is expected to continue to promote the certification in 2022.

The relevant process of QST's internal data collection, storage, and application is shown as the figure below.



2.8 SUPPLIER MANAGEMENT AND EVALUATION

QST had 131 suppliers in 2021. Their locations are: 14 (11%) in northern Taiwan, 8 (6%) in middle Taiwan, and 109 (83%) in southern Taiwan. The supplier evaluation is based on the company location in fastener manufacturer settlements and the company who meets the requirement of product quality.

Supplier Management Requirements

Our suppliers include wire rod, machining, mold and surface treatment suppliers.

1. All adopt the systematic management mode:
   Supplier management unit audit suppliers according to the annual supplier audit plan and upload the audit results to the internal information management system of QST. With the information management system, we can check the status of suppliers and up-to-date verification information.
2. There is also a set of management model of the suppliers in terms of environment, society, and quality capability. In addition, the use of relevant raw materials should be compliant to ELV, RoHS and REACH, and conflict minerals from conflict zones (such as Congo), including columbium, niobium, tantalum, tin, gold, tungsten and their derivatives shall not be used. Suppliers should comply with the regulations of Labor Standards Act, Employment Service Act, corporate social responsibility, prohibition of child labor, non-sexual discrimination, environmental protection, and anti-corruption.
3. Suppliers are required to manage chemical materials in accordance with the Material Safety Data Sheet (MSDS).
4. Pallet used for products selling to US should follow the 15th requirement of International Standard of Phytosanitary Measures of wood package made by IPPC to prevent environment from insects or disease spreading through international transportation. Wood should be heat-treated or smoke-treated and attached with seal and signature.
5. IMDS Description and management mechanism: receive IMDS information of suppliers as the requirements of clients and upload the information to the websites of the car manufacturers. In 2021, a total of 298 IMDS was uploaded.
6. Submit examination report of no Cr6+ test to meet the environmental requirements: In 2021, a total of 2,177 Cr6+ free tests was submitted and 2,177 were qualified according to customer requirements.

Supplier management process

1. The survey, evaluation, and choices of suppliers. Evaluation is required for new suppliers. If severe accidents happen, onsite evaluation is required for the existing suppliers for reference of reselection in the future.
2. Supplier evaluation and management. Building evaluation standards for suppliers and checking the delivery and service performance of suppliers regularly.
3. Annual supplier auditing plans. Developing regular onsite auditing plans for suppliers to assess whether the supplier’s quality management system meets customer needs.
4. Suppliers are also required to sign a commitment of corporate social responsibility for the implementation of occupational safety and health, refined program and quality, and environmental protection. Personnel employment should comply with the regulations of Labor Standards Act and Employment Service Act (prohibition of child labor, non- sexual discrimination and sexual harassment, anti-corruption) to build a green supply chain and implement corporate social responsibility.

QST establishes supplier auditing procedures and prepares the annual auditing program at the beginning of each year to regularly audit suppliers on-site to understand whether the supplier management system can provide products and services that meet customer needs. Furthermore, the supplier auditing process facilitate suppliers to improve their management capabilities and reduce their costs and delay risks.

Supplier evaluation

QST performs annual audits based on the auditing requirements (IATF, VDA, CQI) required by the automakers. Qualified auditors will conduct on-site audits at the suppliers’ premises in accordance with the annual audit schedule. QST also conducts evaluation in quality, delivery and services on a monthly basis, and our suppliers will be informed of relevant results.

The auditing items include corporate governance, order management, environmental protection, safety, health and labor practices to understand the suppliers’ management performance and risks and continuous improvement is also required. Suppliers’ capacity levels are classified into Level A, B, C and D to understand the suppliers’ performance of sustainable management.

In the chart S212B “Supplier information and new supplier audit form” of QST, the suppliers must follow the employee hiring regulations.

Level	Points	Description
A (Automotive level)	Over 90	When purchasing, A-level suppliers are selected first. The company pays the purchase price on preferential terms, and issue certificates, medals or other measures to A-level suppliers to encourage them. They are listed as qualified suppliers exempted from inspection. But an inspection report is required if our customers request it.
B (Industrial level)	75~89	The certificated ISO 9000 quality system is required for B-level suppliers. If their products are not specified items, the inspection is not required. But these products should be approved by the business manager and the B-level suppliers have to provide the inspection report.
C (Commercial level)	60~74	C-level suppliers are required to improve their more frequent shortcomings (if necessary, other measures may be taken to enable C-level suppliers to improve their management systems). If their products are for general commercial use, the inspection is not required. But these products should be approved by the business manager and the C-level suppliers have to provide the inspection report.
D	Under 59	Stop purchasing from the D-level supplier and lock the order function in the QST's system. If it is necessary to cooperate with the D-level supplier, before opening the order purchase, item by item discussion and approval by the top managers of the quality assurance department are required. Besides, QST should ask D-level suppliers to improve. After the improvement is completed, supplier auditing process should be performed again to evaluate their management ability as a reference for continuing procurement in the future.

1. **Screen suppliers first:**
Classify suppliers based on the products they provide and distinguish their main characteristics.

2. **Select suppliers:**
Establish a supply chain platform to select the supplier(s) that best meet customer requirements.

3. **Audit suppliers:**
Condut audits annually, examine the monthly delivery performance, and closely control the suppliers' quality capability.

Numbers of Suppliers Audited and Qualified

Level	points	2019	2020	2021
A	Over 90	41	41	34
B	75-89	68	58	55
C	60-70	40	42	42
Total		149	141	131
Qualified (%)		100	100	100

QST Supply Chain

	2019		2020		2021	
	Number	Total purchase (%)	Number	Total purchase (%)	Number	Total purchase (%)
Fasteners	82	80	81	82	96	84
Raw material (Coil)	1	17	1	13	1	13
Mold	21	3	23	3	34	3
Packing materials, oil products	9	1	13	2	-	-
Total	113	100	118	100	131	100

Note:
The materials were procured in Taiwan. In 2021, 131 suppliers are related to QST manufacturing process. The rests are supporting suppliers including cargo transportation, customs declaration, and hardware parts. Their proportion is small and not included for the time being.

3. ENVIRONMENTAL PERFORMANCE

3. Environmental performance

The Company's manufacturing factories are located in urban area of Rende District, Tainan. Therefore, the requirements of biodiversity are not applicable and relevant indicators are not disclosed. Other requirements of environmental indicators are described in this chapter.

3.1 Material Management

Wire rods account for most of the raw materials of the Company and are mainly from China Steel Corp. and Nippon Steel & Sumitomo Metal (now Nippon Steel Corporation). Most of the products are made of steel, but there is no iron-melting furnace for re-smelting in the factory, so the waste, scraps and offcuts are recycled by cooperative contractors, and therefore, belong to non-recyclable materials. The finished products are placed into plastic bags before being packed into a carton, and the cartons are stacked into a pallet and packaged in the packaging straps.

The packaging materials of pallets and cartons belong to renewable materials. Since our main customer base is overseas, there is no special recycling mechanism for the packaging materials, and therefore are handled by the customers.

As for the treatment of processing oil, there are central oil tanks between the forming machines and the oil circulates. It will add new oil into the circulation depending on oil condition, then the used oil is discharged into waste oil barrel and outsourced to waste cleaning company for proper treatment. The treated oil products were not reused by the Company.

Categories and Consumptions of Materials

Material category	Renewable	2019		2020		2021	
		PCS	KG	PCS	KG	PCS	KG
Wire rods	No	-	14,265,000	-	12,371,000	-	18,953,000
Molds	No	46,522	-	46,175	-	49,775	-
Processing oil	No	-	500,816	-	503,871	-	862,475
Cartons	Yes	921,587	280,453	706,396	238,432	1,502,660	507,197
Wooden cases	Yes	184	6,164	143	4,791	258	8,644
Pallets	Yes	28,752	575,040	32,839	656,772	40,603	812,060
Plastic	No	-	84,333	-	55,770	-	77,339

Notes:

(1) Material consumptions are obtained from feed data.

(2) Processing oil includes varieties of process oil and fuel oil. Liter is converted into Kg with the density 0.885kg/L.

(3) Wooden cases, pallets, and cartons are used for packaging materials. Their weights and quantities are averaged starting from 2020:
Carton: 0.3375 kg per box. Wooden cases: 33.5kg per piece.
Pallets: Each piece is 20 kg, including the upper cover pillar, etc. In 2019 and 2020, the number was estimated by weight and corrected; the total weight remained unchanged. In 2021, the quantity was converted into weight.

(4) Data source: Statistics according to Excel file-QST environmental performance indicator data 2021.

3.2 Energy Management

Internal Consumption

As a manufacturer of steel and metal fasteners, the energy we use is mainly purchased power, gasoline and diesel. Purchased power is from Taiwan Power Company. Gasoline and diesel are used in transport vehicles, stackers and so on, while LPG (gas) is used in the heat treatment process of the steel and metal fasteners. There is no energy consumption for heating, cooling, steaming and so on in the process.

Energy Consumption

Quantitative indicator	Units	2019	2020	2021
Electricity	kWh	20,148,780	18,992,610	25,917,440
	Million joules	72,534,802	68,372,636	93,301,747
Gasoline	Liter	12,201	10,500	10,978
	Million joules	398,372	342,833	358,432
Diesel	Liter	17,956	22,687	16,747
	Million joules	631,376	797,729	588,855
LPG (gas)	Kg	34,990	24,070	20,900
	Million joules	1,766,762	1,215,375	1,055,311
Total consumption	Million joules	75,331,312	70,728,574	95,304,344
Specific organizational metric	Revenue (million NT dollars)	3,111	2,849	4,049
	Weight of products (Tons)	11,158	10,305	16,102
Energy intensity	Total consumption/ Revenue(million joules/million NT dollars)	24,215	24,826	23,538
	Total consumption/ Weight of products(million joules /Tons)	6,751	6,864	5,919

Notes:

(1) The consumptions of gasoline for company vehicles and diesel for small trucks and stackers were estimated by dividing annual fuel cost with annual fuel price per liter from CPC in 2019 and 2020. From 2021, the monthly refueling quantity is divided by the average price per liter of CPC (the corresponding weeks in the month are included in the calculation, and the gasoline is based on 95 unleaded gasoline.).

(2) Heat value of energy products are listed in following form from Bureau of Energy.

Heat Value Conversion

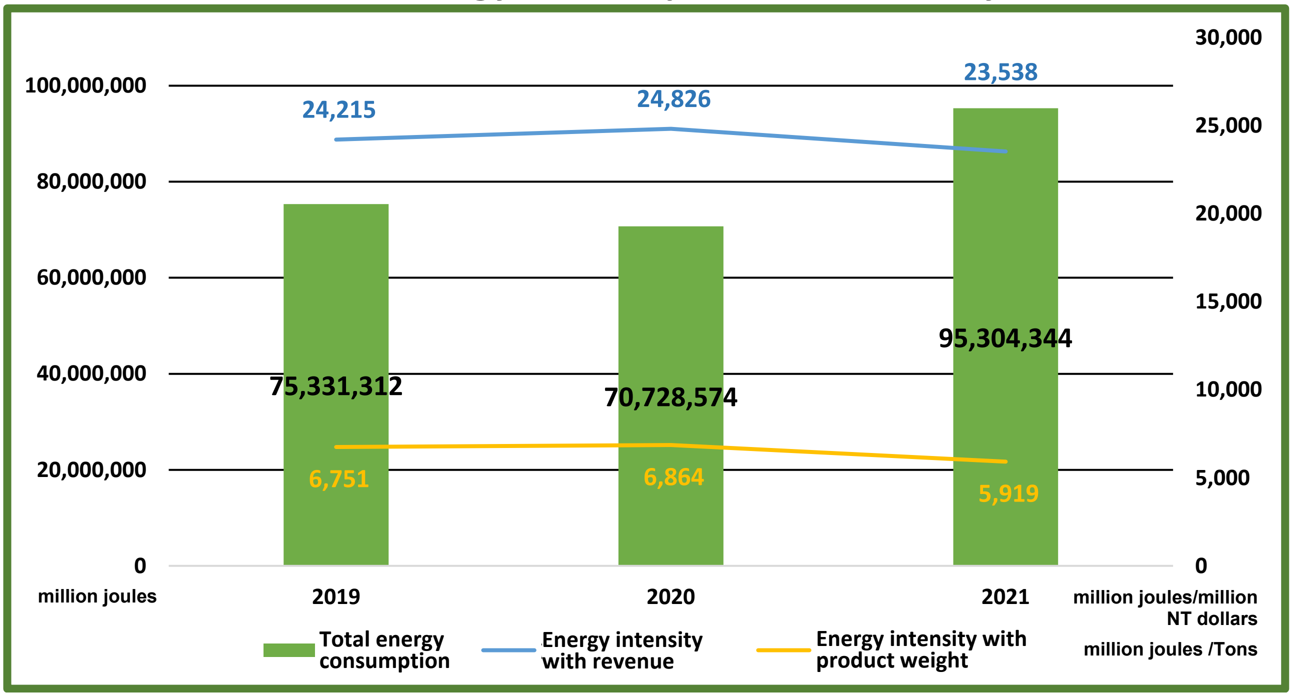
Categories	Unit	Unit (kcal)	Conversion coefficient (9,000kcal/liter)	Notes
Electricity	1 kWh	860	0.0956	
Gasoline	1 liter	7,800	0.8667	Car used
Diesel	1 liter	8,400	0.9333	
LPG	1 liter	6,635	0.7372	1 kg=1.818 liter

- 1 Kcal=4,186 joules
- Electricity (million joule)=(electricity×860Kcal×4,186joules)/1,000,000
- Gasoline (million joule)=(gasoline×7,800Kcal×4,186joules)/1,000,000
- Diesel (million joule)=(diesel×8,400Kcal×4,186joules)/1,000,000
- LPG (million joule) = (LPG×1.818(kg to L)×6,635Kcal×4,186joules)/1,000,000

(3) Revenue is from QST only excluding affiliated corporations and trading revenue.

(4) Product weight is the sum of all kinds of fasteners of QST.

Total Energy Consumption and Intensity



External consumption

The external energy consumptions are mainly gasoline and diesel used in transportation by using company vehicles.

Quantitative indicator	Units	2019	2020	2021
Gasoline	L	12,201	10,500	10,978
Diesel	L	17,956	22,687	16,747

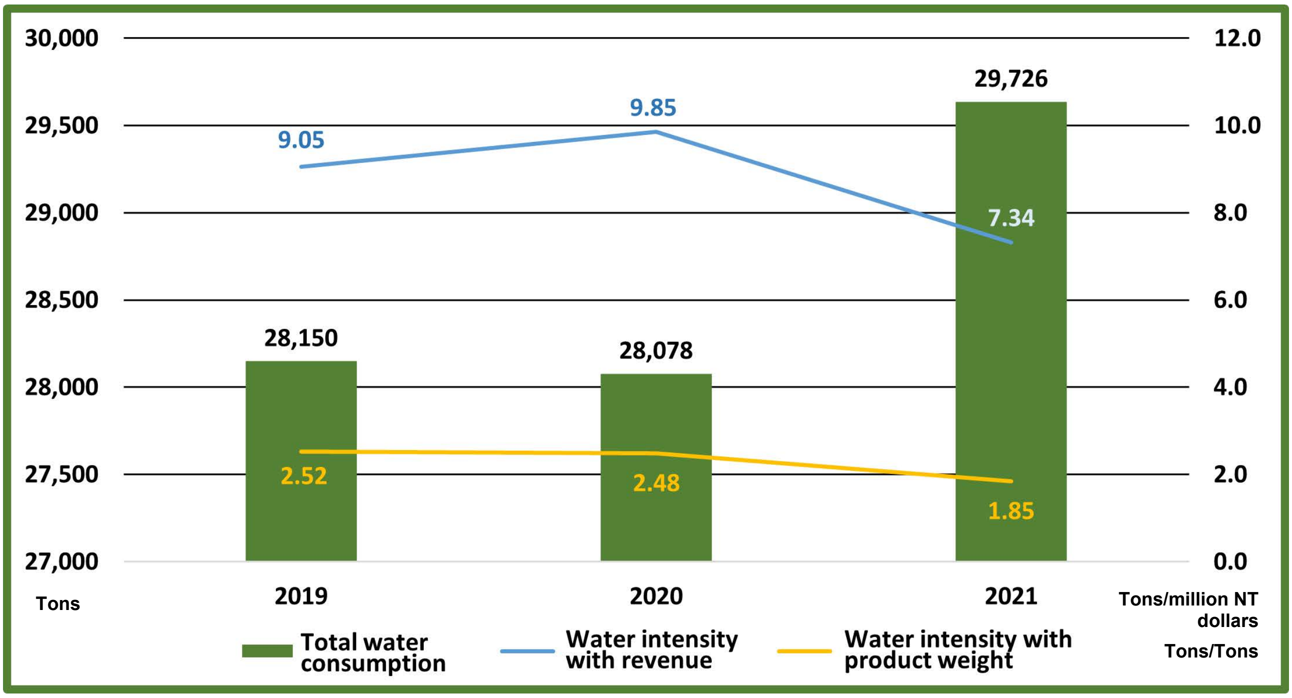
3.3 WATER RESOURCE MANAGEMENT

The company's water source is from the Taiwan Water Corporation. QST does not have equipment for rain collection or ground-water and recycled-water reuse

The water source of Taiwan Water Corporation is from the Sixth Branch, and it is mainly from the treated water of the Shan-Shang Water Treatment Plant and the raw water from Zengwen Reservoir and Wushantou Reservoir transported through the flumes of south major line of the Jianan Irrigation System to Tan-Ding Village in Xinshi District and then to Rende District.

Water Consumption

Item		2019	2020	2021
Total water consumption (Tons)		28,150	28,078	29,726
Revenue (million NT dollars)		3,111	2,849	4,049
Weight of products (Tons)		11,158	11,305	16,102
Water intensity	Total water consumption/Revenue (Tons/million NT dollars)	9.05	9.85	7.34
	Total water consumption/Weight of products (Tons/Tons)	2.52	2.48	1.85



Water Withdraw, Discharge, and Total Consumption

In 2021, the water withdraw is 29.73ML, water discharge is 24.41ML, and total water consumption is 5.32ML. The annual processed wastewater of Bao-An plant is 6.39ML, more than 30% below 14.9ML, the annual water outflow permission.

Unit: Million Liter (ML)

		2019	2020	2021
Water withdraw		28.15	28.08	29.73
Water discharge	Domestic wastewater through septic tank (unprocessed)	19.45	18.05	18.02
	Chemical coagulation processed (processed)	6.01	4.50	6.39
Total water consumption		2.69	5.53	5.32

Notes：

1. Domestic wastewater is not calculated.
2. All day use: 280 L/day/person*128,750 (total work days of all employees per year) = 36,050,200 L
3. Work use: 140 L/day/person*128,750 (total work days of all employees per year) = 18,025,000 L

3.4 Greenhouse Gas Management

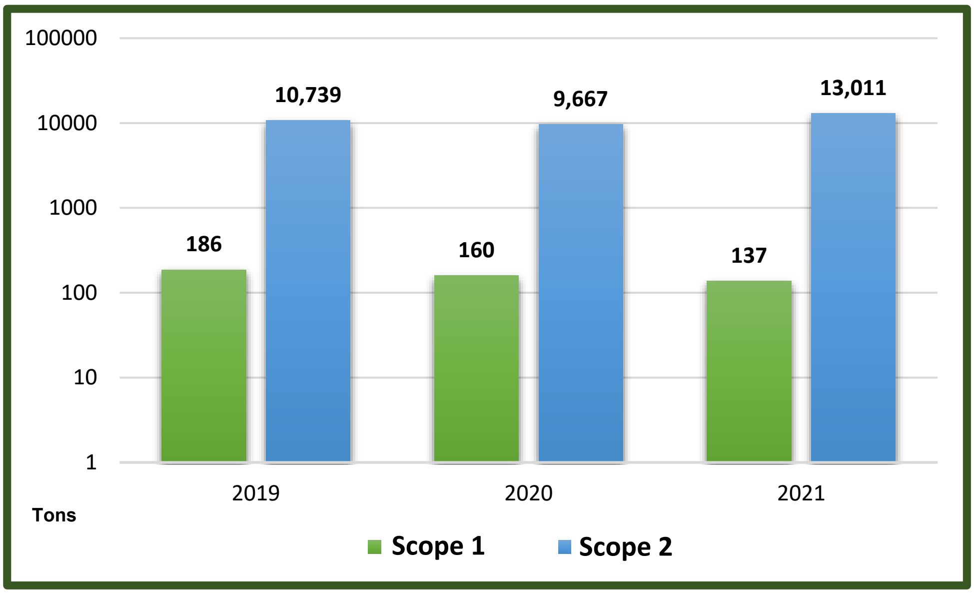
The energy used mainly includes electricity, gasoline, diesel and LPG (gas). The GHG emission inventory operation refers to the international GHG Protocol such as the ISO/CNS14064-1 for the calculation of CO_{2e} in Scope 1 and Scope 2. Scope 3 was calculated in 2019 and 2021 but not investigated. As the leading manufacturer of steel and metal fasteners, we hope to improve the efficiency of energy use and reduce the GHG emissions with the GHG emission inventory results, meanwhile, reduce global warming and maintain a sustainable environment.

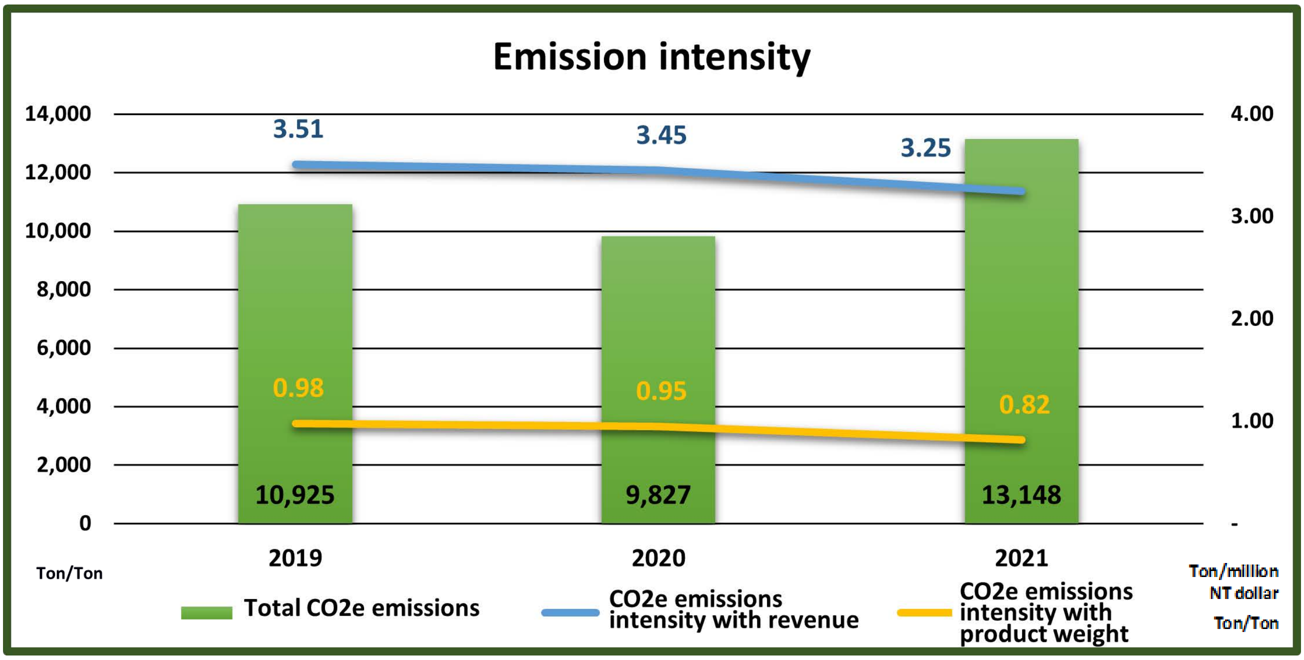
Emissions of Scopes

Unit：Ton CO_2e

Category		2019	2020	2021
Scope 1 (internal energy except electricity)		186	160	137
Scope 2 (electricity)		10,739	9,667	13,011
Scope 3 (materials, transportation and water)		31,150	-	54,792
Emissions (Scope 1+Scope 2)		10,925	9,827	13,148
Revenue (million NT dollar)		3,111	2,849	4,049
Product weight (ton)		11,158	10,305	16,102
Emission intensity	Emission/Revenue (Ton/million NT dollar)	3.51	3.45	3.25
	Emission/Product weight (Ton/Ton)	0.98	0.95	0.82

Note:
Scope 1 does not include refrigerant leakage, methane emission from septic tanks and emission from combustion of emergency generators.





- Scope 1
  Internal energy consumption except electricity. Take 2021 as an example:
  = gasoline quantity × emission factor + diesel quantity × emission factor + LPG quantity × emission factor = 137 TCO_2
- Scope 2
  Electricity consumption × emission factor=13,011 TCO_2.
- Scope 3
  (Material + Upstream & Downstream transportation + Water usage)×Emission factors.
  The calculated estimate in 2019 is 31,150 TCO_2, which is way higher than Scop1 and Scope 2 due to the massive greenhouse gas emission generated by the production of materials. Not calculated in 2020.

Emission Factors

Gasoline	Diesel	LPG	Electricity	Water
2.355	2.646	1.755	0.502	0.152
$KgCO_{2e}$/L	$KgCO_{2e}$/L	$KgCO_{2e}$/L	$KgCO_{2e}$ /kWh	$KgCO_{2e}$ /m^3

Notes:

(1) The emission factors of gasoline, diesel and LPG are the sum of CO_2, CH_4, N_2O factors using GWP rate 1: 8: 265.

(2) The emission factors of gasoline, diesel, LPG and GWP rate are based on <Greenhouse Gas Emission Factor Management Table, v. 6.0.4, June, 2019> from Environmental Protection Administration (EPA), Taiwan.

(3) The emission factors of electricity and water are based on the factors published by Taiwan Power Company and Taiwan Water Corporation in 2021.

3.5 Pollution Prevention

Air Pollution

The company applied for the inspection of the stationary air pollution source operating permit on May 10, 2019, and the test results showed that the emissions all met the standards. QST continuously met the standards of the test in the prior years, so there were no gas emission pollution problems whatsoever in 2019, 2020 and 2021. So far, no complaints from the surrounding residents have been reported. In addition, environmentally friendly refrigerants are used for all air conditioners in the Company, and Halon is not used as the filling agent of the extinguishers.

Wastewater Treatment

Water quality of wastewater generated in the manufacturing process must be treated first, and it can be discharged outside the factory only after reaching the discharge standards upon self-testing. Discharged water flows into Erren River and to the sea. The Environmental Protection Bureau of Tainan City Government dispatches personnel regularly and irregularly to the site at the discharge flow mouth to sample and test the discharge water quality.

Wastewater Discharge

Year	Total wastewater Discharge(m^3)	Chemical Oxygen Demand (COD) (mg/L)		Suspended Solid (SS) (mg/L)	
		Discharge standard (ppm)	6-month monitoring value (ppm)	Discharge standard (ppm)	6-month monitoring value (ppm)
2019	6,011	100	12.8	30	10
			50		3.8
2020	4,498	100	10.2	30	<1.5
			38.2		3.2
2021	6,389	100	17.7	30	17
			50.2		2.1

Waste Disposal

To ensure the business waste can be properly disposed, the Company abides by the Waste Disposal Act and entrusts waste management vendors approved by EPA for waste resource management of the waste generated during the manufacturing process (such as inorganic sludge, mom-hazardous oil sludge, waste oil mixture, mixture of general chemical waste), oil products are recycled and reused by using the concentrated tank for sedimentation to reduce the impact on environmental pollution.

The iron granules, iron fillings and tailings generated during the process are centrally managed in the factory. They are sold as scraps for reuse in the market after being accumulated to a certain amount.

In addition, general domestic waste generated from the Company's operations is also handed over to the treatment plant approved by EPA for the management of waste resources. Toxic compounds are not used in the factory at present, and we also cooperate with recycling plants to increase the types of recycled materials to reduce the waste of resources.

Items of Waste

The items listed below are general business waste not declared as recyclable or reusable.

Unit: Tons

Item	Code	Name of Waste	Treatment	2019	2020	2021
Sludge	D-0902	Inorganic sludge	Heat treatment	46.50	11.68	37.48
Waste oil	D-1799	Waste oil mixture	Physical treatment	118.05	137.36	117.74
Waste solvent	D-1504	Non-hazardous organic solvent	Incineration	7.89	16.48	14.26
Domestic waste	D-1801	Domestic waste	Incineration	27.45	49.29	41.23
Annual waste weight (total)				199.89	214.81	210.71

4. EMPLOYEES

4. Employees

4.1 Labor Structure

QST upholds the principles of "respecting human rights" and "hiring people only based on their talents", adhering to such regulations as "Labor Standards Act" and the "The Gender Equality in Employment Act" and regarding individual professional competence as the main selection requirement. There is no discrimination against employees on the grounds of race, class, language, belief, religion, political party, place of origin, place of birth, gender, sexual orientation, age, marriage status, appearance, facial features, physical or mental disabilities, zodiac signs, blood type or union member. All personnel have a fair job opportunity through public channels like online job banks and job fairs in the recruitment process.

As of the end of December 2021, the total number of employees of the Company was 550, all formal employees, including fixed-term and non-fix-termed contractors. There is no significant change in the number of employees between high and low seasons.

Types of Employees

	Contract type	Year	2019		2020		2021	
		Age	Taiwanese	Foreigner	Taiwanese	Foreigner	Taiwanese	Foreigner
Female	Fixed-term	29 and below					10	1
		30-39					4	2
		40-49					2	
		50 and above						
	Non fixed-term	29 and below	47		39		53	
		30-39	88		84		84	
		40-49	70		73		71	
		50 and above	23		27		34	
Male	Fixed-term	29 and below		11	6	8	11	16
		30-39		7		6	2	9
		40-49		1		1	1	4
		50 and above	2	1	2		3	
	Non fixed-term	29 and below	55		39		39	
		30-39	95		92		86	
		40-49	63		76		85	
		50 and above	37		33		33	

Employee Education Levels

	Numbers			Percentage (%)		
Year Level	2019	2020	2021	2019	2020	2021
Under senior high school	25	25	29	5.0	5.1	5.3
Senior high school	193	181	225	38.6	37.3	40.9
College	264	261	276	52.8	53.7	50.2
Master degree	17	18	19	3.4	3.7	3.4
PhD	1	1	1	0.2	0.2	0.2
Total	500	486	550	100	100	100

Distribution of Direct and Indirect Employees

	Number			Percentage (%)		
Category	2019	2020	2021	2019	2020	2021
Direct	233	224	283	46.6	46.1	51.5
Indirect	267	262	267	53.4	53.9	48.5
Total	500	486	550	100	100	100

Job Categories

	Number			Percentage (%)		
Year / Category	2019	2020	2021	2019	2020	2020
Administration staff	240	237	246	48.0	48.8	44.7
Technical staff	149	144	155	29.8	29.6	28.2
R & D personnel	20	19	17	4.0	3.9	3.1
Operators	91	86	132	18.2	17.7	24
Total	500	486	550	100	100	100

Diversity of Employees

According to the second paragraph of Article 38 of Person with Disabilities Rights Protection Act, any given private business agency/organization/institution whose total number of employees is no less than 67 shall employ people with disabilities capable of working and the number of such employees shall be no less than 1 percent of the total number of the employees, and no less than 1 person. QST hires seven people with disabilities. The company has never been involved in violations of aboriginal people rights.

Distribution of Employee Identity

Year			2019	2020	2021
Category / Gender		Age	No.	No.	No.
General	Male	29 and below	55	45	50
		30-39	93	90	86
		40-49	62	74	84
		50 and above	38	34	34
	Female	29 and below	47	39	63
		30-39	88	84	88
		40-49	70	73	73
		50 and above	22	26	33
Total %			95	95.7	92.9
Foreign	Male	29 and below	11	8	16
		30-39	7	6	9
		40-49	1	1	4
		50 and above	1	0	0
	Female	29 and below	0	0	1
		30-39	0	0	2
		40-49	0	0	0
		50 and above	0	0	0
Total %			4.0	3.1	5.8
Aboriginal	Male	29 and below	0	0	0
		30-39	0	0	0
		40-49	0	0	0
		50 and above	0	0	0
	Female	29 and below	0	0	0
		30-39	0	0	0
		40-49	0	0	0
		50 and above	0	0	0
Total %			0.0	0.0	0.0
Disabled	Male	29 and below	0	0	0
		30-39	2	2	2
		40-49	1	2	2
		50 and above	1	1	2
	Female	29 and below	0	0	0
		30-39	0	0	0
		40-49	0	0	0
		50 and above	1	1	1
Total %			1.0	1.2	1.3

Local Hire

94.3% of the managers (including managers and above) employed by the Company are local residents (Tainan). As the manufacturing industry is labor-intensive, the proportion of female employees who apply for the QST jobs is lower than that of male employees. The ratio of male to female is about 1.11:1. Female executives are mainly employed by indirect management units. However, the Company is still committed to cultivating outstanding talents regardless of gender.

Age Distribution of Employees

Year			2019	2020	2021
Position/Gender		Age	No.	No.	No.
Managers	Male	29 and below	0	0	0
		30-39	2	1	1
		40-49	6	7	7
		50 and above	14	14	10
	Subtotal		22	22	18
	Percentage (%)		57.9	57.9	51.4
	Female	29 and below	0	0	0
		30-39	1	1	2
		40-49	7	7	8
		50 and above	8	8	7
	Subtotal		16	16	17
	Percentage (%)		42.1	42.1	48.6
Manager ratio (%)			7.6	7.8	6.4
Non-managers	Male	29 and below	66	53	66
		30-39	100	97	96
		40-49	58	70	83
		50 and above	26	21	26
	Subtotal		250	241	271
	Percentage (%)		54.1	53.8	52.6
	Female	29 and below	47	39	64
		30-39	87	83	88
		40-49	63	66	65
		50 and above	15	19	27
	Subtotal		212	207	244
	Percentage (%)		45.9	46.2	47.4
Non-manager ratio (%)			92.4	92.2	93.6
Total			500	486	550

Note:

1. Formula of calculating percentage (take managers as example):
   =No. of managers ÷ total No. of employees of the company at the end of the current year.
2. Executives refers to those holding manager position or higher.

Age Distribution of Retired/Resigned Employees

	2019				2020				2021			
	Male		Female		Male		Female		Male		Female	
	No.	turnover rate (%)	No.	turnover rate (%)	No.	turnover rate (%)	No.	turnover rate (%)	No.	turnover rate (%)	No.	turnover rate (%)
29 and below	22	33.3	15	31.9	19	35.8	7	17.9	56	84.8	53	82.8
30-39	24	23.5	4	4.5	12	12.2	6	7.1	29	29.9	21	23.3
40-49	4	6.3	2	2.9	2	2.6	0	0	6	6.7	8	11.0
50 and above	5	12.5	1	4.3	5	14.3	0	0	7	19.4	4	11.8
Retired/ resigned	77				51				184			
Total No. of employees	500				486				550			
Total turnover rate (%)	15.4				10.5				33.5			

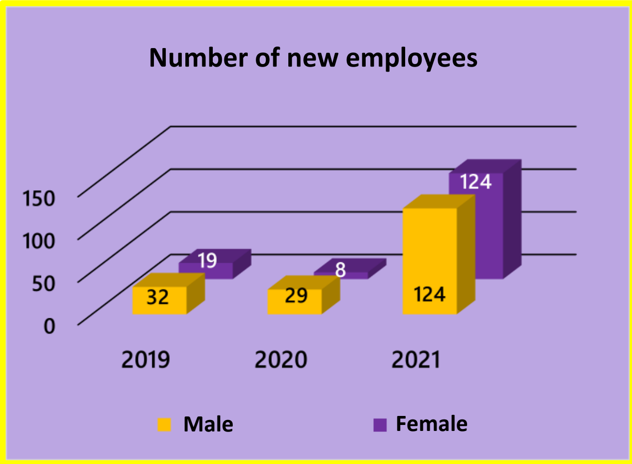
Note:

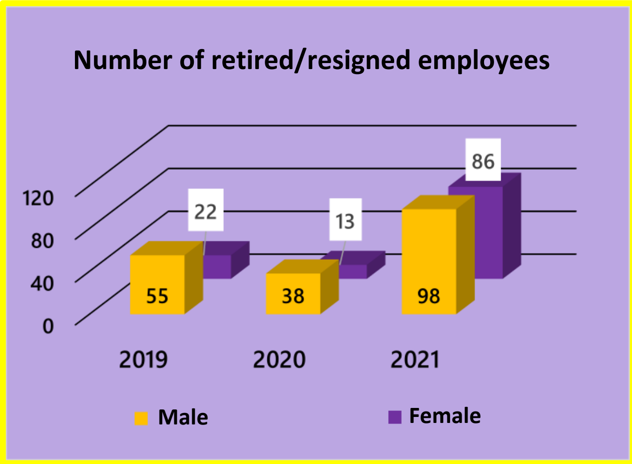
1. Turnover rate (%) = the number of retired/resigned employees in that category for the current year/the total number of employees in that category at the end of the year.
2. The number of retired/resigned employees includes employees who volunteer to resign or are fired, retired, or who die while on duty.

Age Distribution of New Employees

	2019				2020				2021			
	Male		Female		Male		Female		Male		Female	
	No.	Employ-ment rate(%)	No.	Employ-ment rate(%)	No.	Employ-ment rate(%)	No.	Employ-ment rate(%)	No.	Employ-ment rate(%)	No.	Employ-ment rate(%)
29 and below	13	19.7	13	27.7	19	35.8	7	17.9	74	112.1	81	126.6
30-39	13	12.7	6	6.8	8	8.2	1	1.2	36	37.1	32	35.6
40-49	1	1.6	0	0.0	2	2.6	0	0.0	12	13.3	9	12.3
50 and above	5	12.5	0	0.0	0	0	0	0.0	2	5.6	2	5.9
Total No. of new employees	51				37				248			
Total No. of employees	500				486				550			
Total new employment rate (%)	10.2				7.6				45.1			

Note:
1. Employment rate (%): Number of new employees in the category for the current year/ Total number of employees in the category at the end of the year.
2. New employees include retired/resigned ones.





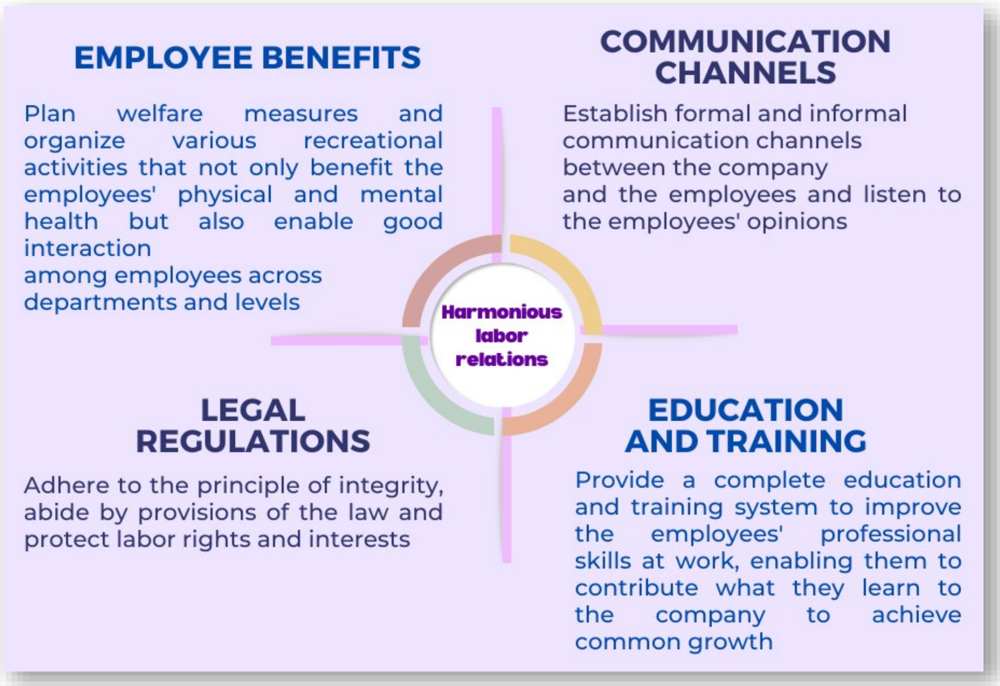
4.2 Labor Relations

QST has always regarded its employees as the "most important assets", and is devoted to the co-growth of the employees and the development of the company. Therefore, we attach great importance to our employees' opinions and hold labor management meetings regularly for the discussion on employee rights and protection issues. Employees' voices are heard through formal and informal communication channels, and the labor-management meeting shall be convened at least every three months. In addition, an extraordinary meeting can be convened when necessary. Representatives of the meeting can not only collect and understand employees' opinions on compensations and benefits but also make proposals through the labor-management meeting to discuss and fully protect the employees' rights.

The Company has set up a Labor-management Council, consisting of five employees elected as labor representatives and five designated by the business units as representatives of the employers. Reports and proposals are made for discussions. At the same time, the consensus of the employers and employees can be obtained in the meeting to achieve mutual benefits.

Meanwhile, based on the principle of basic human rights, the rights and obligation of both the employers and the employees are clearly defined and a sound management system is as established for the concerted efforts and development. In addition, the Work Rules and Safety and Health Work Rules meeting the stipulations of the Labor Standards Act are formulated, which were approved by the Labor Affairs Bureau of the city government. According to the Labor Union Act, all workers shall have the right to organize and join labor unions. The freedom of employee association or collective bargaining is not restricted. At present, our employees have not initiated trade union organizations, and no trade unions have been established.

Harmonious labor relations are established through the following methods.



Discrimination

To protect the rights and interests of employees, we assist employees in solving matters related to personal rights or unfair treatment at work and establish a correct concept of gender equality. In addition, we take preventive measures related to sexual harassment, sexual assault and sexual violence for a working environment free from fear and threats.

To prevent and deal with sexual harassment, sexual assault and sexual violence, the Regulation Regarding Employees' Grievance and Sexual Harassment Prevention and Treatment has been developed. To implement the regulation, a grievance line and a dedicated e-mail box are established as the channels for the handling of employee 68 complaint, sexual harassment, sexual assault and sexual violence. HR Department is the dedicated department in charge of handling such cases while the manager of the HR Department serves as the convener of the Grievance Committee. Female representatives shall account for no less than 1/2 of the representatives in the handing of such cases. No cases of sexual harassment or discrimination occurred during the reporting period.

Minimum Period of Advance Notice

According to Labor Standards Act, where an employer terminates a labor contract due to such situations as severance, reorganization or factory closure, the provisions set forth below shall govern the minimum period of advance notice.

Service period	Days
More than 3 months but less than 1 year	10
More than 1 year but less than 3 years	20
More than 3 years	30

4.3 Employee Benefits

Employees are QST's most important assets. When the employees are stable with no worries, the Company can continue to grow and thrive. The Employee Welfare Committee consists of 13 employees and employers, responsible for planning various benefit programs.

Technicians account for most of our employees. The salary of technical staff is about 1.16 times the minimum salary regardless of gender compared with the local basic salary standard. The Company does not disclose the salary of external labor contractors (security guards and cleaners), but we require that the starting salary of our external labor contractors should be in line with local laws and regulations.

The basic salary and the rate of salary raising are equal for the same type of staff regardless of gender.

The numbers and salaries of the full-time non-manager employees in 2021 are compared with those in 2020 in the table below.

	2020	2021	Difference	
No. of employees	475	456	-19	-4.0%
Salary average (NT$1,000)	589	664	+75	+12.7%
Salary median (NT$1,000)	529	606	+77	+14.6%

Starting Salary

Category	Starting salary (A)	Minimum wage (B)	Multiple ratio (A/B)
General technicians	27,800	24,000	1.16

Note:
In 2021, the minimum wage publicized on the website of the Ministry of Labor is NT$24,000.

EMPLOYEE BENEFITS

The system

1. uniform
2. safety shoes

Insurance

1. Labor insurance
2. Health insurance

Leave / vacation system and retirement system

Comply with the Labor Standards Act (including parental leave without pay)

Others

1. Employee parking
2. Employee health check /On-site nurse health consultation service
3. Year-end party or year-end banquet allowance
4. Discount in the appointed stores
5. Overseas travel
6. Domestic travel

Subsidies

1. Wedding gift money
2. Funeral subsidies
3. Childbirth allowance (Employee Welfare Committee)
4. Contribution of labor pension (new/old system)
5. Emergency assistance
6. Club subsidies

Bonus / gifts

1. Year-end bonus
2. Three Chinese festival bonus /gifts (Employee Welfare Committee)
3. Birthday gift money / gifts (Employee Welfare Committee)
4. Service award
5. Occasional gifts

Pension System

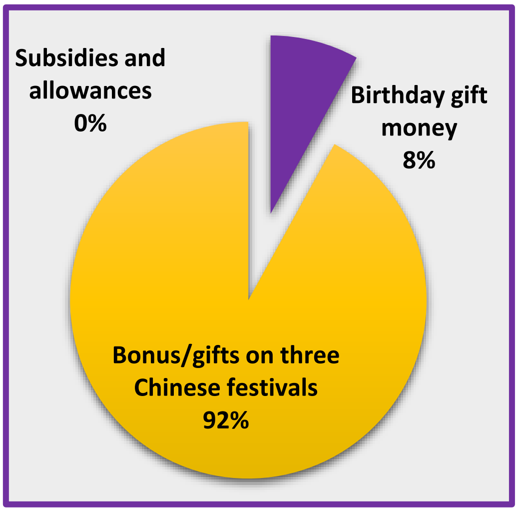
The Company's pension system under the Labor Pension Act is a defined contribution plan. Pensions are contributed at a ratio of 6% and 4% of the monthly salary according to the new and old system respectively and deposited in the individual Labor Pension Accounts. Except for foreign employees, the percentage of the other employees participating in the retirement plan reaches 100%.

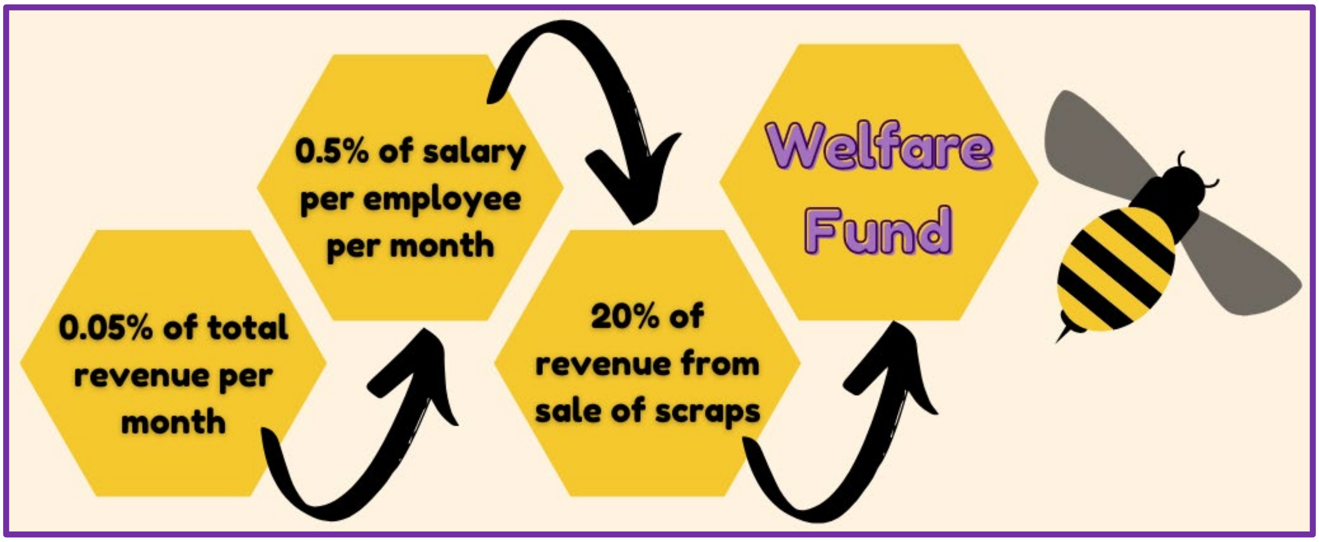
The special account of retirement reserve fund has a balance of NT$101,042,082 in Dec. 20, 2021.

Category of pension plans	Time of contribution	Source of contribution	Proportion contributed
Old system	Before 6/30/2005	Employer	4%
New system	After 7/1/2005	Employer	6%
		Employee	6 % (at most)

Proportion of Subsidies of the Employee Benefits Committee in 2021

Item	Proportion (%)
Subsidies and allowances	0
Birthday gift money	8
Bonus /gifts on three Chinese festivals	92
Total	100

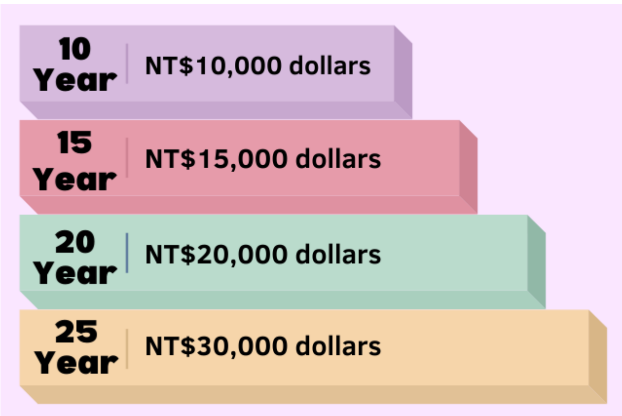




Employee Service Award

To encourage our employees to work with us for long to enable the related technology to be passed on for perfection, the Employee Service Award is awarded to recognize the hard work and dedication of these employees.

Employee Service Award System



Parental Leave without Pay

The Company implements parental leave without pay related operations in accordance with the Act of Gender Equality in Employment. After in service for six months, employees may apply for parental leave without pay before any of their children reaching the age of three. The period of this leave is until their children reach the age of three, but the duration may not exceed two years. When employees are raising over two children at the same time, the period of their parental leave shall be combined, and the maximum period shall be limited to two years received by the youngest child.

Since 2019, a total of 20 people applied for parental leave without pay (PLWP), with males accounted for 5.3% and females 95%.

Numbers of Resumed Employees after Parental Leave

Year	2019			2020			2021		
Gender/total	Male	Female	Total	Male	Female	Total	Male	Female	Total
No. of employees applied for PLWP in current year (A)	0	2	2	0	9	9	1	8	9
No. of employees expected to be reinstated after PLWP in current year (B)	0	5	5	0	3	3	1	7	8
No. of employees reinstated in current year (C)	0	3	3	0	2	2	1	7	8
No. of employees reinstated in previous year (D)	1	6	7	0	3	3	0	2	2
No. of employees reinstated and reinstated for 12 months (E)	1	5	6	0	3	3	0	2	2
Reinstatement rate in current year (C/B) (%)	0	60	60	0	67	67	100	100	100
Retention rate in current year (E/D) (%)	100	83	86	0	100	100	0	100	100

Note:

1. The number of employees who were actually qualified for PLWP in the current year is equal to the number of employees who actually applied for PLWP in the current year.
2. The number of employees for the year is based on the year the employees applied.

4.4 Education and Training

The long-term development of the Company depends on the improvement of employees' professional knowledge and innovation ability. The Company is in the traditional industry and faced the crowding out effect caused by the high-tech industry in the human resource market. In addition, most of our competitors are manufacturing oriented, different from QST’s service-oriented approach, and the manpower needs are also different. The establishment of a complete internal education and training mechanism and cultivation of the talents needed have become the main strategy for the development of human resources in the Company. In considering the functional gaps of the employees in every department, the Company’s objectives and the regulatory requirements are all put into considerations when it comes to the planning of the annual education and training programs to meet the need for the QST’s development.

The Company does not have a mechanism for functional upgrade or transformation for employees who are about to retire or those whose employment is about to be terminated with.

Employee Performance Appraisal

All employees are required to undergo performance appraisal at the end of each year. Direct and foreign employees are also required performance appraisal each month. The employee performance appraisal rate is 100%.

Direct labor is assessed on a monthly basis for production efficiency, assignment requirements, quality targets, attendance, and corporation.

QST’s Appraisal System

Appraisal method	Frequency	Category	Nationality	Percentage
Production efficiency	Once a month	Direct	Taiwanese	100
			Foreigner	100
Performance	Once a year	Direct/Indirect	Taiwanese	100
		Indirect	Foreigner	100

Employee Training

QST has focused on employee training and education. QST was awarded the Organizational Learning Excellence in Practice Award by S&M Enterprise Administration, MOEA. The main education and training measures are as follows.

1. Orientation Training

New recruits have to participate in the basic orientation training lasting 2-14 days on the first day at work according to the needs of various departments. The orientation training focuses on helping newcomers to get familiar with the work environment and the job. In addition, the new staff counseling mechanism is set up, and the counseling is provided 40 days after they report to the Company to understand new staff's progress, workload and their interaction with their colleagues and supervisors to find out and solve problems when they do not fit in at this workplace, targeting at maintaining the newcomer retention rate above the standard.

2. On-the-job Training

The annual education and training plan will be formulated based on the Company's annual operational goals and guidelines to provide training in various professional functions, quality improvement and management capabilities through systematic, planned and integrated internal and external educational and training systems. Therefore, all employees can be capable of the work, give full play to their talents, improve work efficiency and accumulate experience. In addition, they can continue to grow with the Company's development and further improve organizational synergies.

3. Continuing Education Subsidy

To make good use of external training resources and to make up the insufficiency of the company's education and training system, we have set up Regulations of Subsidy for Continuing Education of Degree Programs to encourage our employees to continue learning so that their functional competencies can be enhanced, and the manpower quality of the company can be further enhanced.

Category, Gender and Average Training Hours of Trained Employees

Year		2019			2020			2021		
Item/Gender		No.	Hrs	$/ person	No.	Hrs	$/ person	No.	Hrs	$/ person
Managers with positions at (vice) section chief and higher	Male	62	809	13	62	822	13.3	56	706	12.6
	Female	38	536	14.1	38	389	10.2	36	277	7.7
Subtotal		100	1,345	13.5	100	1,211	12.1	92	983	10.7
Non-manager	Male	210	924	4.4	195	1,048	5.4	219	1,662	7.6
	Female	190	1,297	6.8	185	1,371	7.4	211	2,111	10
Subtotal		400	2,221	5.6	380	2,419	6.4	430	3,773	8.8
Temporary	Male	0	0	0	6	11	1.8	14	56	4
	Female	0	0	0	0	0	0	14	52	3.7
Subtotal		0	0	0	6	11	1.8	28	108	3.9
Total		500	3,566	7.1	486	3,641	7.5	550	4,864	8.8

Note:
Annual average training hours = total training hours of employees / total number of employees.

Average Training Hours of Each Category

	2019		2020		2021	
	Hrs	%	Hrs	%	Hrs	%
Environment, Safety, and Health	138.5	20	306	42	277.5	51
Management/General/Others	200	29	105	14	75	14
Professional skills	206	30	96	13	56.5	10
Audit/Verification	140	20	225.5	31	135.5	25
total	684.5	100	732.5	100	544.5	100

Average Employee Training Costs

Year	2019			2020			2021		
Item	Cost (NT$)	No.	Ave. ($/hr)	Cost (NT$)	No.	Ave. ($/hr)	Cost (NT$)	No.	Ave. ($/hr)
Male	325,582	272	1,197	291,058	263	1,107	396,056	289	1,370
Female	325,852	228	1,429	304,346	223	1,365	335,025	261	1,284

Average training cost = total training hours / total number of people.

Education and Training

Policies of Human Rights or Employee Training Program

Through external trainings, QST cultivates seeded employees for human rights and actively communicates with external parties to enhance employees' awareness of personal rights and interests. New employees conduct staff ethics training during the new employee orientation to understand and follow the QST's code of ethics.

Total training hours for human rights are 92.5 hours, and the rate of trained employees is 21.3%.

Rate of trained employees = total numbers of trained employees / total employees in 2021 (117/550 = 0.213)

Human Rights Trainning

Year	2019	2020	2021
No.	26	60	117
Hours	35.5	60.5	92.5
Trained employees (%)	5.2	12.3	21.3

Training of Security Guards

As stipulated in Article 10-2 of the Private Security Service Act, "When a security company hires security guards, it shall offer them pre-service professional training of one week or above. For serving security guards, it shall provide them with in-service training at least four hours for every month." QST's security service provider, Yi Kong Security Co., Ltd., arranges regular in-service training in accordance with the regulation to maintain related knowledge and professionalism. In 2018, courses entitled Summary of Sexual Harassment Prevention and the Personal Information Protection Act and the Enforcement Rules were provided to ensure that the security personnel have basic knowledge of human rights. The participation rates of the courses reached 100%.

Human-rights Related Training Courses for Security Guards

	2019		2020		2021	
Courses	Hours	No. of guards	Hours	No. of guards	Hours	No. of guards
Sexual Harassment Prevention	1	6	1	6	1	6
Personal Information Protection	1	6	1	6	1	6

4.5 Occupational Health and Safety

Occupational safety and health management system

In accordance with the National Occupational Safety and Health Management System Guidelines (TOSHMS) and ISO 45001:2018, the Company guides employers and workers to jointly construct and maintain a documented safety and health management system to strengthen self-management, continuously improve occupational safety and health performance, reduce occupational disasters, protect labor safety and health, and meet the needs of competent authorities, customers, employees and other stakeholders. All our colleagues should comply with the management procedures and norms developed in the safety and health management manual and maintain the effective operation of the safety and health management system.

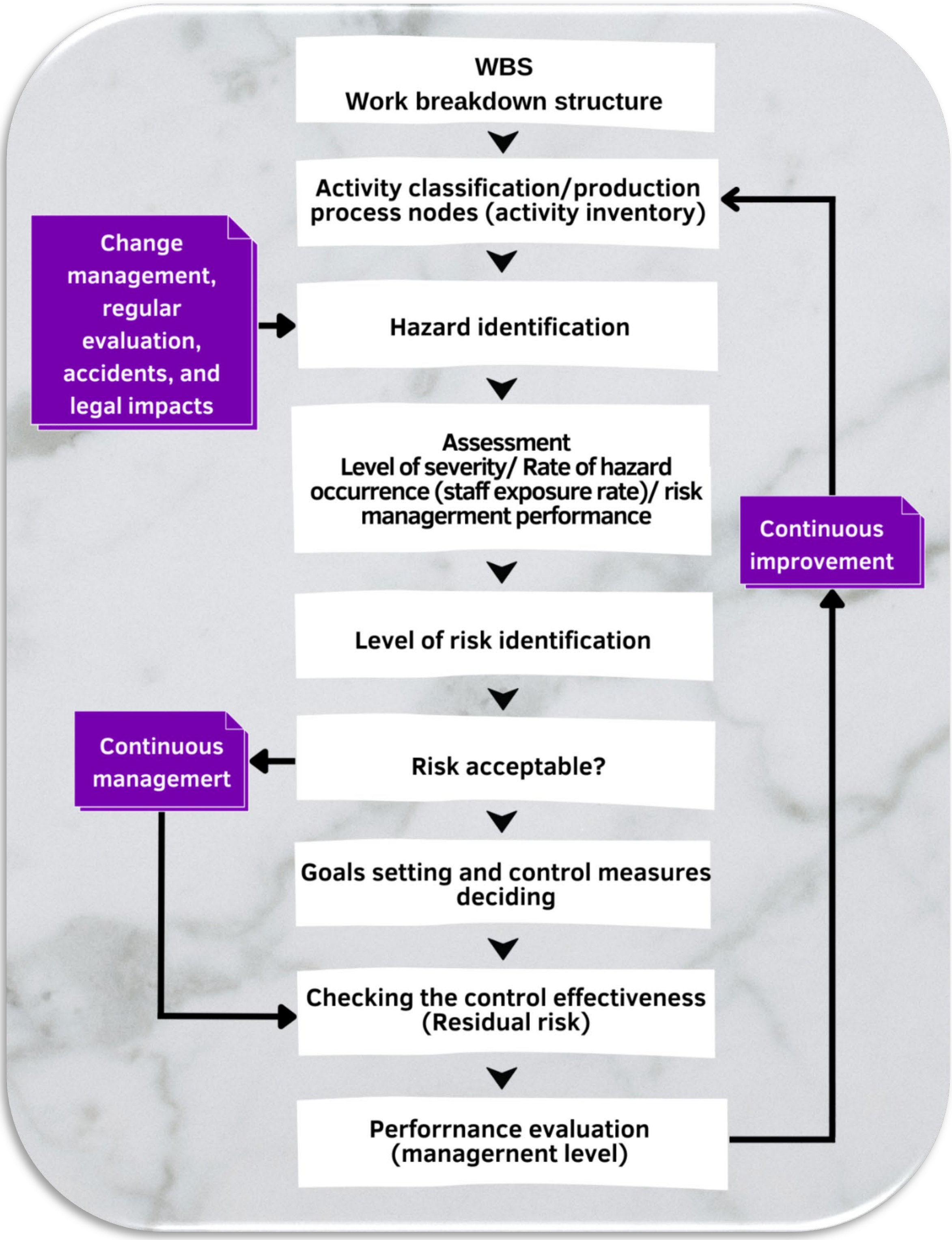
The documentation framework of safety and health management system

QST establishes the safety and health management system. According to regulatory requirements, QST assigns one manager of Class A and an administrator. In addition, QST also assigns one dedicated manager or plans job qualification training according to the job attribute.

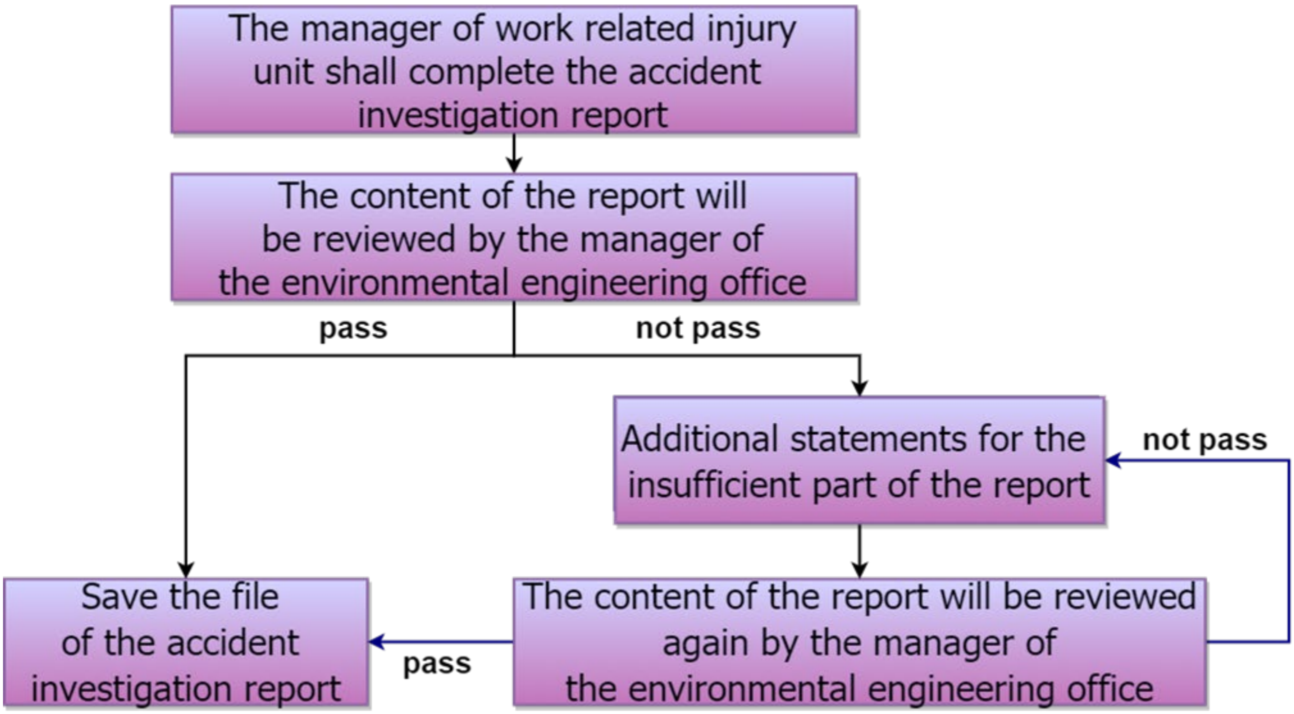
Dedicated / Certificated person	2019	2020	2021
	No.	No.	No.
Supervisor for labor safety and health of class A	2	2	3
Supervisor for hypoxia operations	1	1	1
Supervisor for organic solvent operations	1	1	1
Manager for labor safety and health	1	1	1
Supervisor for specified chemical substance operations	2	1	3
stacking crane with hoisting capacity of 1 ton	55	59	40
Fixed cranes	117	118	107
First aid personnel	12	12	12
Operator of specified high-pressure gas equipment	2	2	2
Metal sealing, cutting or heating with acetylene sealing devices	6	7	6

Hazard identification, risk assessment and risk control procedures

The Company occasionally implement hazard identification and risk assessment for each production process. The potential risks can be identified from the hazard risks, and the occurrence of industrial safety incidents can be prevented or reduced after improvements.



Process of accident survey



Participation, consultation and communication of occupational safety and health workers

Boltun complies with the Regulations Governing Occupational Safety and Health and established the Occupational Safety and Health Committee (hereinafter referred to as the OSH Committee) to regularly review the implementation results of the occupational safety and health business with the labor representatives.

The OSH Committee holds monthly meetings to discuss industrial accidents. It also coordinates, advocates and supervises the safety and health management of various plants, and sets up more than 1/3 of the labor representatives and the Class A business director for each plant.

Injury Cases

According to the Regulation Governing Occupational Safety and Health Management Plan, if an accident happens to employees, relevant investigations should be conducted in line with relevant government agencies and the accident report should be submitted. After the injury, the case should be investigated and reviewed. In addition, the administrative responsibility review and reward as well as punishment shall be handled in accordance with such regulation to prevent similar accidents from happening again.

Category	Calculation principles	2019	2020	2021
Injury rate (IR)	(Total number of disability injury / total working hours)*200,000	0.36	0.19	1.24
	(Total number of disability injury of female employees / total working hours) *200,000	0	0	0.39
	(Total number of disability injury of male employees / total working hours) *200,000	0.63	0.34	1.92
Occupational disease rate (ODR)	(Total number of occupational diseases / total working hours)*200,000	0	0	0
	(Total number of occupational diseases of female employees / total working hours) *200,000	0	0	0
	(Total number of occupational diseases of male employees / total working hours)*200,000	0	0	0
Lost day rate (LDR)	(Total lost days / total working hours) *200,000	0	0	0
	(Total lost days of female employees / total working hours)*200,000	0	0	0
	(Total lost days of male employees / total working hours)*200,000	0	0	0
Absence rate (AR)	(Absence days / total working days of all employees in a year) *100%	5.7%	5.1%	6.3%
	(Absence days of female employees / total working days of female employees in a year) *100%	7.6%	6.0%	8.1%
	(Absence days of male employees / total working days of male employees in a year) *100%	4.3%	4.4%	4.9%
Total number of deaths		0	0	0

Training of workers on occupational safety and health

The company will plan the education training program for the following year. Considerations of operation, the company will provide external education trainings to employees (such as stacking machine, crane, acetylene work, CPR and AED first aid personnel, etc.) and internal education trainings (such as fire drills, waterproof gate drills, and safety and health education training, etc.).

Workers under the occupational safety and health management system

Workers in QST consist of employees, contractors, visitors, and its production and operational activities.

Category		2019		2020		2021	
		Male	Female	Male	Female	Male	Female
All employees	No.	272	228	263	223	289	261
	%	54.4	45.6	54.1	45.9	53	47
Non-employees (Foreign workers)	No.	6	1	6	1	14	10
	%	85.7	14.3	85.7	14.3	58	42

Occupational Injury

Employees				
Category	Gender	2019	2020	2021
Total working hours	Female	473,118	450,379	508,682
	Male	638,424	581,460	623,765
	Total	1,111,542	1,031,839	1,132,447
No. of death from occupational diseases	Female	0	0	0
	Male	0	0	0
	Total	0	0	0
No. of serious occupational diseases(except for the death)	Female	0	0	1
	Male	2	0	1
	Total	2	0	2
Recorded No. of occupational diseases (including No. of death and No. of serious occupational diseases)	Female	0	0	1
	Male	2	1	6
	Total	2	1	7
Types of occupational diseases	Male	Rolled*1 Cut*1	Rolled*1	Rolled*1 Cut*1 Object falling down*1 Fell*1
Rate of death caused by occupational diseases	Female	0	0	0
	Male	0	0	0
	Total	0	0	0
Serious occupational disease rate(not including No. of death)	Female	0	0	0
	Male	0	0	0
	Total	0	0	0
Recorded occupational disease rate (including No. of death and No. of serious occupational diseases)	Female	0	0	0
	Male	0	0	0
	Total	0	0	0

Worker health promotion

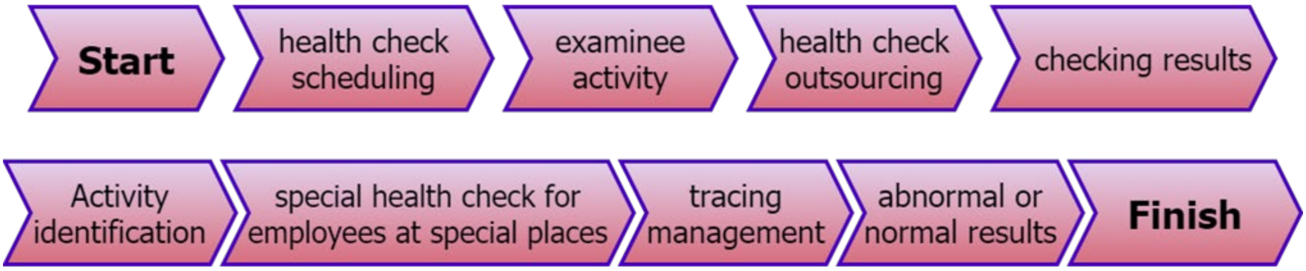
Management of abnormal health check

For the production and post-processing departments in the Bao-An plant and production management department in the Rende plant, activities causing noise is particularly harmful to personal health. Long-term exposure to 85 dB to more than 140 dB can lead to noise hearing loss as well as cardiovascular diseases.

Therefore, in addition to annual health checks and special health checks for employees at special places (mainly noise activities), the Company require that new employees must do physical examinations when they first enter the factory to ensure their health.

239 employees working at special places received special health checks in 2021. Four persons are included in the fourth level of health management, and the company orders special earplugs for them and regularly tracks their health issues.

The process of health checks



Occupational health service

It is our responsibility to the employees and their dependents to provide a healthy and safe working environment. Better than the regulations, we offer annual health examination (including abdominal ultrasound and colorectal cancer screening). In addition, we hire resident nurse and doctor to provide instant and high-quality occupational health service for our employees.

General health checking items	(1) Investigation of working experience, past medical history, living habits, and self-conscious symptoms. (2) Physical examination of height, weight, waist circumference, vision, color discrimination, hearing, blood pressure, and various systems or parts of the body. (3) Chest X-ray (large) photography examination. (4) Examination of urine protein and urine submersible blood. (5) Examination of hemoglobin and white blood cell. (6) Examination of blood glucose, ALT, creatinine, sterols, triglycerides, HDL cholesterol, and LDL cholesterol. (7) Abdominal Ultrasound examination. (8) Other examinations designated by the competent authority.		
Year	2019	2020	2021
No. of people checked	456	418	434
Cost (NT$1,000)	781	316	651

Special health checking items (for special noise activities)	(1) Investigation of working experience, living habits, and self-conscious symptoms. (2) Investigation of past medical history of taking injury-causing auditory nerve drugs (e.g. salicylic acid or streptomycin), injuries, ear infections and hearing impairment caused by genetics. (3) Ear examination. (4) Audiometry (Testing frequencies of at least 500, 1,000, 2,000, 3,000, 4,000, 6,000 and 8,000 kHz, and establishment of hearing maps) (5) QST's special health checking costs are subsidized by the Bureau of Labor and Insurance, Ministry of Labor.		
Year	2019	2020	2021
No. of people checked	233	211	239

Activities for health promotion

To strengthen the healthy workplace, QST cooperates with occupational medicine physicians to organize various health promotion lectures, such as health consultation, psychological consultation, health lectures, nutrition and exercise consultation and smoking cessation, etc., so that employees can receive comprehensive health care and medical services. Through the health management program, QST conducts quarterly health talks and promote healthy concepts.

In 2021, QST focuses on management and health education for employees with high blood pressure, high blood lipids, and high blood sugar, to promote their health awareness, provide relevant health education materials, arrange occupational doctors for health consultation, and regularly track and care for health status.

Health care management

QST also formulates relevant measures such as the working standards for employee health management. The management measures for the prevention of sexual hazards and the standards for the protection of parental health management of female workers are also implemented to promote measures such as hazard prevention, health care, health management and health promotion to effectively enhance the health of employees.

Comprehensive childcare

QST has set up a female-only breastfeeding room for the care of female employees who have a need for nursing, and the company has also signed up with a nearby childcare institution to provide childcares and benefits for employees.

Tobacco control education

Labor safety and health education

5. PUBLIC BENEFITS

5. Public Benefits

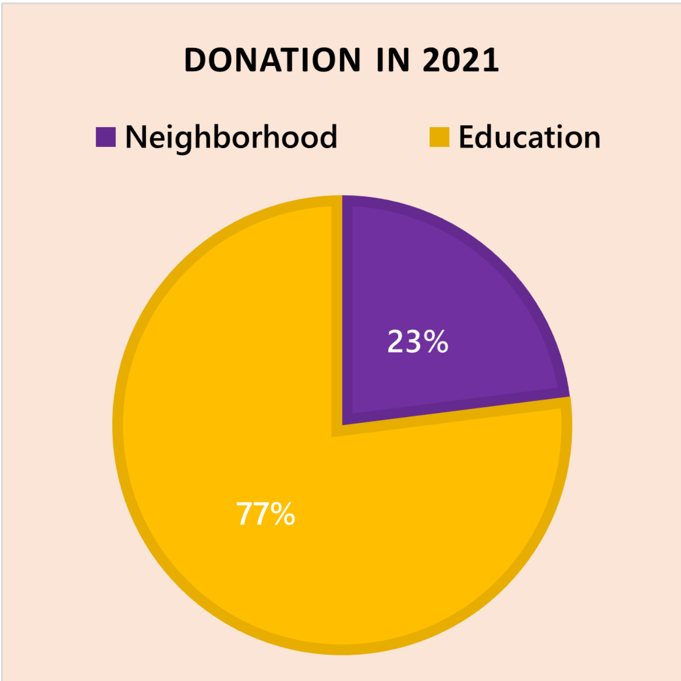
The Company is committed to local affairs and divides donations into neighborhood and education. The total donation was NT$908,000 dollars in 2021 and the details are described as below.

Neighborhood

- Friends of the Police Association of Tainan (donation)
- Zhongzhou Community Development Association (sponsor for activities fund)
- Tainan Rende Shanglun Longevity Association (donation)
- Wudang Mountain (donation to construction ceremony)

Education

- National Tainan First Senior High School (donation to the scholarship)
- National Tainan First Senior High School (sponsor for the 100th anniversary celebration)



6. ESG PERFORMANCE SUMMARY

6. ESG PERFORMANCE SUMMARY

	item	2019	2020	2021
Economy	Operating income (NT$1,000)	9,925,200	8,824,031	10,193,388
	Operation cost (NT$1,000)	6,861,720	6,022,124	6,970,733
	Operating profit (NT$1,000)	1,833,572	1,696,986	1,933,723
	Operating net profit (NT$1,000)	374,899	343,980	447,468
	Earnings per share (NT$/share)	2.16	2.52	3.03
Environment	Electricity (kWh)	20,148,780	18,992,610	25,917,440
	Gasoline (Liter)	12,201	10,500	10,978
	Diesel (Liter)	17,956	22,687	16,747
	LPG (Liter)	34,990	24,070	20,900
	Energy consumption(Million joules)	75,331,312	70,728,574	95,304,344
	Energy intensity with product weight (million joules/Tons)	6,751	6,864	5,919
	Energy intensity with revenue (million joules/NT$ million)	24,215	24,826	23,538
	Total water consumption (Ton)	28,150	28,078	29,637
	water intensity with product weight (Ton/Ton)	2.52	2.48	1.84
	water intensity with revenue (Ton/NT$ million)	9.05	9.85	7.32
	CO_2e emission Scope 1 (Ton)	186	160	137
	CO_2e emission Scope 2 (Ton)	10,739	9,667	13,011
	CO_2e emission Scope 3 (Ton)	31,150	-	54,792
	CO_2e emission (Scope 1 + Scope 2) (Ton)	10,925	9,827	13,148
	Scope (1+2) emission intensity with product weight (Ton/Ton)	0.98	0.95	0.82
	Scope (1+2) emission intensity with revenue (Ton/NT$ million)	3.51	3.45	3.25
Society	Total number of employees	500	486	550
	Employment rate (%)	10.2	7.6	45.1
	Turnover rate (%)	15.4	10.5	33.5
	Proportion of female employees (%)	45.6	45.9	47.5
	Proportion of female manager (%)	42.1	42.1	48.6
	Proportion of female non-manager (%)	45.9	46.2	47.4
	Proportion of direct labor (%)	46.6	46.1	51.5
	Proportion of indirect labor (%)	53.4	53.9	48.5
	Average employee training cost (dollar/person)	1,303	1,225	1,329
	Reinstatement rate in current year (%)	60	67	100
	Injury rate (IR)	0.36	0.19	1.24
	Occupational disease rate (ODR)	0	0	0

APPENDIX 1. CORRECTION TABLE

Page	Chapter	Title	Term	Year	Before correction	After correction	Correction reason
59	3.1 Material Management	Categories and Consumptions of Materials	Pallets (PCS)	2019	122,121	28,752	Correction of calculation method
				2020	140,231	32,839	
62	3.3 Water Resource Management	Water Consumption	Total water consumption (Tons)	2020	27,932	28,078	Correction of the numbers of days spanning two months
			Water intensity (Tons/NT$ million)	2020	9.80	9.85	
			Water intensity (Tons/Tons)	2020	2.71	2.48	
87	4.5 Occupational Health and Safety	Injury Cases	Injury rate (IR)-total	2019	0	0.36	Redisclosed
89		Occupational Injury	Recorded No. of occupational diseases (including No. of death and No. of serious occupational diseases)-male、total	2020	0	1	Calculation error
89			Types of occupational diseases	2020	-	Rolled*1	Redisclosed

APPENDIX 2. GRI STANDARDS INDEX

No.	Disclosure	Related Section	page
102-1	Name of the organization	2.1 Company Profile	19
102-2	Activities, brands, products, and services	2.1 Company Profile	19
102-3	Location of the headquarters	2.1 Company Profile	19
102-4	Location of operations	2.1 Company Profile Milestones of QST	20
102-5	Ownership and legal form	2.1 Company Profile	19
102-6	Markets served	2.1 Company Profile Product Markets	24
102-7	Scale of the organization	2.1 Company Profile	19
102-8	Information on employees and other workers	4.1 Labor Structure	68
102-9	Supply chain	2.8 Supplier Management and Evaluation	54
102-10	Significant changes to the organization and its supply chain	2.1 Company Profile Milestones of QST	20
102-11	Precautionary principle or approach	2.5 Risk Assessment Operational Risk	42
102-12	External initiatives	2.3 Corporate Governance Management System	30
102-13	Membership of associations	1.3 Identification of Material Topics and Communication QST External Members	8
102-14	Statement from senior decision-maker	Message from the Chairman	iii
102-15	Key impacts, risks, and opportunities	Message from the Chairman	iii
102-16	Values, principles, standards and norms of behavior	2.1 Company Profile Core values 2.3 Corporate Governance Values, Principles, Standards, and Code of conduct	19 32
102-17	Mechanisms for advice and concerns about ethics	2.3 Corporate Governance Integrity Management	30
102-18	Governance structure	2.4 Organizational Structure Board of Directors	34
102-19	Delegating authority	1.1 CSR Committee Operation of the CSR Committee	1
102-20	Executive-level responsibility for economic, environmental, and social topics	1.1 CSR Committee Operation of the CSR Committee	1

No.	Disclosure	Related Section	page
102-21	Consulting stakeholders on economic, environmental, and social topics	1.3 Identification of Stakeholders Issues of Concern and Communication Stakeholder Communication	**6**
102-26	Role of highest governance body in setting purpose, values, and strategy	1.1 CSR Committee Operation of the CSR Committee 2.4 Organizational Structure Board of Directors	**1** **34**
102-27	Collective knowledge of highest governance body	2.4 Organizational Structure Board of Directors	**34**
102-29	Identify and managing economic, environmental, and social impacts	1.1 CSR Committee Composition of the CSR Committee	**1**
102-32	Highest governance body's role in sustainability reporting	1.1 CSR Committee Composition of the CSR Committee	**1**
102-33	Communicating critical concerns	1.1 CSR Committee Composition of the CSR Committee	**1**
102-35	Remuneration policies	2.4 Organizational Structure Remuneration Policy of the Board of Directors and Senior Executives	**39**
102-36	Process for determining remuneration.	2.4 Organizational Structure Determining Process of Compensation	**40**
102-38	Annual total compensation ratio	4.3 Employee Benefits	**76**
102-40	List of stakeholder groups	1.3 Identification of Stakeholders Issues of Concern and Communication Stakeholder Communication	**6**
102-41	Collective bargaining agreements.	4.2 Labor Relations	**74**
102-42	Identifying and selecting stakeholders	1.3 Identification of Stakeholders Issues of Concern and Communication Identification of Stakeholders	**3**

No.	Disclosure	Related Section	page
102-43	Approach to stake holder engagement	1.3 Identification of Stakeholders Issues of Concern and Communication Stakeholder Communication	**6**
102-44	Key topics and concern raised	1.3 Identification of Stakeholders Issues of Concern and Communication Stakeholder Communication	**6**
102-45	Entities included in the consolidated financial statements	2.2 Operating Performance Affiliated Companies	**28**
102-46	Defining report content and topic boundaries	Editing Principles Scope and Boundary of the Report	**ii**
102-47	List of material topics	1.3 Identification of Stakeholders Issues of Concern and Communication Identification of Material Topics	**4**
102-48	Restatements of information	Appendix 1: Correction Table	**95**
102-49	Changes in reporting	Editing Principles 1.3 Identification of Stakeholders Issues of Concern and Communication Identification of Material Topics	**ii** **4**
102-50	Reporting period	Editing Principles Scope and Boundary of the Report	**ii**
102-51	Date of most recent report.	Editing Principles Report Release Schedule and Frequency	**ii**
102-52	Reporting cycle	Editing Principles Report Release Schedule and Frequency	**ii**
102-53	Contact point for questions regarding the report	Editing Principles Contact Information	**ii**
102-54	Claims of reporting in accordance with the GRI Standards	Editing Principles External Verification	**ii**
102-55	GRI content index	Appendix 2: GRI Standards index	**96**

No.	Disclosure	Related Section	page
102-56	External assurance	Editing Principles External Verification Appendix 5: Independent Assurance Statement	ii 106
103-1	Explanation of the material topic and its Boundary	1.4 Management Approaches	9
103-2	The management approach and its components	1.4 Management Approaches	9
103-3	Evaluation of the management approach	1.4 Management Approaches	9
201-1	Direct economic value generated and distributed.	2.2 Operating Performance Distribution of Economic Value	26
201-3	Defined benefit plan obligations and other retirement plans	4.3 Employee Benefits Employee Benefits Pension System	77
201-4	Financial assistance received from government	2.2 Operating Performance Government Subsidies	29
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	4.3 Employee Benefits Starting Salary	76
202-2	Proportion of senior management hired from the local community	4.1 Labor Structure Local Hire	71
203-1	Infrastructure investments and services supported.	5. Public Benefits	93
204-1	Proportion of spending on local suppliers	2.8 Supplier Management and Evaluation QST supply chain	57
205-1	Operations assessed for risks related to corruption.	2.3 Corporate Governance	30
205-2	Communication and training about anti-corruption policies and procedures	2.3 Corporate Governance Professional Ethics Training	32
205-3	Confirmed incidents of corruption and actions taken.	2.3 Corporate Governance Grievance Mechanism	33
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	2.3 Corporate Governance Integrity Management	30
301-1	Materials used by weight or volume.	3.1 Material management	58
301-2	Recycled input materials used	3.1 Material management	58
301-3	Reclaimed products and their packaging materials	3.1 Material management	58
302-1	Energy consumption within the organization.	3.2 Energy Management Internal Consumption	60
302-2	Energy consumption outside of the organization.	3.2 Energy Management External consumption	61
302-3	Energy intensity.	3.2 Energy Management Internal Consumption	60
303-1: 2018	Interactions with water as a shared resource	3.3 Water Resource Management	62

No.	Disclosure	Related Section	page
303-2: 2018	Management of water discharge-related impacts	3.3 Water Resource Management	62
303-3: 2018	Water withdrawal	3.3 Water Resource Management Water Withdraw, Discharge, and Total Consumption	63
303-4: 2018	Water discharge	3.3 Water Resource Management Water Withdraw, Discharge, and Total Consumption	63
303-5: 2018	Water consumption	3.3 Water Resource Management Water Withdraw, Discharge, and Total Consumption	63
305-1	Direct (Scope 1) GHG emissions	3.4 Greenhouse Gas Management	64
305-2	Energy indirect (Scope 2) GHG emissions	3.4 Greenhouse Gas Management	64
305-4	GHG emissions intensity.	3.4 Greenhouse Gas Management	64
305-6	Emissions of ozone-depleting substances (ODS)	3.5 Pollution Prevention Management Air Pollution	66
305-7	Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions.	3.5 Pollution Prevention Management Air Pollution	66
306-1	Water discharge by quality and destination.	3.5 Pollution Prevention Management Wastewater Discharge	66
306-2	Waste by type and disposal method.	3.5 Pollution Prevention Management Waste Disposal	67
306-3	Significant spills.	3.5 Pollution Prevention Management Waste Disposal	67
306-4	Transport of hazardous waste	3.5 Pollution Prevention Management Waste Disposal	67
306-5	Water bodies affected by water discharges and/or runoff	3.5 Pollution Prevention Management Wastewater Treatment	66
307-1	Non-compliance with environmental laws and regulations	2.7 Compliance	52
308-1	New suppliers that were screened using environmental criteria.	2.8 Supplier Management and Evaluation Supplier evaluation	55
308-2	Negative environmental impacts in the supply chain and actions taken.	2.8 Supplier Management and Evaluation Supplier management process	55

No.	Disclosure	Related Section	page
401-1	New employee hires and employee turnover	4.1 Labor Structure Age Distribution of Retired/Resigned Employees and New Employees	**72**
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.3 Employee Benefits	**76**
401-3	Parental leave	4.3 Employee Benefits Parental Leave without Pay	**79**
402-1	Minimum notice periods regarding operational changes	4.2 Labor Relations Minimum Period of Advance Notice	**75**
403-1: 2018	Occupational health and safety management system	4.5 Occupational Health and Safety Occupational safety and health management system	**85**
403-2: 2018	Hazard identification, risk assessment, and incident investigation	4.5 Occupational Health and Safety Injury Cases	**87**
403-3: 2018	Occupational health services	4.5 Occupational Health and Safety Occupational health service	**90**
403-4: 2018	Worker participation, consultation, and communication on occupational health and safety	4.5 Occupational Health and Safety Participation, consultation and communication of occupational safety and health workers	**87**
403-5: 2018	Worker training on occupational health and safety	4.5 Occupational Health and Safety Training of workers on occupational safety and health	**88**
403-6: 2018	Promotion of worker health	4.5 Occupational Health and Safety Worker health promotion	**90**
403-7: 2018	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	4.5 Occupational Health and Safety Hazard identification, risk assessment and risk control procedures	**86**
403-8: 2018	Workers covered by an occupational health and safety management system	4.5 Occupational Health and Safety Worker health promotion	**90**
403-9: 2018	Work-related injuries	4.5 Occupational Health and Safety Occupational Injury	**89**

No.	Disclosure	Related Section	page
404-1	Average hours of training per year per employee	4.4 Education and Training Category, Gender and Average Training Hours of Trained Employees	**82**
404-2	Programs for upgrading employee skills and transition assistance programs	4.4 Education and Training	**80**
404-3	Percentage of employees receiving regular performance and career development reviews	4.4 Education and Training Employee Performance Appraisal	**80**
405-1	Diversity of governance bodies and employees	4.1 Labor Structure Diversity of Employees	**70**
406-1	Incidents of discrimination and corrective actions taken.	4.2 Labor Relations Discrimination	**75**
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	4.2 Labor Relations	**74**
408-1	Operations and suppliers at significant risk for incidents of child labor	2.8 Supplier Management and Evaluation Supplier evaluation	**55**
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	2.8 Supplier Management and Evaluation Supplier evaluation	**55**
410-1	Security personnel trained in human rights policies or procedures	4.4 Education and Training Training of Security Guards	**84**
411-1	Incidents of violations involving rights of indigenous peoples	4.1 Labor Structure	**68**
412-2	Employee training on human rights policies or procedures	4.4 Education and Training Policies of human rights or employee training program	**83**
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	2.8 Supplier Management and Evaluation	**54**
414-1	New suppliers that were screened using social criteria	2.8 Supplier Management and Evaluation	**54**
414-2	Negative social impacts on the supply chain and actions taken	2.8 Supplier Management and Evaluation	**54**
416-1	Assessment of the health and safety impacts of product and service categories	2.8 Supplier Management and Evaluation	**54**
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	2.7 Compliance	**52**
417-2	Incidents of noncompliance concerning product and service information labeling	2.7 Compliance	**52**
417-3	Incidents of non-compliance concerning marketing communications	2.7 Compliance	**52**

No.	Disclosure	Related Section	page
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	2.7 Compliance Complaints of invasion of customer privacy or loss of customer data	**53**
419-1	Non-compliance with laws and regulations in the social and economic area	2.7 Compliance	**52**

APPENDIX 3. TCFD CLIMATE-RELATED FINANCIAL DISCLOSURE TABLE

Category	Section	Page
ESG Strategy	1.2 ESG Strategy	**2**
ESG Risks and Opportunities of Climate Change	2.6 ESG Risks and Opportunities Of Climate Change	**48**
Governance	Ditto	**48**
Strategy	Ditto	**48**
Risk management	Ditto	**50**
Metrics and targets	Ditto	**51**
ESG Performance Summary	6. ESG Performance Summary	**94**

Appendix 4. SASB Sustainability Accounting Standard

Auto part industry

Topic	Code	Accounting metric	Values
Energy Management	TR-AP-130a.1	(1) Total energy consumed (GJ) (2) Percentage grid electricity (%) (3) Percentage renewable (%)	95,304 100 0[1]
Waste Management	TR-AP-150a.1	(1) Total amount of waste from manufacturing (tons) (2) Percentage hazardous waste (%) (3) Percentage waste recycled (%)	210.71 0 0[2]
Product Safety	TR-AP-250a.1	Total units recalled	0
Design for Fuel Efficiency	TR-AP-410a.1	Revenue from products designed to increase fuel efficiency and/or reduce emissions	0[3]
Materials Sourcing	TR-AP-440a.1	Description of the management of risks associated with the use of critical materials	See TCFD[4]
Materials Efficiency	TR-AP-440b.1	Percentage of products sold that are recyclable	0[5]
	TR-AP-440b.2	Percentage of input materials from recycled or remanufactured content	0[6]
Competitive Behavior	TR-AP-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	0

Note:

1. The company has not purchased or used renewable energy, but plans to install solar panels on the new plant in the near future.
2. The waste is cleaned regularly by qualified companies. The mixture of waste and oil is recycled and reused after treatment.
3. The company's products are screws and nuts instead of engine, etc., so fuel efficiency is not applicable.
4. For the risk management of key materials, please see the climate-related financial risks on rising steel prices (p. 48).
5. The company has no recyclable products.
6. The automobile industry has high quality requirements and there are safety concerns for recycled and remanufactured materials. Therefore, the Company does not use recycled materials.

APPENDIX 5. INDEPENDENT ASSURANCE STATEMENT

Independent Assurance Statement

Introduction:

TÜV Rheinland (Guangdong) Ltd., member of TÜV Rheinland Group, Germany (TÜV , We) has been entrusted by the management of QST INTERNATIONAL CORPORATION (QST, the Company) to conduct independent assurance of QST Sustainability Report 2021 (the Report). All contractual contents for this assurance engagement rest entirely within the responsibility of QST. Our task was to give a fair and adequate judgment on the QST Report 2021.

The intended users of this assurance statement are stakeholders having relevance to the QST overall Sustainability Performance and impacts of its business activities during 2021 (January 2021 ~ December 2021). TÜV Rheinland is a global service provider of CSR & Sustainability Services in over 65 countries, having qualified professionals in the field of Corporate Sustainability Assurance, Environment, Social and Stakeholder Engagement. We have maintained complete impartiality and independence during the assurance engagement and were not involved in the preparation of report contents.

Assurance Standard:

The Independent Assurance was carried out in accordance with AccountAbility, U.K Standard AA1000 Assurance Standard v3 and related standards AA1000 AccountAbility Principles (2018), AA1000 SES (2015), Principles of Inclusivity, Materiality, Responsiveness and Impact, Global Reporting Initiative (GRI) , 'In accordance'-Core option" reporting guidelines as per GRI-Standards.

Scope & Type of Assurance:

Our Assurance engagement covers the following:

- QST Corporate Sustainability performance as described in the report 2021 in accordance with GRI reporting guidelines and performance indicators and according disclosure on management approach (DMAs) from Economic, Environment & Social category, also defined in Reporting boundaries.
- Evaluation of disclosed information in the report as per the Assurance Standards.
- Type-1, Moderate Level as per AA1000 Assurance Standard v3

Limitation: The assurance engagement was carried out at QST at Tainan City, Taiwan. The consultations with external stakeholder were not carried out. We have not observed any significant situations to limit our assurance activity. The verification is carried out based on the data and information provided by QST, assuming they are complete and true. We did not verify the reported financial data as same is verified by another third party in annual report.

Assurance Methodology:

TÜV has challenged the report contents and assess the process undertaken by QST from source to aggregate in disclosure of information related to Sustainability performance. Our judgment is based on the objective review of reported and based on the principles defined in the assurance standards, the principles of inclusiveness, materiality, responsiveness and impact, and the integrity of the data provided in the report.

Analytical methods and the performance of interviews as well as verification of data, done as random sampling, to verify and validate the correctness of reported data and contents in light of contractual agreement and the factual QST Corporate Social Responsibility strategy (CSR) as mentioned in the report. Our work included consultation with over 10 QST representatives including senior management and relevant employees. The approach deemed to be appropriate for the purpose of assurance of the report since all data therein could be verified through original proofs, verified database entries.

The Assurance was performed by our multidisciplinary team of experienced professionals in the field of Corporate Sustainability, Environment, Social and Stakeholder Engagement. We are of the opinion that our work offers a sufficient and substantiated basis to enable us to come to a conclusion mentioned below and based on the content of our contract.

Adherence to AA 1000 principles:

Inclusivity: QST has continually sought the engagement of its stakeholders, identify and understand their stakeholder, and use the communication mechanism to identify the material issues and achieve an accountable response.

Materiality:

QST has implemented the material issues identification processing. The identification was based on the requirements and focus of attention of the stakeholder, the consideration of the company internal policy, shareholders meeting, questionnaires and the understanding and communication on the sustainable development content. The sustainability information disclosed enables its stakeholders to make informed judgements about QST's management and performance.

Responsiveness:

QST has implemented the policy including environment and safety, hazardous substances, quality, intelligent property management and corporate social responsibility. The report disclosed the management system of the company and stakeholder engagement, responding to their stakeholders against material issues of the sustainable development.

Impact:

QST has identified and fairly represented impacts that were measured and disclosed in effective way. QST has established processes to monitor, measure, evaluate and manage impacts that lead to more effective decision-making and results-based management within the organization.

Conclusion:

In conclusion, we can mention that no instances or information came to our attention that would be to the contrary of the statement made below:

- QST Sustainability Report 2021 meets the requirement of Type-1, Moderate Level Assurance according to AA1000AS v3 and Global Reporting Initiative (GRI) , 'In accordance'-Core option" reporting guidelines as per GRI-Standards.
- The Report includes statements and claims that reflects QST achievements and challenges supported by documentary evidences and internal records
- The performance data we found in the report are collected, stored and analyzed in a systematic and professional manner and were plausible.
- TÜV Rheinland shall not bear any liability or responsibility to a third party for perception and decision about QST based on this Assurance Statement.

AA1000
Licensed Assurance Provider
000-188

For TÜV Rheinland Group

Vito Lin

Vito C. C. Lin

Lead Verifier

Taipei, 28 June 2022

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