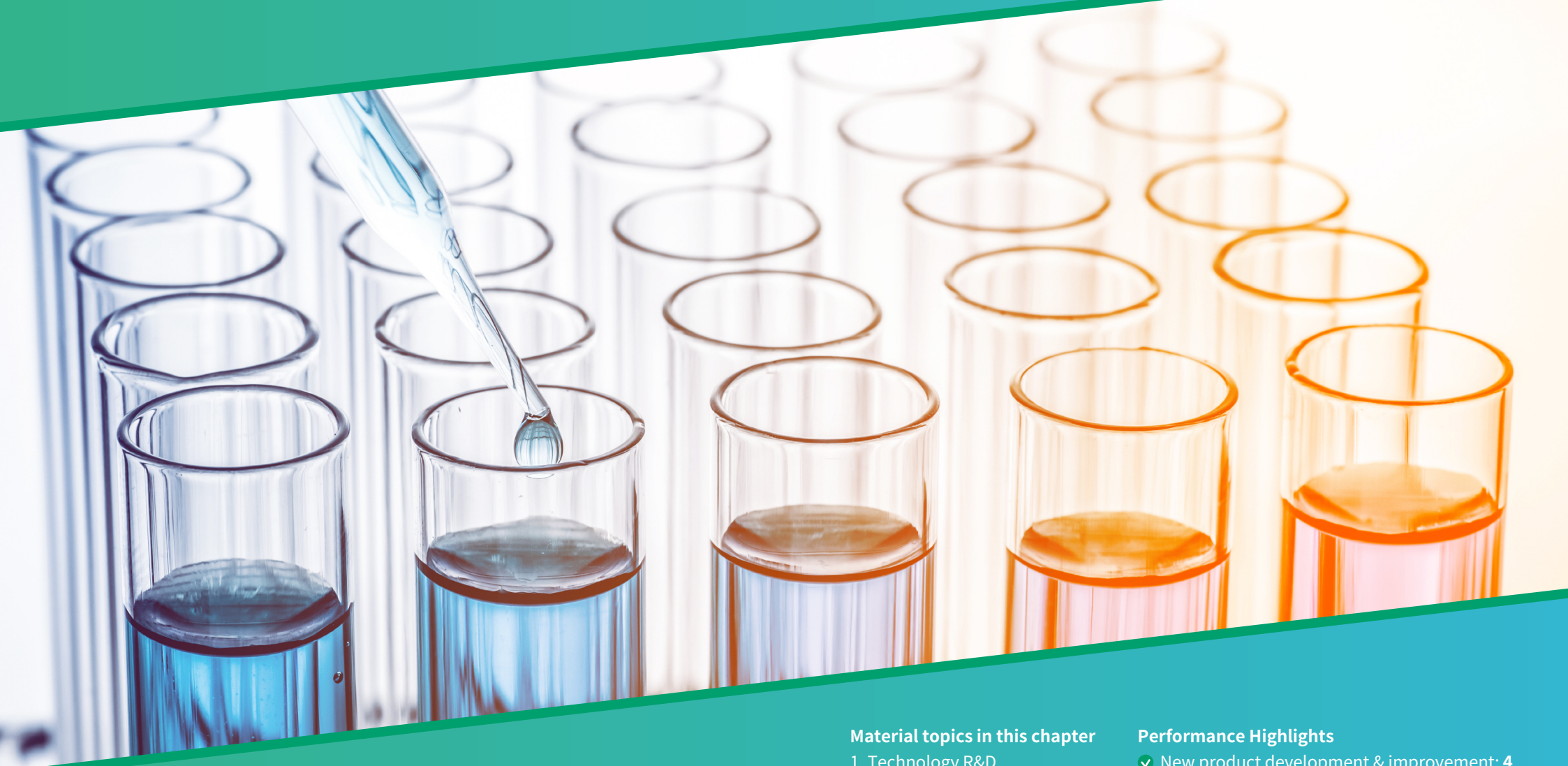


Chapter 3

Innovation and Supply Chain Service



Material topics in this chapter

1. Technology R&D
2. Product Quality
3. Supply chain management

Performance Highlights

- ✓ New product development & improvement: **4**
- ✓ Innovation and R&D accumulated **143** patents
- ✓ Funds for R&D and innovation: **NT\$150** million
- ✓ Ratio of R&D staff to all employees: **12.8%**
- ✓ Legal noncompliance of products: **0**



3.1 Technology R&D

GRI 2-25, 3-3

SDG 8, 9, 13

Sustainability Principle: Innovative Technology

Significance and Strategy	Impact Management	Achievement and Goal	Management
<p style="text-align: center;">Significance to USI</p> <hr/> <p>Research and development are one of USI's core strategies for sustainable development. Through continual product improvement, customer demand research, and new product development, we achieve co-prosperity for USI and the environment and make continual profit.</p> <p style="text-align: center;">Strategy</p> <hr/> <p>Expand R&D scale to include ESG in new product development and improvement, reduce environmental impacts, and achieve sustainable development through fulfilling environmental and social responsibilities.</p> <p style="text-align: center;">Commitment</p> <hr/> <p>We implement the green design concept and engage in source governance to ensure the use safety, energy conservation, and eco-friendliness of products, provide quality products and services, and meet the customer requirements.</p> <p>Data scope: USI coverage 100%</p>	<p style="text-align: center;">Short-, Medium- & Long-Term Positive/Negative Impacts</p> <hr/> <ul style="list-style-type: none"> Short-term positive actual impact: Develop new products to increase revenues Medium- & long-term positive potential impact: Develop towards a high-value low-pollution/energy-efficient industry Long-term negative potential impact: Technology innovation fails to meet the customer needs <p style="text-align: center;">Impact Boundaries</p> <hr/> <p>Global customers, USI employees, Kaohsiung Plant environment, community residents</p> <p style="text-align: center;">Process to Remediate and Prevent Negative Impacts</p> <hr/> <ul style="list-style-type: none"> Negative impact remediation: Enhance market survey Preventive measures: Predict and analyze the trend of changes in customer demands 	<p style="text-align: center;">2022 Goals</p> <hr/> <ul style="list-style-type: none"> New product development and improvement: 4 pcs/year. <p style="text-align: center;">2022 Achievements</p> <hr/> <p>New product developments & improvements: 4</p> <ol style="list-style-type: none"> High-VA grade EVA product: UE3318 Cooltact™ products Trial production of high heat-resistance CBC products Trial production of low-gel PE products <p>*In 2022 no legal noncompliance or fine in relation to product labeling was reported</p> <p style="text-align: center;">2023 Goals</p> <hr/> <ul style="list-style-type: none"> New product development and improvement: 4 pcs/year Legal noncompliance of products: 0 Constant development and promotion of eco-friendly products <p style="text-align: center;">Medium- & Long-Term Goals</p> <hr/> <ul style="list-style-type: none"> New product development and improvement: 5 pcs/year. Legal noncompliance of products: 0 Constant development and promotion of eco-friendly products 	<p style="text-align: center;">Effectiveness Assessment</p> <hr/> <ol style="list-style-type: none"> Continuously follow up target achievement in the annual ESG report. Successfully developed technology and R&D outcomes. Reporting the sales of new products at the business meeting. All USI products comply with the Restrictions on Hazardous Substances (RoHS) to reduce environmental impact. <p style="text-align: center;">Product & Service Development Mechanisms</p> <hr/> <ol style="list-style-type: none"> Customers make demands from the sales/R&D units by phone/email/internet; or irregular customer visits. The president holds the product improvement meeting every month to analyze the markets, environment, and users of new projects. After approval, the plant makes product improvement or new product R&D and trial run. 2022 customer technical service cases: 79. <p style="text-align: center;">Product & Service Development Mechanisms</p> <hr/> <ol style="list-style-type: none"> Advanced materials development New product development Developing high-value products In recent years the consolidated revenues of newly developed products accounted for 9.245%. Funds for R&D and innovation in 2022: NT\$150 million Ratio of R&D staff to all employees: 12.8% Innovation and R&D in 2022 accumulated 143 patents.

Innovative Operations and Management

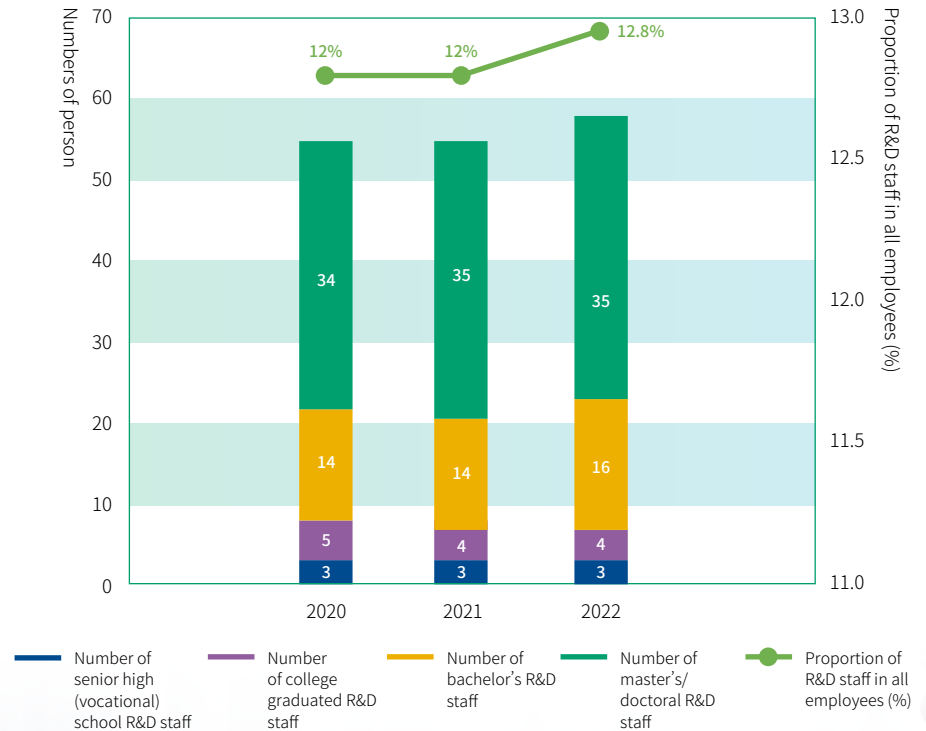
Each year we invest a huge amount in R&D and actively recruit and cultivate professional talents. The R&D investments in 2022 reached NT\$150 million, accounting for 0.97% of the revenues. Additionally, the High-Value R&D Center with an investment of NT\$170 million in 2021 and started operations in 2022.

In 2022 there were 58 R&D staff, accounting for 12.8% of all employees. In terms of education distributions in 2022, 60.3% of R&D staff hold a master's or doctoral degree, and the number of R&D staff is maintained at the specific level.

Investments in Innovation and R&D (unit: NTD thousands)

Item	2020	2021	2022
R&D Funds	116,819	160,688	150,870
Number of employees	468	465	453
Number of R&D staff	56	56	58
Proportion of R&D staff in all employees.	12.0%	12.0%	12.8%

R&D personnel distribution



Innovation Value and Culture

We mainly produce ethylene, the raw material for making plastics widely used in the daily life. To balance the ecosystem, we have implemented the green design concept in new product R&D. In recent years, we have developed a range of green products, such as the raw materials for the Solar cell encapsulation, eco-friendly heat-shielding coating, halogen-free fire-retardant materials, and so on to reduce energy consumption and hazardous substance emissions to lower the environmental impact.

Apart from participating in the Key Chemical Materials Shortages Linkage Project of the Industrial Development Bureau, Ministry of Economic Affairs, we were also awarded the 17th National Innovation Award with the cyclic block copolymer (CBC).



✓ Accumulated 143 patents at home and abroad in 2022

By teaming up with top experts through industry-academia-government collaboration, the R&D Division gathers R&D capacity and acquires patents for global patent deployment. In 2022, we were awarded **10** Taiwan patent and **133** overseas patents.

Industry-Academia Demonstration and Exchange

In addition to actively engaging in new product R&D, we never forget to encourage students in Taiwan to experience actual field operations. In recent years, we have been co-organizing instruction demonstration with Tatung University, National Tatung University of Science and Technology, and the “Kaohsiung Renda Petrochemical Talent Stream” Cooperation Program of Renwu Senior High School. Apart from enabling businesses to invigorate instruction with business resources, enhancing the competitive strengths of local schools, and developing base-level talents for the future, these activities can attract excellent students so to raise the local employment rate, hoping to create a beneficial situation for businesses, schools, and local communities with this industry-academia collaboration model.

On top of introducing our scope of services to the teachers and students visiting USI, we also arranged R&D instructors to operate and demonstrate extrusion, pelletizing, foaming, injection, and film-blowing machinery in the activity.

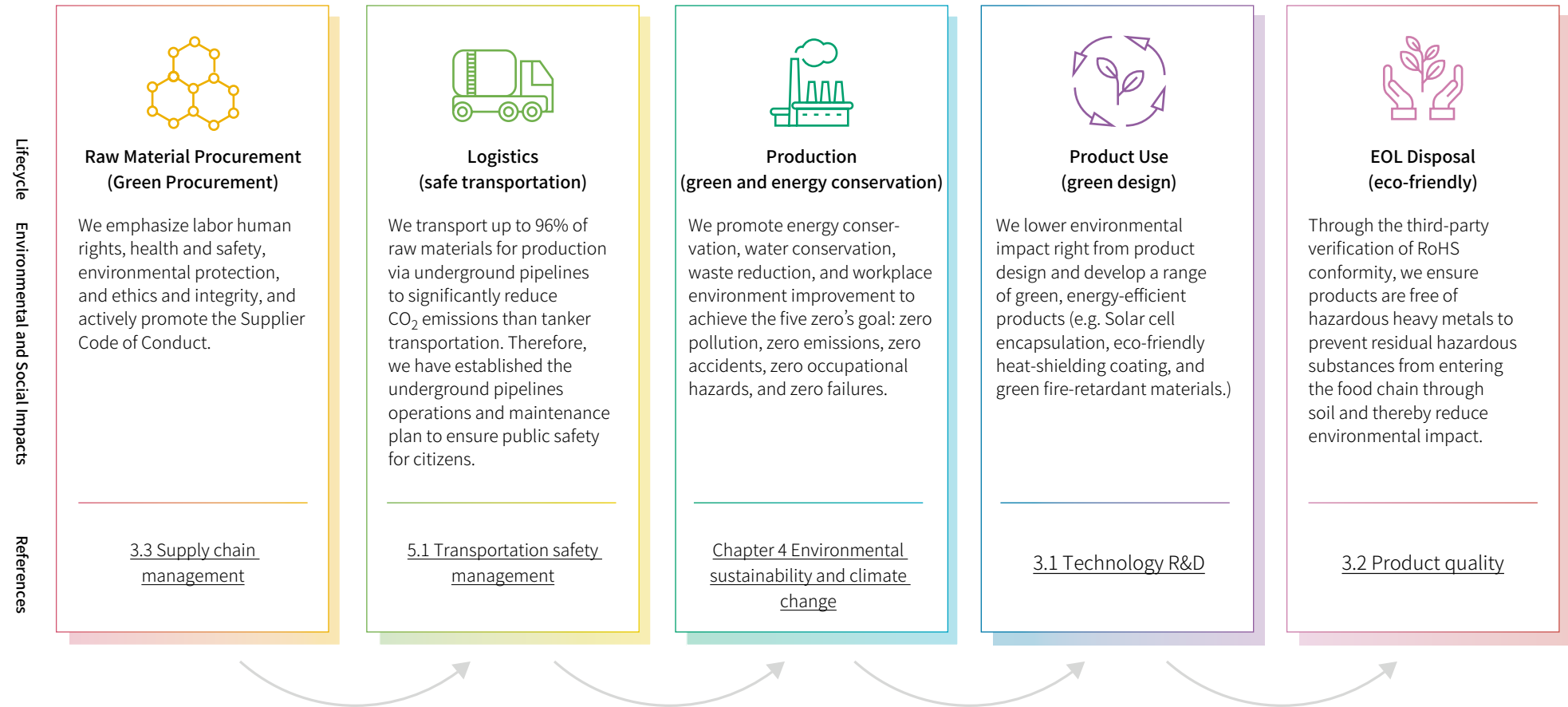
Through the actual participation and experiential activity, students can closely link to knowledge acquired from school to crosscheck theory to practice to understand the current status of field practice. With such, we aim to help students find the goal for future career planning more accurately. In recent years, we have attracted increasing students from those schools affirming our ESG concepts and practices to join USI’s big family to realize local cultivation and sustainable development towards social co-prosperity.

Visit of the “Kaohsiung Renda Petrochemical Talent Stream” Cooperation Program in 2022



Sustainable Products

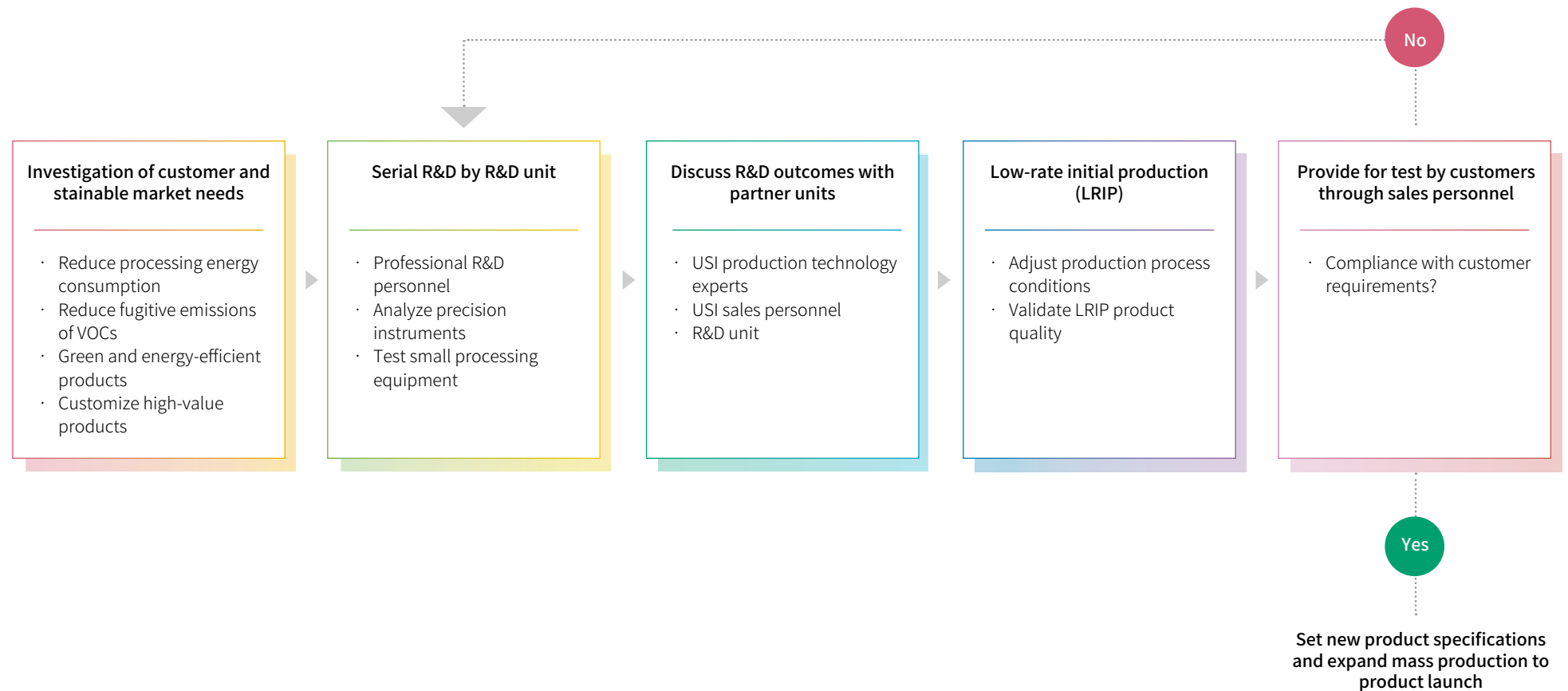
Based on the product lifecycle concept, we minimize resource and energy consumption from strict materials control at upstream to the product end-of-life (EOL) disposal at downstream through close cooperation with upstream and downstream suppliers, in order to lower the environmental and social impacts of products.



Benefits of Product Innovation

R&D is one of our core strategies for sustainable development. Each year we invest over NT\$100 million in R&D to purchase and maintain R&D equipment and precision analyzers and actively recruit outstanding talents from home and abroad to the R&D team so as to optimize processes and maintain sustainable product development. Additionally, we have also implemented the green design concept to constantly innovate and optimize products and make upstream and downstream deployments to create sustainable value for enterprises in collaboration with suppliers.

New product development & improvement processes

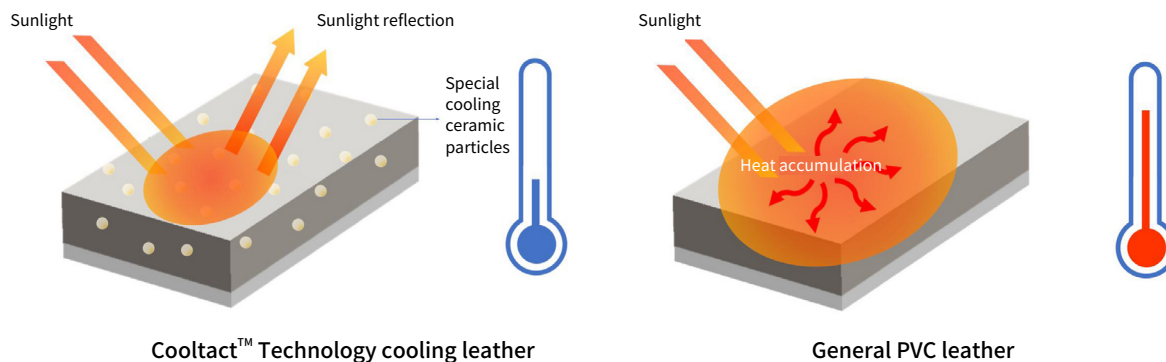


High-VA grade EVA product: EVATHENE® UE3318

We are committed to co-developing quality, eco-friendly, non-toxic products with partners. In response to the demand for comfortable casual shoes in recent years, we developed the soft and elastic EVATHENE® UE3318 EVA product in 2022. Apart from the extensive use in foam injection and compression molding for midsoles, it can also be used for making wire and cable jackets with resin, hot-melt adhesive (HMA), and general blending. Additionally, EVATHENE® UE3318 delivers good performance when blended with and processing polymer materials for its outstanding physical strength, high filler loading performance, and ease of processing. To customers, the EVATHENE® UE3318 can enhance both production efficiency and the product yield rate to significantly reduce production costs so as to promote and realize mutual growth with partners.

Cooltact™ Cooling Technology Leather Products

In Taiwan, the summer temperature is getting higher and higher each year. In response to the extreme temperature rise that keeps reminding us of the threatens from global warming, we have developed eco-friendly, energy-efficient products one after another. The Cooltact™ is our latest cooling technology products whose special cooling material can effectively reduce the heat absorption of material. Cooltact™ is suitable for use on the surface of a wide variety of materials. Aside from presenting a shiny color effect, it can also slow surface temperature rise under direct sunlight to significantly enhance comfort upon skin contact. With reference to the results of tests using the ASTM D 4803-10 standard, synthetic leather using Cooltact™ can effectively reduce temperature by 20°C. The low heat absorption feature of Cooltact™ can also significantly reduce the aging of materials and so to extend product life, lessen product replacement, and reduce the environmental impact of waste. Currently, Cooltact™ has been used for producing motorcycle seats, ship seats, and outdoor sofas.



Trial production of high heat-resistance CBC products

Glass transition temperature (T_g) affects the heat resistance and scope of applications of materials. With T_g at 128°C, the ViviOn™ 1325 and ViviOn™ 1325EUT have the best heat resistance amongst all commercialized CBC products and are currently used on optical components and functional films.

CBC has excellent chemical corrosion resistance and outstanding electrical characteristics. By further raising its heat resistance, we can expand the scope of CBC application to electronics with more demanding reliability requirements. Hence, the CBC R&D team conducted in-depth research into the heat resistance enhancement of CBC through adjusting its optimizing the process conditions. The trial production in 2022 showed that the glass transition temperature of high heat-resistance CBC had increased to over 140°C. Outstanding heat resistance enables high heat-resistance CBC to deliver great dimension stability in high-temperature environments. Currently, the market development and materials evaluation for applications including advanced semiconductor products, electronics packaging materials, film capacitors, and functional compounding materials are targeted by the R&D team.

Trial production of low-gel PE products

Committed to co-developing high-value products with partners, we have entered the optical-grade product application field. As a field with high technical entry threshold, this application has stringent requirements for low gel and high quality. We invest in new equipment to actively optimize all existing PE processes, improve product quality, and advance production inspection methods. Currently, we are progressively entering the advanced application market.

Solution for VOC reduction! USI promotes innovative coating deployment: Cooltact™ coating technology

The highly weather-resistant reflective anti-corrosion coating system is a breakthrough coating technology, which features the three functions of sun protection, corrosion protection and weather resistance at the same time. The low-solvent design can reduce air pollution caused by organic solvents. Characterized by a 90% sunlight reflection rate, the surface coating can significantly reduce tank interior temperature to maintain the quality and stability of chemicals in the tank to reduce fugitive emissions of VOCs.

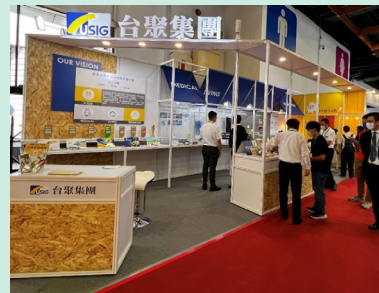
As one of the key features of the superior weatherability sun-shielding anti-corrosion coating system, corrosion resistance is an important characteristic. It meets the ISO 12944 CX-grade requirements for high-level anti-corrosion applications, effectively preventing metal corrosion and oxidation and reducing equipment damage and failure. It also passes the ISO 16474-3 standard to deliver better weatherability and durability to ensure resistance against powdering, cracking, and peeling in outdoor environments (UV exposure) to extend equipment lifespan in a better way.

Lastly, the highly weather-resistant reflective anti-corrosion coating system can reduce energy consumption and maintenance costs. Apart from reducing more than 30% of VOC emissions over traditional anti-corrosion coatings, through the continuous coverage heat-shielding materials and key technology coating, it can significantly reduce heating on chemical tanks and leaks of VOC emissions. This internal and external emissions reduction progress that can help the petrochemical industry reduce waste emissions more effectively demonstrates our contribution to technology and environmental sustainable development.



Participation in Internationally Indicative Shows and Exhibitions

When the pandemic began to slow around the globe in 2022, we upheld the epidemic control measures and participated in the online 2022 Taiwan Chemical Industry Forum & Exhibition, SDGs Asia Exhibition, the technology forum of TaipeiPLAS 2022, and Plastics Industry Innovation Forum (PIIF) to promote our newly developed products and the ViviOn™ (CBC) specifications extensively applied to optics, medical device, electronics, wearables, biomedical testing, the UVC (deep UV) disinfection, and PE/PP packaging materials.



Participation in Taipei Building Show

Polyethylene (PE) extensively used in daily life is our major product. In addition to continuously developing the high-value product ViviOn™ (awarded the 17th National Innovation Award), we never forget our love for mother Earth and have progressively developed various eco-friendly and energy-efficient products: eco-friendly heat-shielding coatings, low-solvent anti-corrosion coatings, green fire-retardant materials, PRC plastic reuse, and others. In 2022 we successfully developed the Cooltact™ cooling technology products. At the 2022 Taipei Building Show at the end of year, Cooltact™ became a highlight of the show.



3.2 Product Quality

GRI 3-2, 3-3, 2-25

SDG 8

Sustainability Principle: Innovative Technology

Significance and Strategy	Impact Management	Achievement and Goal	Management
<p style="text-align: center;">Significance to USI</p> <hr/> <p>Product quality is the foundation of corporate sustainable development. Total participation in quality is the key to success of USI's quality culture development.</p> <p style="text-align: center;">Strategy</p> <hr/> <p>Constantly enhance product yield rate and improve service quality.</p> <p style="text-align: center;">Commitment</p> <hr/> <p>Continual equipment improvement, quick capture of product quality, and reduction of customer complains</p> <p>Data scope: USI coverage 100%</p>	<p style="text-align: center;">Short-, Medium- & Long-Term Positive/Negative Impacts</p> <hr/> <ul style="list-style-type: none"> · Short-term positive actual impact: Raise yield rate and develop high-value products. · Medium-term Negative actual impact: Quality not meeting customer requirements <p style="text-align: center;">Impact Boundaries</p> <hr/> <p>Global customers, USI employees</p> <p style="text-align: center;">Process to Remediate and Prevent Negative Impacts</p> <hr/> <p>Enhance process improvement, increase inspection frequencies, and increase customer communication frequencies.</p>	<p style="text-align: center;">2022 Goals</p> <hr/> <ol style="list-style-type: none"> 1. Confirmed customer complaints each year: Plant I <6 and Plant II <7. 2. Controllable defect rate of plants I/II: <0.3/<0.7% <p style="text-align: center;">2022 Achievements</p> <hr/> <ol style="list-style-type: none"> 1. Increase the proportion of new catalyst products at Plant II and promote products to customers. 2. Resolve the automation bottleneck of compounding equipment. 3. Confirmed customer complaints of plants I/II: 2 cases /5 cases 4. Controllable defect rate of plants I/II: <0.21/<0.55% <p style="text-align: center;">2023 Goals</p> <hr/> <ol style="list-style-type: none"> 1. Confirmed customer complaints each year: Plant I <6 and Plant II <6, CBC plant <5 cases. 2. Defect rate of plants I/II/CBC: <1.8/<5.5%<12% <p style="text-align: center;">Medium- & Long-Term Goals</p> <hr/> <ol style="list-style-type: none"> 1. Increase the proportion of new catalyst products at Plant II, promote products to customers, and enhance customer satisfaction. 2. Promote and enhance the pass rate of compounding products. 3. Continue to reduce the rate of customer complaints and defect rate. 	<p style="text-align: center;">Effectiveness Assessment</p> <hr/> <ol style="list-style-type: none"> 1. Target trace at the monthly quality improvement meeting. 2. Review of customer complaints and quality issues at the biannual management review meeting. 3. New product sales condition. <p style="text-align: center;">Grievance Mechanism</p> <hr/> <p>Customers send requests/response by telephone/mail/ internet</p>

Note1: Marked down the target customer complaints of plant II from 8 to 7 cases in 2022.

Note 2: Controllable defect rate: Defective products due to man-induced errors and improper equipment maintenance.

Note 3: The controllable defect rate was adjusted as the overall defect rate in 2023. The overall defect rate includes the controllable defect rate and product-converted defect rate.

Note 4: The overall defect rate was defined as per the performance of plants I and II and CBC Plant at 2%, 6.7%, and 5.2% respectively during January-October in 2022. The annual targets for 2023 are 1.8%, 5.5%, and 12% respectively (a higher target is set for the CBC Plant due to the trial mass production of new products).

Product Quality System

Product quality is the foundation for USI's sustainable development. To provide customers with products and services of excellent quality, USI has established the ISO 9001 QMS. Apart from building stringent management systems in the "production-distribution plan," "materials incoming inspection," "production/manufacture," and "inspection/ judgement," we establish the quality database system and process data database PI system with the information technology. In addition to providing information of real-time monitoring and process parameters to ensure the final quality of products, these systems help produce statistics, analyze, and trace product quality, process parameters, and materials quality.

In addition, the management of change (MOC) information system ensures stringent evaluation and management of process changes to ensure risk-less changes to stabilize process and product quality.



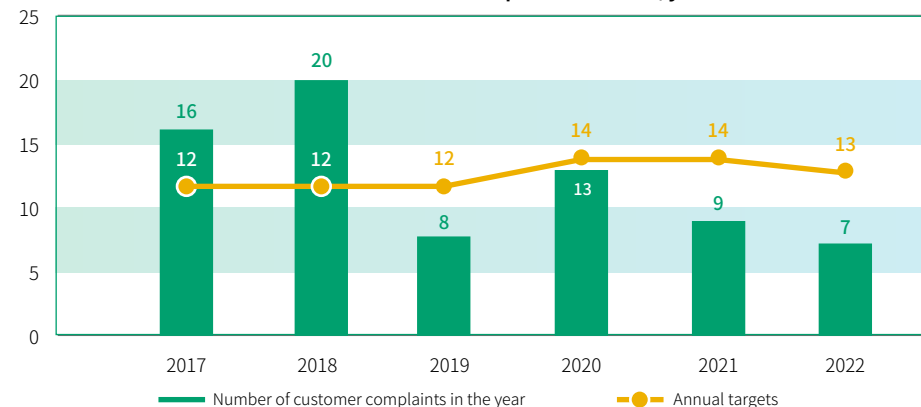
Major Quality Improvement Projects

2022 Items	2023 Items	Contents and Schedules for 2023
Increase the proportion of new catalyst products at Plant II and promote products to customers.	Continuously adjust the production parameters of the new catalyst products of Plant II for quality optimization.	<ul style="list-style-type: none"> Inorganic residue reduction, high quality, customer promotion, customer satisfaction enhancement Projected completion in December 2023
Plant I M/P renewal	Plant I M/P renewal	<ul style="list-style-type: none"> Equipment reliability and quality stability enhancement Projected completion in September 2023
Debottleneck the automation compounding equipment	Develop new products and improve product properties.	<ul style="list-style-type: none"> Improve quality and property to raise customer satisfaction. Projected completion in December 2023
Plant I Catalyst Pump Renewal	Plant I Catalyst Pump Renewal	<ul style="list-style-type: none"> Equipment reliability and quality stability enhancement Projected completion in March 2024
Continuation of product dewatering unit construction, with projected completion in April 2023.	Continuation of product dewatering unit construction, with projected completion in April 2023.	<ul style="list-style-type: none"> Enhance production stability/prevent emergency stop Projected completion in April 2023
	Blower heat exchanger replacement at Plant I	<ul style="list-style-type: none"> Avoid product contamination Projected completion in December 2023
	Product conveying pipeline replacement at Plant II.	<ul style="list-style-type: none"> Reduce defective products and raise customer satisfaction. #Projected completion in June 2024

To ensure ongoing “employee quality improvement,” “technology advancement,” and “TQM approach optimization,” we encourage employees of all levels to engage in and propose improvement. We also organize group-wide improvement case presentations to encourage employees to embark on self-growth and plants to learn from one another. In 2022, a total of 5 important quality-related improvement projects were implemented.

Quality improvement is a persistent process. With continual enhancement of product yield rate and continual reduction of customer complaints as the long-term goals, we have achieved the yield rate goal in recent years. For self-optimization, we raise the yield rate target every year. Through long-term improvement, customer complaints have also reduced continuously.

Confirmed customer complaints: count/year



Note: We began to separate the customer complaint targets for plants I and II in 2020, 6 and 8 respectively.

3.3 Supply Chain Management GRI 3-2, 3-3, 2-6, 2-25

Material topics: Supply chain management; Corresponding sustainability principle: Sustainable development

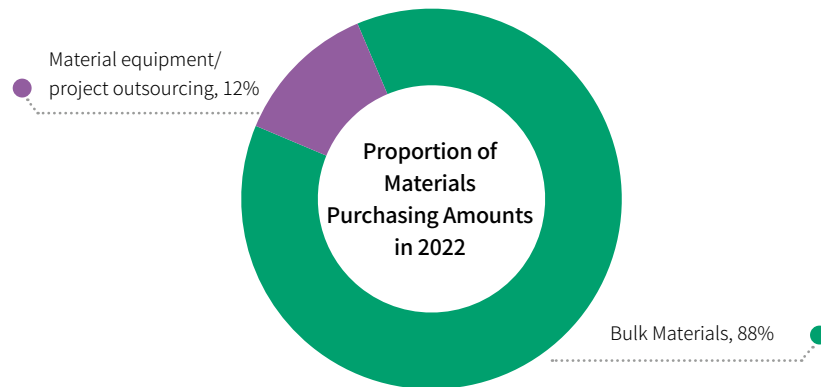
Significance and Strategy	Impact Management	Achievement and Goal	Management
<p style="text-align: center;">Significance to USI</p> <hr/> <p>As an indicative business in Taiwan, apart from pursuing profit, it is also our responsibility and obligation to assume the sustainable supply chain responsibility together with suppliers.</p> <p style="text-align: center;">Strategy</p> <hr/> <p>Establish the mechanism for supply chain sustainability risk assessment and prevention to develop a supply sustainability management culture.</p> <p style="text-align: center;">Commitment</p> <hr/> <p>We are committed to developing communication channels with suppliers to increase the opportunities for opinion exchange so as to achieve environmental protection, industrial safety, and human rights for sustainable operations together with suppliers.</p> <p>USI coverage 100%</p>	<p style="text-align: center;">Short-, Medium- & Long-Term Positive/Negative Impacts</p> <hr/> <ul style="list-style-type: none"> · Short-term positive actual impact: Enhance supply chain management and improve raw materials quality. · Long-term negative potential impact: Supply delays caused by international situations. <p style="text-align: center;">Impact Boundaries</p> <hr/> <p>Global materials and engineering contractors and customers.</p> <p style="text-align: center;">Process to Remediate and Prevent Negative Impacts</p> <hr/> <p>Advance procurement, increase safety stock, and source alternative suppliers.</p>	<p style="text-align: center;">2022 Goals</p> <hr/> <ol style="list-style-type: none"> 1. Added the Supplier ESG Commitment as a requirement for new supplier evaluation. 2. Promoted transportation safety and quality audit. <p style="text-align: center;">2022 Achievements</p> <hr/> <ol style="list-style-type: none"> 1. Added the Supplier ESG Commitment as a requirement for new supplier evaluation 2. Grade A in the transportation safety and quality evaluation of transportation contractors. <p style="text-align: center;">2023 Goals</p> <hr/> <p>Develop the “Supplier Sustainability Self-Assessment Questionnaire” for suppliers to determine compliance with the regulations through self-assessment.</p> <p>Ensure all suppliers sign the “Supplier ESG Commitment”.</p> <p style="text-align: center;">Medium- & Long-Term Goals</p> <hr/> <ol style="list-style-type: none"> 1. Conduct on-site audits on 2 suppliers each year and include the sustainability self-assessment questionnaire in the on-site audit. 2. Based on the on-site audit results, build an opinion exchange platform with suppliers and ask related USI professionals to make recommendations for their inadequacies and help them make corrective planning. 	<p style="text-align: center;">Effectiveness Assessment</p> <hr/> <ol style="list-style-type: none"> 1. Annual report 2. Governance evaluation 3. ESG Report <p style="text-align: center;">Grievance Mechanism</p> <hr/> <p>The group audit division has a grievance hotline and a suggestion email on the corporate website for filing grievances.</p> <p style="text-align: center;">Evaluation of the management approach</p> <hr/> <p>Internally, conduct supplier evaluation and project construction evaluation periodically, discuss the results, and make adjustments; externally, hold irregular supplier opinion exchange conferences to discuss and share opinions on unspecific topics.</p>

Supplier Sustainable Development Strategy and Goals

As an indicative business in Taiwan, it is our responsibility to call on suppliers to jointly undertake corporate social responsibility. Therefore, we have established the Supplier ESG Commitment to request suppliers to make commitments for compliance with human rights, industrial safety, health, environmental protection, and conflict minerals.

With the rise in the awareness of the issues related to sustainable development and supply chain risk management, apart from proactively performing social responsibilities and contributing to society, we have realized the need to understand the ESG impacts on our suppliers so as to implement supplier management.

Sustainable Development



Supply Chain Sustainable Development Policy

- Optimize partnership and share sustainable business opportunities
- Enhance workplace safety and enforce environmental protection
- Take social responsibility and enhance competitiveness

Supply Chain Risk Management



Risk Assessment and Prevention

- In addition to the supply chain safety requirements, review the special conditions (including chemical process risk, handling premises, fugitive emissions of VOCs, and the operation of environmental controlled substances) of chemical suppliers.
- Establish long-term cooperation with suppliers; cultivate a second source or multiple sources and maintain cooperation to coordinate long-term material preparation.
- Develop an internal safety stock mechanism and set a purchase base point according to the supply schedule to prevent the risk of supply disruption.
- Purchasers implement education/training for the sustainable supply chain.
- HSE education/training for contractors.
- Implement the supplier sustainability self-assessment questionnaire to provide information for initial risk assessment.

Impact Response

- Adjust the supply proportion of suppliers, timely supplement or dispatch from other suppliers.
- For construction projects, the ESH unit immediately investigates personnel safety, equipment damage, and environmental impact. After consolidation, the ESH unit will hand over the results to related units to address and understand the situations.

Future Planning

- Apart from setting chemical suppliers as the focus, a risk assessment mechanism will also be established based on the procurement amount, project outsourcing amount, or project importance, and the on-site audit results of the said sustainable development strategy.
- Control and guidance will be arranged based on the above risk assessment mechanism and the assessed risk levels.

Performance of Supply Chain ESG Risk Management

Risk and Attribute	Supplier (chemicals)	Project Contractor
	Environmental (E), social (S), and governance (G)	
Potential Risk	<ul style="list-style-type: none"> a. Chemicals manufacturing process (E) b. Dusty, high-temperature, noisy, and humid operating premises (E) c. Risk of fugitive emissions of risk (E) d. Labor-intensive industries (S) e. Supply chain disruption/delay risk (G) f. Quality risk (G) 	<ul style="list-style-type: none"> a. Dusty, high-temperature, noisy, and humid operating premises (E) b. Work at height risk (E, S) c. Labor-intensive (S) d. Industrial safety risk of cutting or welding (S) e. Project disruption/delay risk (G) f. Project quality risk (G)
Number of audited and visited suppliers	Trial audits of 2023	
Audit Details	<p>Environmental (E): Regulatory compliance of the manufacturing and storage of environmentally controlled substances.</p> <p>Governance (G): Management of quality, production, and orders; customer satisfaction follow-up; employee education and training; and management of outsourced processing.</p>	Implemented alongside the project construction evaluation of contractors. In 2022, we evaluated 147 contractors, and all passed the evaluation.

Promotion of Supplier's Code of Conduct (Supplier ESG Commitment)

GRI 308-1, 414-1

In 2020, we added the Supplier ESG Commitment as an incentive. From 2022, the Supplier ESG Commitment is a prerequisite for all new suppliers to become a qualified suppliers. There were eight new suppliers in 2022, making up to a total of 43 suppliers signing the commitment.

Supplier's Code of Conduct and Quality Requirements Self-Assessment Form

GRI 308-1, 308-2, 414-2

To enhance supplier control, we have planned on-site supplier audits in 2023 and introduced the Supplier's Code of Conduct and Quality Requirements Self-Assessment Form. Major domestic suppliers will be the priority targets for the investigation of negative environmental and social impacts.

Five major aspects of self-assessment



Labor and human rights



Health and safety



Environment and resources



Ethics and integrity



Management and quality system

Currently, major feedstock suppliers and contractors Taiwan CPC and Dairen Chemical and partner CTCI have become our sound sustainable developer corporate suppliers. We implement “proactive risk management” to investigate the potential negative impacts of suppliers. On top of irregularly retrieving the environmental offence records of manufacturers published on the government websites and website of Green Citizens’ Action Alliance to find if suppliers have violated the above regulations or if there is related news of them, we plan to conduct on-site audits together with the Supplier’s Code of Conduct and Quality Requirements Self-Assessment Form on two suppliers each year from 2023 to assess if they will cause negative or potential impacts on the Company (e.g., sanctions by the competent authorities and operation shutdown). We also recommend the following solutions for their excellent performance or the potential negative impacts and risks caused by legal offences or defects:

Offence or defect records: We provide guidance for improvement for offences or defects. Where suppliers refuse or delay to make corrections, we will adopt risk control and response measures, such as degrading them or finding alternative suppliers.

Suppliers with excellent performance and without offence of defect records: Hold opinion exchange meetings to exchange the strengths and opinions of both parties.

SCM mechanism

With quality, ability, and environmental policy as conditions, we perform corporate social responsibility in collaboration with outperforming suppliers on a long-term basis. We also communicate with contractors and transporters our environmental policy, comply with the EU’s RoHS directive, enhance environmental education and training, and care about the safety of contractors working in our plants in order to ensure the safety of all operations, protect the life, safety, and health of personnel, and optimize risk management.



SCM mechanism

<https://www.usife.com/ESG/zh-tw/ESG52.aspx>



Smart materials supplier management

GRI 308-1, 414-1

At USI, supplier evaluation is implemented centrally by the procurement department, and only suppliers passing the evaluation are included in the Quality Supplier List. Please visit our [ESG website](#) for the details of the evaluation mechanism.

Sources of Major Materials in 2022

Locations/Materials	Ethylene	VAM
Taiwan	73%	78%
Foreign	27%	22%
Source	6 domestic and overseas suppliers in total.	3 domestic and overseas suppliers in total.

Note: The percentage in the table represents the proportion of purchasing amounts of bulk materials.

Results of Raw Materials Supplier Evaluation 2020-2022:

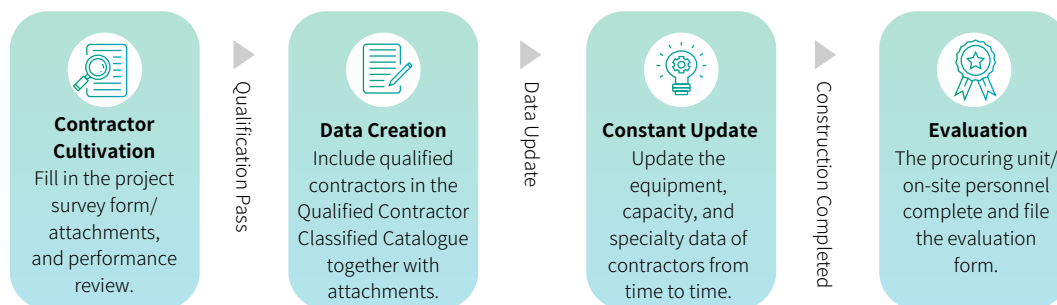
Year	2020	2021	2022
Suppliers Evaluated	76	51	83
Pass Rate	100%	100%	100%

In 2022, we evaluated a total of all 83 suppliers, and the pass rate was 100%.

Management of construction contractors

We outsource construction contracts mainly to local contractors, and on-site personnel of the plant supervise and manage them during the construction period. In addition to construction projects, we care about HSE, occupational safety, human rights and labor practices.

Establishment of a qualified contractor selection process:



Contractor qualification items:

Capital	Total Amount of Two Major Projects in the Last 2 Years	Cumulative Amount of Projects each over NT\$200K in the Last Year	Factory Scale	Amount of Equipment Investments	Numbers of employees
10%	20%	10%	20%	20%	20%

Project construction evaluation: During project construction, we will evaluate a contractor according to the following ESG standards:

Construction quality	Safety and health measures	Coordination performance	Site manager	Environment maintenance	Construction progress
40%	20%	10%	10%	10%	10%

Note 1: The pass mark is 50 points. We will stop enquiries from contractors with a score of 30-49 points for one or two years and disqualify contractors with a score below 30 points.

Note 2: (E), (S), (G) represent respectively environmental, social, and governance aspects.

Results of Construction Contractor Evaluation

Year	2020	2021	2022
Suppliers Evaluated	122	112	147
Pass Rate	100%	100%	100%

Product transportation management evaluation

All products from Kaohsiung Plant are transported by De Yuan Transport Ltd. Apart from the hazard identification of forklift operation when product loading for shipping, we also implemented the AI industrial safety image recognition system together with partners to effectively detect if operators use personal protective equipment (PPE) properly. Additionally, we began implementing the transportation safety quality evaluation in 2020 to evaluate contractor safety management and performance. The evaluation result of 2022 was A (please refer to [5.1 In-house product loading safety management](#) for details). We also co-implement the [plastic resin pellet collection program](#) to reduce microbeads from harming marine ecology.



Green Procurement

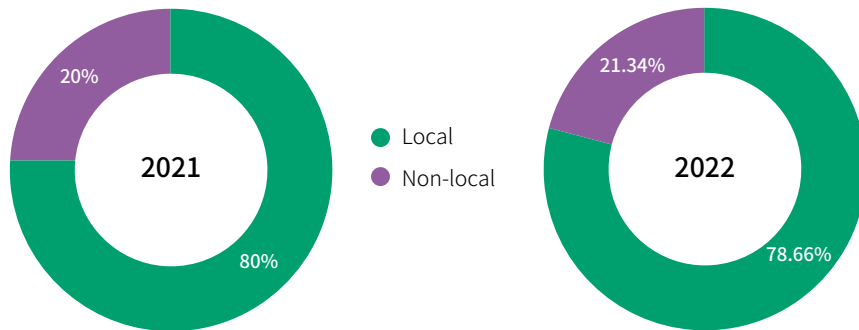
<https://www.usife.com/ESG/zh-tw/ESG54.aspx>



Support for procurement from local suppliers

Taiwan is our operational and production base. When the procurement conditions are similar, we prioritize procurement from local suppliers in order to achieve the following goals:

- ✓ Establish long-term, sustainable cooperation
- ✓ Promote local economic development
- ✓ Increase job opportunities
- ✓ Reduce transportation processes

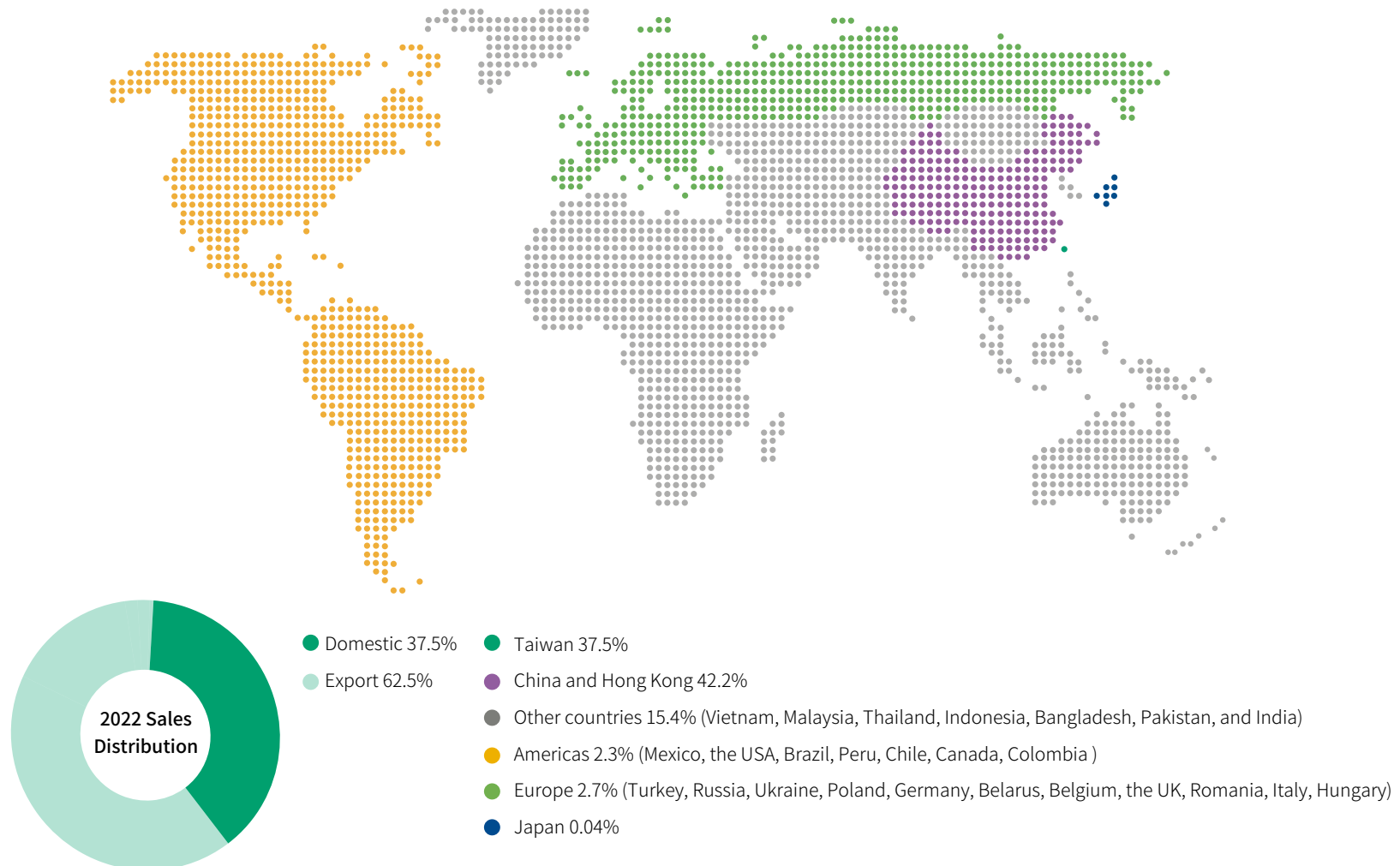


Energy-efficient and eco-friendly equipment

In addition to continuously promoting environmental protection and energy conservation policies, we have been encouraging all units to use energy-efficient and eco-friendly materials in recent years. These materials include energy-efficient devices (e.g., inverters, high-performance IE3 motors, anti-explosion LED lighting fixtures, aircon chillers, UPS) and ecolabel products (e.g., energy-efficient and eco-friendly IT equipment). The amount of energy-efficient products procurement in 2022 was NT\$9.6 million.

3.4 Sales and Customer Services GRI 2-6

USI products are distributed mainly to a total of 298 customers in Europe and Asia. Products exported by ranking are EVA, HDPE, LDPE, and LLDPE. The chart below shows the sales distributions and market distributions of USI products in 2022. All were calculated by sales volume.



Sales Services



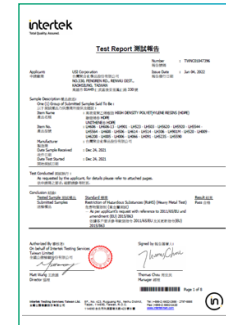
Technical Support

- Establishing the “Customer After Sales Technical Service Policy”
- In the “Product” section of our corporate website, we provide complete information regarding the specifications, properties, functions, application manual, and safety data sheet (SDS) of our current and new products
- Setting up an enquiry hotline
- In 2022 no legal noncompliance or fine in relation to product labeling was reported. GRI 419-1
- Providing customers with a small quantity of samples for test runs and continuous technical support



Product Responsibility

- All USI products comply with the Restrictions on Hazardous Substances (RoHS)
- Provision of quality inspection reports as requested by customers



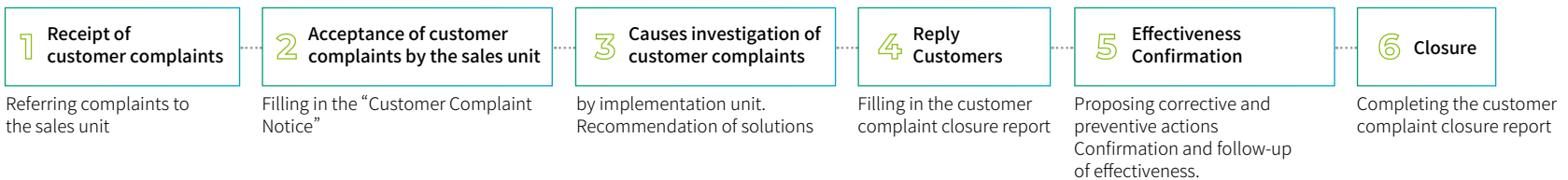
Customer Privacy

- To ensure the security and correct use of customer information, the Group Information Systems Division has established a series of regulations regarding information security management, including the General Provisions for the Information Security Management Policy, System Development and Maintenance Management Regulations, Directions for Going Live Management of Application Systems and Programs, and Directions for Database Management to protect and control all types of privacy information in terms of information security management. Moreover, we have strengthened privacy protection to prevent exposure of information by reinforcing firewall management, privilege control, segregation of testing environments and operating environments, and de-identification of data containing personal information.
- In 2022 no damage or leakage of customer privacy was reported.



Customer Complaints

- Establishing the “Customer Complaint Handling Procedure” to process all customer complaints about products.
- Customer complaints processing procedures



- We have adopted the following procedures to ensure that all customer complaints are addressed and resolved: computer processing and recording of customer complaints processing; discussion of each complaint at the monthly meeting; effective implementation of quality improvement activities; dedicated personnel for cause analysis, follow-up of corrective and preventive actions, and tracing the effectiveness of corrective and preventive actions.

Customer Satisfaction

Survey Frequency

A customer satisfaction survey is conducted semi-annually.

Sampling Method

Fifty, including 30 domestic buyers and 20 overseas buyers, from the top one hundred buyers by purchasing quantity are surveyed during the H1 and H2 of each year.

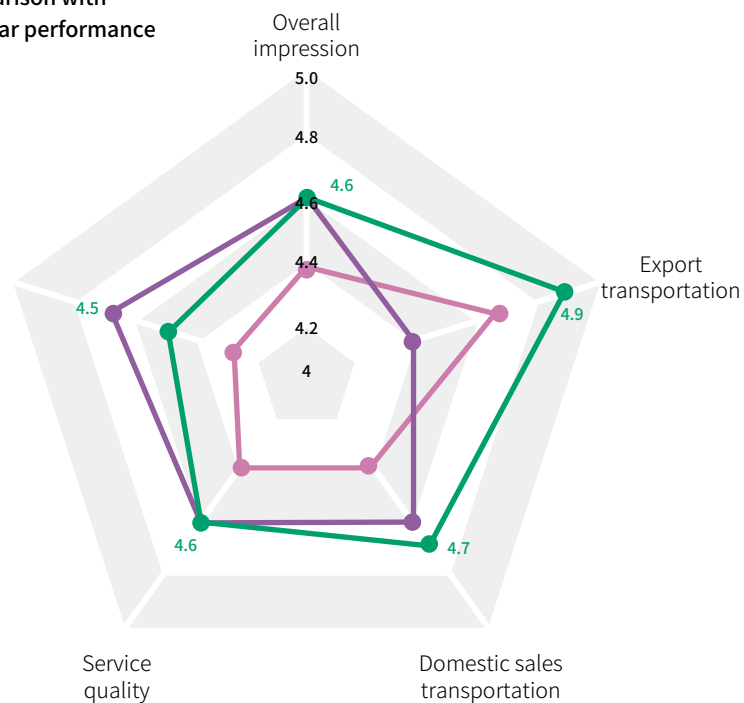
In 2022, all aspects were above the “satisfied” level, and up to 98.9% of investigation feedback for investigations in the year was either “highly satisfied” or “satisfied,” achieving the 2022 target ($\geq 94\%$).

The charts below show the survey results in “comparison with other suppliers” and “comparison with the previous year performance” in the past three years.

Comparison with other suppliers



Comparison with last year performance



Contents and Results

Note: “5” for highly satisfied; “4” for satisfied; “3” for fair; “2” for unsatisfied; and “1” for highly unsatisfied.