



Part 5

Cheng Shin as A Whole Family

Key Performance

Taiwan Employment 99 Constituent Stocks

- ◆ Listed as the "Taiwan Employment 99 Constituent Stocks"

Talent Quality Management System (TTQS) - Gold

- ◆ We have also been awarded the "Talent Quality Management System (TTQS) - Gold" by the Workforce Development Agency.

Talent development

- ◆ (Taiwan region) Employees training, average 169 classes per month, with an average training hours per employee of 8.84 hours.
- ◆ (Mainland region) Employees training, with an average training hours per employee of 21.9 hours.

5.1 Employee Care Policy

As the No. 1 tire manufacturer for Chinese and one of the top ten tire manufacturers in the world, Cheng Shin has been developing its overseas business vigorously. In addition to its continuous development in Taiwan with nearly 6,000 employees in Taiwan and being listed as the "Taiwan Employment 99 Constituent Stocks" (Note), Cheng Shin also promotes overseas development and actively cultivates local talents.

In addition to protecting the basic rights of every employee, occupational safety training and special health checks are also provided to ensure the physical and mental health of each employee in the workplace. Besides, Cheng Shin provides professional training courses and a multi-benefit system for employees. We look forward to the potential of all employees to realize themselves and make achievements in Cheng Shin in a perfect and friendly workplace.

Note: "Taiwan Employment 99 Constituent Stock" refers to the 99 constituent stocks of listed companies selected by the Stock Exchange and its cooperative organizations from among the listed companies whose parent company in Taiwan employs the largest number of employees. The constituent stocks are screened by the "number of employees" and the weight of the constituent stocks is determined accordingly. For related information, please refer to: <http://www.taiwanindex.com.tw/index/index/EMP99>.

Cheng Shin’s Partner

The recruitment and employment of talents by Cheng Shin do not differ by race, gender, age, religion, nationality or political party. By the end of 2020, the total number of employees in Cheng Shin’s head office in Taiwan was 5,904, and the ratio of females to males was 1:5.5. In the mainland, there was a total of 4,217 employees in Kunshan and Chongqing plants, and the ratio of females to males was 1:2.2. Due to the characteristics of the industry, the proportion of female employees was relatively low. More than 97% of the total number of employees were formal employees, and the informal employees were all dispatched employees, part-time students, or outsourcing employees. There were 66 employees with physical and mental disabilities in Taiwan region, with a proportion of 1.12%, up to the legal standard.

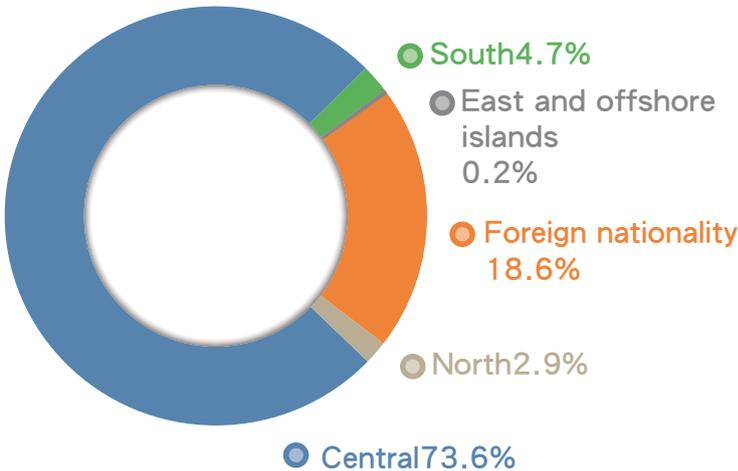
Cheng Shin’s employees, including the senior management, accept the fair and rigorous performance appraisal mechanism, and take it as the basis for promotion and reward. In terms of employment, it aims to recruit talents and create a multi-cultural environment, and takes local employment and feedback as the principle.

Number of Staff

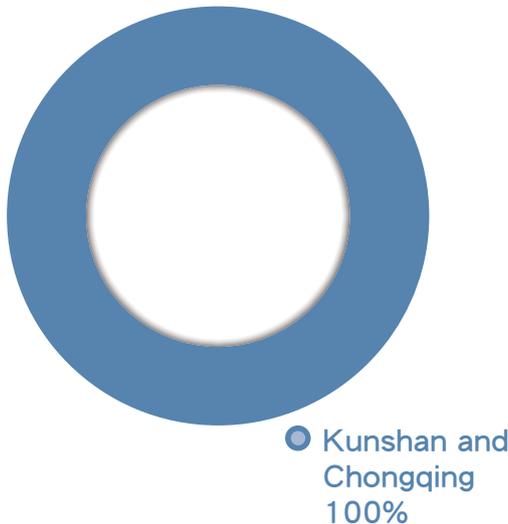
Distinguish by employment contract, gender, and region:

| Type | Taiwan Region | | Mainland Region | |
|-------------------|---------------|--------|-----------------|--------|
| | Male | Female | Male | Female |
| Formal Employee | 5,001 | 90 | 2,803 | 1,287 |
| Informal Employee | 0 | 3 | 89 | 38 |
| Subtota | 5,001 | 0 | 2,892 | 1,325 |
| Total | 5,904 | | 4,217 | |

Proportion of Employees in Taiwan Region



Proportion of Employees in Mainland Region



New Employees and Former Employees

Based on the total headcount at the end of 2020, the total number of new employees in Taiwan Region accounted for 8.9%, and that of former employees accounted for 17.2%, while the total number of new employees in the mainland region accounted for 40.1%, and that of former employees accounted for 56%. The high proportion of new employees in mainland region was due to the changes in the local labor market and industrial environment.

New Employees in 2020 (persons)

| Gender | Age | Taiwan Region | Mainland Region |
|--------|----------|---------------|-----------------|
| Female | <30 | 45 | 270 |
| | 30-49 | 56 | 163 |
| | 50-70 | 0 | 0 |
| | Subtotal | 101 | 433 |
| Male | <30 | 205 | 952 |
| | 30-49 | 209 | 306 |
| | 50-70 | 10 | 0 |
| | Subtotal | 424 | 1,258 |

Former Employees in 2020 (persons)

| Gender | Age | Taiwan Region | Mainland Region |
|--------|----------|---------------|-----------------|
| Female | <30 | 52 | 353 |
| | 30-49 | 77 | 299 |
| | 50-70 | 11 | 5 |
| | Subtotal | 140 | 657 |
| Male | <30 | 337 | 1,195 |
| | 30-49 | 502 | 516 |
| | 50-70 | 34 | 0 |
| | Subtotal | 873 | 1,711 |

5.2 Human Rights Policy and Labor-Management Relations

| Item | Management Policy |
|--------------------------|---|
| Importance | <ul style="list-style-type: none"> Cheng Shin actively attaches great importance to and guarantees employees' rights and interests. Only by establishing good labor-management relations and improving working conditions while pursuing work efficiency can we create stable and sustainable growth of production capacity and brand value. |
| Policy/Commitment | <ul style="list-style-type: none"> Cheng Shin's working rules. |
| Goals and Targets | <ul style="list-style-type: none"> Promote harmonious labor-management relations, and create a win-win situation. |
| Responsibility | <ul style="list-style-type: none"> Human resources departments, trade unions. |
| Resources | <ul style="list-style-type: none"> Organize labor-management meeting Employee benefit expenses |
| Communication Channels | <ul style="list-style-type: none"> Employee complaint mailbox/special line |
| Action Plan | <ul style="list-style-type: none"> Formulate working rules Establish labor unions Labor-management meeting Provide employee benefits that are superior to regulation requirements |
| Effectiveness Assessment | <ul style="list-style-type: none"> Employee satisfaction survey Taiwan Employment 99 Constituent Stocks |

Human Rights Policy

It is stipulated in the Working Rules of Cheng Shin that no one under the age of 15 shall be employed as Cheng Shin's employee. During the period from 2014 to 2020, Cheng Shin has not hired any child labor, nor has it involved any complaint case relating to the employment of child labor. Under the Labor Standards Act in Taiwan, forced labor is prohibited; the same applies to expatriate employees. In 2020, Cheng Shin had no violation of labor laws and regulations at any of its operating stations. In addition, in order to protect employees' rights and interests and provide a workplace environment free from sexual harassment, Cheng Shin has also established management mechanisms such as measures to prevent and control sexual harassment, complaints, and disciplinary measures. One of the items under our annual raw material supplier audit also prohibit suppliers from hiring child labor, and their employee recruiting and hiring process should comply with the Labor Standards Act. In 2020, there were no violations by our suppliers.

Labor Union Organization

To improve working efficiency and working conditions and promote the harmony between labor and management, Cheng Shin has established a labor union according to the local laws and regulations, and all employees are guaranteed by the collective agreement signed between Cheng Shin and the labor union.

By the end of 2020, unionized employees were as follows: 2,400 unionized employees in Taiwan region, accounting for 40.7% of the total number of employees; a total of 3,275 unionized employees Kunshan Plant, accounting for 100% of the total number of employees. Chongqing Plant is a newly built factory with no labor union, but it also manages in accordance with regulations and establishes complaint channels to actively protect the rights and interests of employees.

Percentage of Unionized Employees by 2020

| Region | Percentage of Unionized Employees by 2020 |
|--|---|
| Taiwan Region | 40.7% |
| Mainland Region (excluding Chongqing Plant) | 100.0% |

Minimum Notice Period

Any adjustment of labor conditions and the annual leave plan of Cheng Shin shall be approved by the labor union. All business activities shall comply with local laws and regulations. Rules for major changes to employees' work are as follows:

Taiwan Region implements in accordance with the Labor Standards Act. The minimum notice period based on the employee's seniority is as follows:

If an employee has worked continuously for three months, but less than one year, the notice shall be given 10 days in advance. If an employee has worked continuously for more than one year, but less than three years, the notice shall be given 20 days in advance. If an employee has worked continuously for more than three years, the notice shall be given 30 days in advance.

For the mainland region, in accordance with the local rules and regulations and the Labor Contract Law, under any of the following circumstances, if it is necessary to lay off more than 20 employees or less than 20 employees but accounting for more than 10% of the total number of employees of the enterprise, the employing unit may make the layoff only after it has explained the situation to the labor union or all the employees 30 days in advance and taken the opinions of the labor union or the staff and workers, and the layoff plan has been reported to the labor administrative department.

1. Reorganize in accordance with the provisions of the Enterprise Bankruptcy Law.
2. Serious difficulties occur in production and business operation.
3. The layoff is still necessary after the alteration of the labor contract due to the change of production, major technological innovation, or adjustment of the mode of operation.
4. Other major changes in the objective economic conditions on which the labor contract is concluded have occurred, resulting in the impossible performance of the labor contract.

Labor-management meeting

In addition, in order to coordinate labor-management relations, promote labor-management cooperation and improve working efficiency, Cheng Shin holds labor-management meetings on a regular basis in accordance with the implementation rules of labor and management meetings and holds temporary meetings in case of major labor and management cases to ensure smooth and fair communication between labor and management.

Employee Communication Channels

Cheng Shin requires that all operation activities shall be in compliance. If employees encounter relevant problems, they can complain to the Human Resources Department or apply to the local government for labor mediation. In 2020, there were no complaints related to labor conditions and human rights in Taiwan Plants, Kunshan Plant, and Chongqing Plant, such as freedom of association, discrimination, child labor, and sexual harassment. The complaint channels and mediation events are described as follows:

Complaint channel of Human Resources Department

Taiwan region:

Complaint line: (04)8525151#321

Special e-mail address for complaint: cster@mail.cst.com.tw

Physical complaint mailbox

Mainland region (Kunshan Plant):

Complaint Tel: 0512-57673888-8102 (HR) /8119 (Labor Union)

Employee feedback platform: http://www.maxxis.cn/wechat/MxFeedback/auth_wechat.asp

Physical complaint mailbox

Mainland region (Chongqing Plant) :

Chongqing Labor Dispute Arbitration Committee, Changshou District Labor Supervision Brigade, Chongqing Human Resources and Social Security Network (Mayor's mailbox, Dayu website), Changshou District Yanjia Sub-district Office People's Mediation Committee.

Local Government Mediation Cases

Taiwan Region :

In cooperation with the revision of the government's one-by-one law, Cheng Shin has successively completed the program modification and control of the enhanced personnel information system, and all the working conditions have been improved. In 2020, there were four mediation cases, which were related to the salary settlement of employees after the termination of labor relations, and all cases were settled through mediation. In order to optimize the communication channels between Cheng Shin and employees, we will continue to promote employee care measures and strengthen the staff suggestions and feedback mechanisms to create stable and harmonious labor-management relations.

Mainland region (Kunshan Plant) :

In 2020, there were two labor arbitration cases, which were related to the payment of industrial injury treatment and have been settled through negotiation and mediation.

Mainland region (Chongqing Plant) :

In 2020, there were three labor arbitration cases, one of which is the employee's violation of Cheng Shin's rules and regulations, involving the dispute of physical examination leaving the post; One is the employee's illegal birth dispute with Cheng Shin; One is the dispute about termination of labor relations tentatively proposed by an injured employee, which has been settled.

5.3 Safe and Healthy Workplace

| Item | Management Policy |
|--------------------------|--|
| Importance | <ul style="list-style-type: none"> Employees are the most important assets of a company, and the occupational health and safety of employees is the key basis for a sustainable employee-employer relation. The "safety" of employees is our top priority, and the health care and promotion of employees and the optimization of the working environment are the direction of our continuous efforts. |
| Policy/ Commitment | <ul style="list-style-type: none"> Union constitution: It stipulates that the labor union shall promote labor safety and health and the benefits of its members. Occupational safety and health management plan, health management, and promotion plan. |
| Goals and Targets | <ul style="list-style-type: none"> Strengthen the occupational safety of employees, reduce the frequency of occupational accidents, and actively promote the health of employees. |
| Responsibility | <ul style="list-style-type: none"> Establish the Occupational Safety and Health Committee (Taiwan). Establish the Occupational Safety and Health Committee (mainland). |
| Resources | <ul style="list-style-type: none"> Education and training resources (including manpower, teachers, and training stations). Print propaganda signs. Introduce and build the management system. Assist in general and special health examinations. |
| Communication Channels | <ul style="list-style-type: none"> Employee complaint mailbox. |
| Action Plan | <ul style="list-style-type: none"> Education and training: General safety and health education for new employees, fire prevention and disaster prevention training, safety education for each unit, on-site hazard identification activities, etc. Propaganda signs: "Enhanced Safety Month" activities, hazard awareness, safety and health protection standards, etc. Management system: ISO45001 and CNS45001. General and special health examinations. |
| Effectiveness Assessment | <ul style="list-style-type: none"> On-site safety and health inspection. ISO45001 validation. |

Occupational Safety Committee

To promote the health and safety of employees, Cheng Shin Taiwan region has stipulated in their union constitutions that the union shall promote labor safety and health and the benefits of its members, and has set up the occupational safety and health management unit and the Occupational Safety and Health Committee in accordance with the Article 23 of the Occupational Safety and Health Act and Article 10 of the Measures for the Management of Occupational Safety and Health to supervise and coordinate the employee safety and health-related matters.

In accordance with the provisions of the Occupational Safety and Health Act, the employer shall be a de facto member of the Occupational Safety and Health Committee, Taiwan region shall appoint the management representative by the general manager to join the committee, and other members of the committee include occupational safety and health personnel, heads of departments, medical personnel engaged in labor health services, labor representatives, etc. The committee meetings are held on a regular basis to discuss and review Cheng Shin's occupational safety and health management plan, health management, and promotion plan and occupational disease prevention. The mainland region has set up an "Environmental Safety and Health Committee". In contrast to Taiwan region that management representatives shall be appointed by the general manager to join the committee, the mainland region has set up compliance labor safety and health facilities, established and improved the labor safety and health management system, formulated the safe operation process of each position, and provided labor protection equipment, and is committed to ensuring safe and healthy working conditions for workers.

| Occupational Safety and Health Committee | | | |
|---|---------------|------------------------------------|--------------------------------------|
| | Taiwan Region | Mainland region - Kunshan Plant | Mainland region - Chongqing Plant |
| Total Members of the Committee | 56 | 27 | 44 |
| Number of Labor Representatives (Note) | 30 | 21 | 24 |
| Proportion of Labor Representatives | 54% | 77% | 55% |

Note: Informal employees such as dispatched employees and part-time students are not included

Occupational Accidents Management

In 2020, a total of 18 accidents occurred in Taiwan region and 29 in the mainland region, and the main type of occupational accident was clamping injury.

Statistics on Occupational Accidents in 2020

| 2020 | Taiwan Region | | Mainland Region | |
|--|---------------|--------|-----------------|--------|
| | Male | Female | Male | Female |
| Gender | | | | |
| Number of Accidents Resulted in Business Suspension (Note 1) | 15 | 3 | 23 | 6 |
| Days Lost | 608 | 212 | 269.42 | 128.67 |
| Disability Injury Failure Rate (FR) (Note 2) | 1.47 | | 1.5 | |
| Disability Injury Severity Rate (SR) (Note 3) | 67 | | 40.1 | |

Note 1: Rest for more than 1 day (within 8 hours) due to occupational accident.

Note 2: Number of disability injury exposed per million person hours. $FR = \text{number of disability injuries} \times 1,000,000 / \text{total exposure person hours}$.

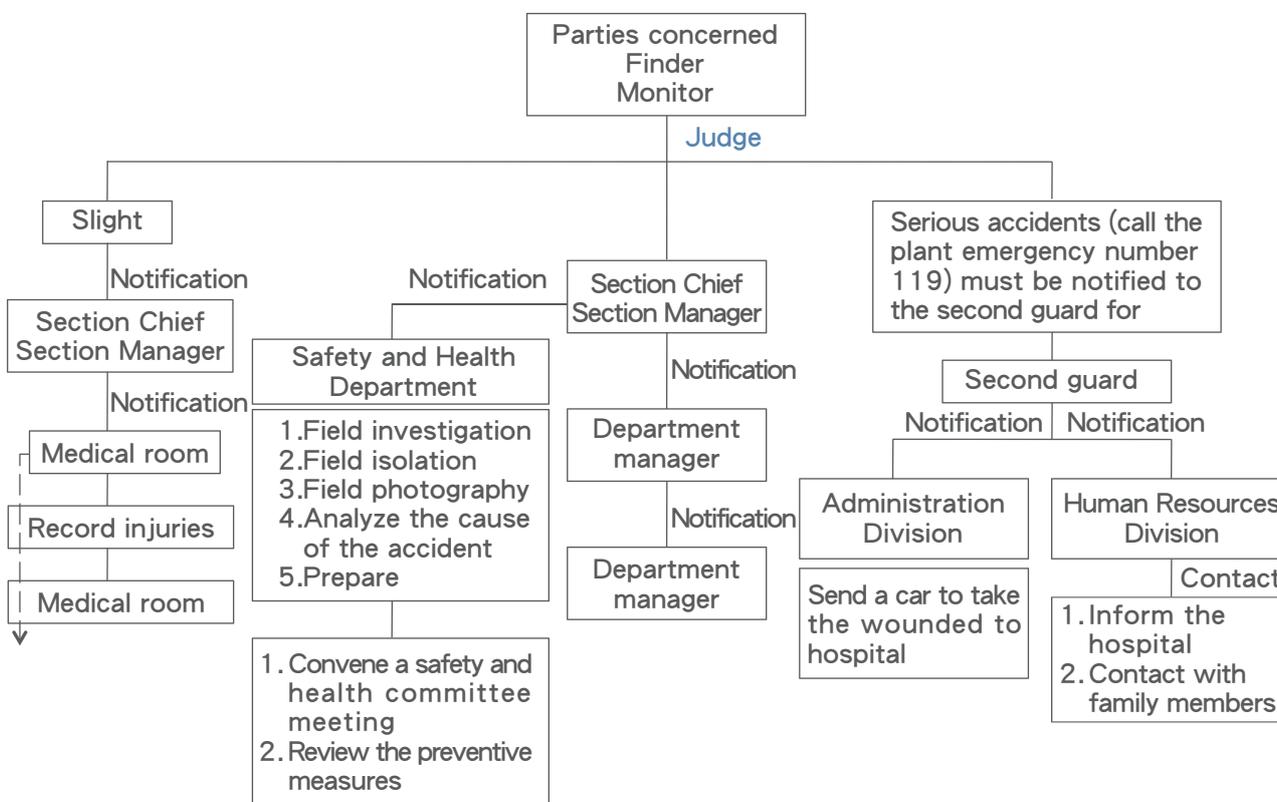
Note 3: Days lost of disability due to exposure per million person hours. $SR = \text{total days lost} \times 1,000,000 / \text{total exposure person hours}$.

Type of Occupational Disasters in 2020

| Type | Taiwan Region | Mainland Region |
|----------------------------------|---------------|-----------------|
| Clipping, rolling injury | 8 | 6 |
| Bruises | 3 | 3 |
| High and low temperature contact | 1 | 0 |
| Cuts and scrapes | 1 | 3 |
| Falls | 1 | 3 |
| Object falls | 1 | 0 |
| Flying objects | 0 | 0 |
| Others | 3 | 12 |

Cheng Shin has formulated provisions for handling disasters and accidents. In case of occupational accidents, except for first aid, the site supervisor shall report the accident to the plant in accordance with the regulations and carry out the investigation, improvement, and other operations of occupational accidents. The reporting procedures are shown in the figure below.

Reporting Procedures of Occupational Accident in Plant



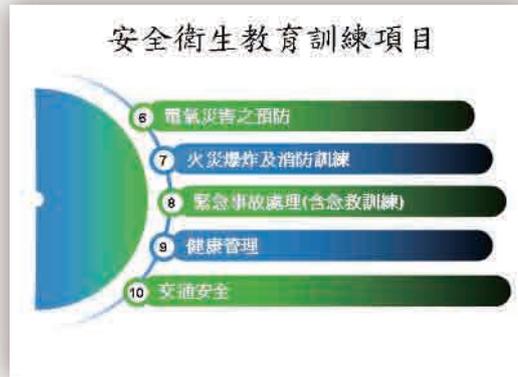
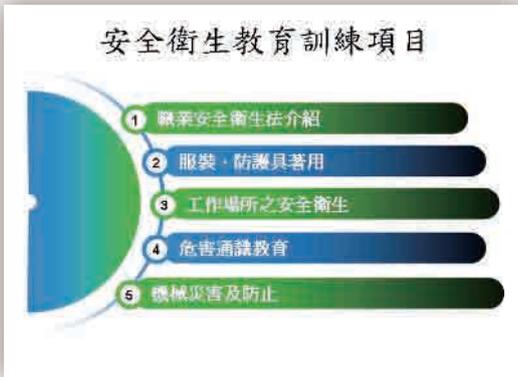
The increasing number of occupational accidents in Taiwan region in 2020 was mainly caused by the insufficient safety awareness of operators, most of which are caused by the failure to comply with standard operating procedures when removing abnormal conditions. At present, Cheng Shin is carrying out the "zero danger point activity" and actively organizing the on-site hazard identification activity. The supervisor points out the problem points with a caring attitude and reminds people to accept the questions raised by the supervisor with a grateful heart, working together to prevent disasters.

Occupational Safety Education and Training

Cheng Shin has made the following efforts to reduce the occurrence of occupational accidents:

Safety Education for New Employees

New employees shall receive general safety and health education (3 hours) upon completion of registration procedures.



Fire Fighting and Disaster Prevention Training

New employees are required to receive fire fighting and disaster prevention training after entering the factory to obtain fire fighting skills.



Safety Education of Each Unit

New employees shall receive the appropriate safety and health education and training related to his/her job after joining the unit.



Training Stations

Cheng Shin has set up training stations for new employees to receive job training. Only with qualified skills and cognition can they be on duty.



On-site Hazard Identification Activities

To improve workplace safety, Cheng Shin improves staff safety consciousness with all employees participating, false alarm proposal and 30 minutes safety observation of the duty system, identifies potential hazards to personnel, environment, machinery, and equipment on-site and proposes improvement measures, and creates a more comfortable and safe working environment by PDCA mode cycle, to prevent disasters in the future and ensure the safety of workers.

Note: "Duty system" in Japanese means taking charge of the site operation area, that is, the site operation supervisor.

1. identify and call to implement

Every day before work, the supervisor shall lead the staff to point out the dangerous spots, identify the dangerous areas, and remind the staff of the safe operation.

2.30 minutes safety observation of the duty system

The site supervisor shall conduct safety observation 30 minutes before daily operation, inspect the working environment and personnel conditions, detect the potential risk factors such as unsafe behavior or environment as early as possible, and take effective improvement countermeasures and corrective measures according to the observation results.

3.False alarm proposal

Effectively collect false alarms in the work area with the participation of all employees, identify them and propose corrective measures to prevent disasters and create a comfortable and safe workplace. If the proposal is approved, the proposer will be rewarded with points.



| 國壽事故提案單 | | 登錄編號: |
|--|--|--|
| 部 (分廠): | 製造部 | 日期: 100年1月30日 |
| 姓名: | 孫安泰 | 發生時間: 100年1月30日 15時00分 |
| 虛構事由(經過): | 安全標板因重疊在仍舊未超越,並造成障礙,到生路障礙,且未貼有安全全標,否則則有危險。 | |
| 虛構情形:(由提案主管填寫) | 改善建議: | 通過點數: <input type="checkbox"/> 認可 <input type="checkbox"/> 不認可 |
| <input checked="" type="checkbox"/> 已於 100年 1月 31日 完成 | 改善追蹤編號: | 受理人員: |
| <input type="checkbox"/> 未完成,以: <input type="checkbox"/> 改善計劃書 <input type="checkbox"/> 修護單 NO. <input type="checkbox"/> 專案改善 <input type="checkbox"/> 提案改善 <input type="checkbox"/> 聯絡單 | ok | 簽名: |
| 其他: | 提案分類:(本欄由主管人員填寫) | 簽名: |
| <input type="checkbox"/> 不安全的機械設備、設備圖則: | 工安室 | 課長 |
| <input type="checkbox"/> 不安全的環境 | 工安室 | 股長 |
| <input type="checkbox"/> 不安全的行為: <input type="checkbox"/> 自己 <input type="checkbox"/> 他人 | 工安室 | 班長 |
| <input type="checkbox"/> 不安全的作業流程、SOP編號: | 工安室 | 班長 |
| 其他: | 工安室 | 班長 |

Section Safety and Health Inspection Activities

To ensure the safety and health of the workplace, led by the department manager (deputy manager), together with the section chief and the designated supervisor, carry out the on-site safety and health inspection activities together, and put forward the improvement of the on-site safety and health according to the position and viewpoint of the senior supervisor.



Hazard Awareness

Set up safety billboards in obvious places on-site to publicize safety-related information for employees. Update hazard publicity materials in the cultural corridor at any time to enhance employees' safety awareness.



"Enhanced Safety Month" Activities

- ◆ Hold the "Safety Production Month/Enhancement Month" activities every year, organize a number of safety activities to enhance employees' safety awareness.
- ◆ Propose various activities and publicity to enhance staff safety awareness



Construction and Introduction of Occupational Safety and Health Management System

In order to implement the establishment and verification of the occupational safety and health management system, all units are invited to participate in the implementation organization, in which the CEO serves as a chairman. Each department has to assign a person responsible for the implementation, and jointly forms an implementation team to incorporate the system requirements into daily management projects. Such team was established in October 2015, led by a management representative to declare the determination to establish a management system, and subsequently completed the implementation of the personnel education and training, the early risk assessment, the determination of the occupational safety and health management system goals and objectives, the documents issuance for occupational safety and health management system, the verification and confirmation of the occupational safety and health management system performance (internal audit) and the external assessment and verification of the occupational safety and health management system. In May 2016, we obtained the OSHAS18001 and TOSHMS certificates. ISO45001:2018 was released in March 2018, Cheng Shin started the renewal at the end of 2018, and completed the ISO45001:2018 revision change verification in April 2019, and successfully obtained the ISO45001 and CNS45001 certificates.



ISO45001



CNS45001

Safety and Health Protection Standards

Make labels according to the safety and health-protective equipment required by different projects and post them in the plant, and note the foreign language translation to ensure the safety of all foreign workers in the factory.

On-site Safety and Health Inspection Activities

In case of any violation of occupational safety and health matters found by the staff of the safety and health department during the inspection in the plant from time to time, an improvement form of work safety and environmental protection shall be issued to blame the offending unit, and the offending unit shall report the cause, improvement measures, and recurrence prevention measures to the Security and Health Department within one week. The case will be closed after reexamination and confirmation by the Security and Health Department.



Employee Health Management

Continuous Health Monitoring

Each year in July, we offer health checkups to our employees pursuant to the Labor Health Protection Act at selected hospitals. The health examination for on-the-job workers includes general health examination (for general employees) and special health examination (for workers engaged in work with special health hazards). The health examination for long-term night workers was added from 2019. In 2020, 617 employees in Taiwan region received the special health examination, among which those with abnormal lung X-rays or abnormal "three highs" were notified for re-examination. In addition, Cheng Shin specially provide the logistics drivers with the annual checkups for night vision, visual field, electrocardiogram and heart-related functions, so as to prevent driving accidents caused by health factors. Local regulations in China do not require a general health check for employees, but Cheng Shin still provides a special health check for employees in the high-risk working environment. The Kunshan Plant has also introduced automated logistics and actively improved the working environment to enhance the health and safety management of employees. The number of employees receiving special health examinations in 2020 is shown in the table below. The employees checked with an abnormal result have been notified for re-examination. After the re-examination, the case can only be closed by handing in the medical certificate or receipt to the resident nurse. The hospital in charge of health examination can only issue the grading report of special health examination results after the completion of the re-examination.

Special health examination items:

| | | | | |
|-------|------------------|------|---|--------------------|
| Noise | High Temperature | Dust | N-hexane (organic solvent) (provided by the Taiwan region) | Ionizing Radiation |
|-------|------------------|------|---|--------------------|

Number of Employees Receiving Special Health Examinations in 2020

| Region/Number of Employees | Number of Employees Receiving Health Examinations | Number of Employees under Tracking |
|----------------------------|---|------------------------------------|
| Taiwan Region | 617 | 20 |
| Mainland Region | 609 | 68 |
| Total | 1,226 | 88 |

5.4 Employee Benefit and Care Remuneration and Benefits

Cheng Shin does not carry out differentiated management on the salary of employees by gender, race, religion, political stand, marital status, but adopts a fair and consistent attitude. And the salary is based on the labor market and regional salary situation, with the employee's position, education, work experience, seniority, and professional ability being taken into consideration. Cheng Shin assesses salary and decides promotions for employees on the basis of ability and performance. There is no gender difference in job bonuses.

The number of full-time employees in non-supervisory positions and the average salary in Taiwan region are disclosed as follows:

| Year | Total Employee Salary (NT\$ thousand) | Number of Staff-Annualized Average (person) | Employee Salary Average (NT\$ thousand / person) | Employee Salary Median (NT\$ thousand / person) | Earnings per share |
|------|---------------------------------------|---|--|---|--------------------|
| 2019 | 3,861,817 | 5,991 | 645 | 612 | 1.07 |
| 2020 | 3,884,754 | 5,861 | 663 | 624 | 1.85 |

Guided by the elite talent system, Cheng Shin re-checks the requirements of each position and concentrates the production capacity and salary with existing employees to increase the average salary by NT\$18,000/year and the median salary by NT\$12,000/year. In order to enhance employee well-being, in addition to the general salary, we also provide employee benefits superior to those stipulated by the government. According to nature, Cheng Shin's welfare can be divided into four categories: statutory benefits, welfare benefits, festival activities, and employee assistance as follows:

Statutory benefits: social insurance, public holidays, healthcare examination, medical consultation to attending physician, pension, and employee benefits

Employee assistance: medical aid, pension, condolence allowance, marriage/funeral/disability allowance, children's education incentive.



Welfare benefits: staff meals, uniforms, dormitory, parking lots, appointed stores, leisure space for staff activities.

Festival activities: cash gift of gift certificates for Spring Festival, Dragon Boat Festival, and Mid-Autumn Festival, year-end bonus, year-end dinner subsidies, self-improvement activity subsidies, etc.

Photos of various staff activities:



Taiwan region - occupational safety lecture



Mainland region - Presentation Ceremony of Cultivation Memorial Award in January Staff with 20 years of service



Taiwan region - football match



Mainland region - due to the epidemic, staff activities were held online. Include homemade snowflake pastry, DIY essential oil disinfectant, DIY lollipop, etc.



Taiwan region - participated in labor and management games in Changhua County

Paternity Leave

In order to make employees feel at ease about their work, Cheng Shin has provided paternity leave without pay for employees in accordance with laws. When an employee needs to take a long leave due to injury or illness, he/she can also apply for a leave without pay and then apply for a return to work after the leave, so as to accommodate the needs of personal and family care for the employee. For example, a total of 73 employees of Cheng Shin Taiwan region applied for paternity leave without pay in 2020, with a return rate of 95.7%. In 2019, 71.4% of such employees who had worked for one year returned to work after their paternity leave. The above information indicates that Cheng Shin can provide relevant assistance to the employees who have applied for paternity leave and returned to work, enabling them to accommodate the working environment. Cheng Shin provides employees with paternity leave according to law. The analysis of the number of employees applied for paternity leave in 2020 is as follows:

Taiwan Region

| Item | Number of male | Number of female | Total |
|---|----------------|------------------|-------|
| Total employees entitled to paternity leave in 2020 (A) | 399 | 101 | 500 |
| Employees applied for maternity/paternity leave in 2020 (B) | 36 | 37 | 73 |
| Employees expected to be on maternity/paternity leave in 2020 (C) | 24 | 23 | 47 |
| Employees returning from maternity/paternity leave in 2020 (D) | 23 | 22 | 45 |
| Employees returning from maternity/paternity leave in 2019 (E) | 6 | 15 | 21 |
| Employees still in service 12 months after returning from maternity/paternity leave in 2019 (F) | 4 | 11 | 15 |
| Rate of returning to work (D/C) | 95.8% | 95.7% | 95.7% |
| Retention rate (F/E) | 66.7% | 73.3% | 71.4% |

Mainland Region

| Item | Number of male | Number of female | Total |
|---|----------------|------------------|-------|
| Total employees entitled to paternity leave in 2020 (A) | 100 | 83 | 183 |
| Employees applied for maternity/paternity leave in 2020 (B) | 100 | 83 | 183 |
| Employees expected to be on maternity/paternity leave in 2020 (C) | 100 | 62 | 162 |
| Employees returning from maternity/paternity leave in 2020 (D) | 100 | 58 | 158 |
| Employees returning from maternity/paternity leave in 2019 (E) | 133 | 62 | 195 |
| Employees still in service 12 months after returning from maternity/paternity leave in 2019 (F) | 109 | 49 | 158 |
| Rate of returning to work (D/C) | 100.0% | 93.5% | 97.5% |
| Retention rate (F/E) | 82.0% | 79.0% | 81.0% |

Employee satisfaction

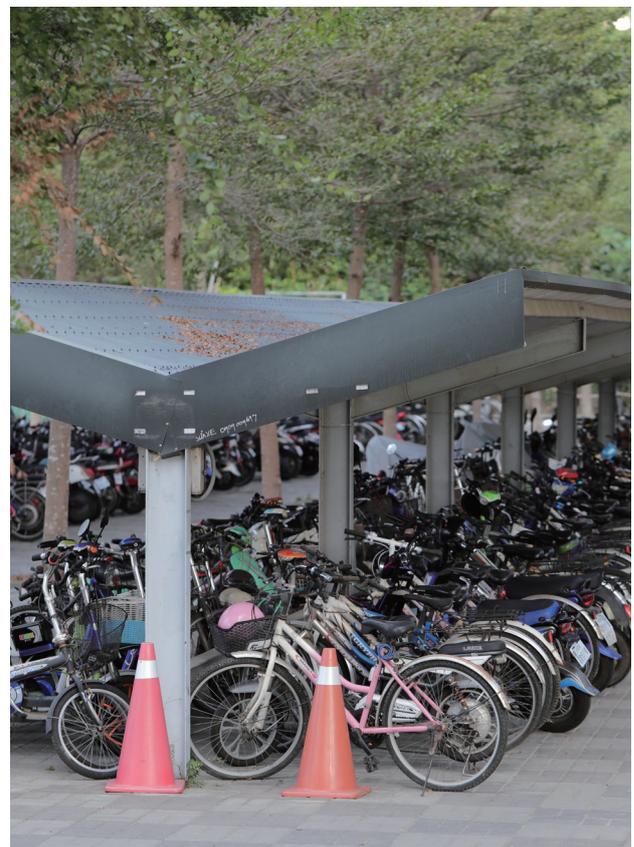
Cheng Shin Tire carries out employee satisfaction surveys on a regular basis, the contents of which include corporate system and culture, working environment, education and training, remuneration and benefits, etc. The employee satisfaction survey is regarded as one of the feedback channels for colleagues and used as the basis for the improvement of Cheng Shin's policies. In 2020, questionnaire design in Taiwan region continued to focus on the points to be improved. Suggestions on employee computer equipment and parking facilities of the improvement project were continuously optimized and improved. The average score of employee satisfaction in the 2020 employee survey in mainland region was 86.7, with the highest score of 88.3 for "employee group relationship". The item with a lower score was the improvement of diet, which has been prioritized for improvement project for adjustment.

Foreign Migrant Worker Care

There are 1,092 migrant workers from Vietnam, Thailand, Indonesia, and other places in Taiwan region. In addition to providing local meals in the dormitory, Cheng Shin also provides fitness facilities, cooking areas, and leisure areas to relieve the pressure of work and provides bus transportation to and from plants far away from the dormitory. We always organize activities and participate in activities organized by local authorities to relieve the homesickness of foreign migrant workers. Cheng Shin also sets up a dormitory manager to be responsible for the life guidance of foreign migrant workers and holds regular meetings with the dormitory head to solve the problems of life management.



Migrant Workers' Dormitory



Bicycle Parking Area



Dormitory Management Center



Fitness Area in Migrant Workers' Dormitory



Volleyball Match



Earthquake Prevention and Disaster Prevention Drill in Migrant Workers' Dormitories

5.5 Career Development and Assessment

| Item | Management Policy |
|------------------------|--|
| Importance | <ul style="list-style-type: none"> We actively enhance staff professional functions and management ability through education and training to continuously implement the spirit of corporate culture, strengthen the competitiveness of employees so as to pursue our leading position in the market and sustainability. |
| Policy/Commitment | <ul style="list-style-type: none"> Cultivate excellent professional and technical personnel and management personnel who can create maximum value for Cheng Shin. |
| Goals and Targets | <ul style="list-style-type: none"> Enhance staff professional functions and their management ability. |
| Responsibility | <ul style="list-style-type: none"> Human Resources Department of the parent company and subsidiaries. |
| Resources | <ul style="list-style-type: none"> Taiwan region - continued investment of NT\$2.06 million per year Mainland region - continued investment of RMB 2.28 million yuan per year |
| Communication Channels | <ul style="list-style-type: none"> Employee complaint mailbox/special line |
| Action Plan | <ul style="list-style-type: none"> Training courses: New staff training/professional training/management training at different levels/project-based programs/self-development courses/education promotion Learning channels: Lecture learning, digital learning, project assignment, interactive learning, post learning, and other multiple learning channels Establish MAXXIS University (in mainland region) to ensure that employees can grow and learn in a sound environment Advisory Board for Retirees |
| Effective Evaluability | <ul style="list-style-type: none"> Certification systems such as ability certification, vocational qualification certificate examination, and even academic qualification have been set up according to different training courses. |

Education, Training, and Career Development

We are planning the training courses for the professional and technical abilities of each department, combining with the planning and training of different levels, to enhance the professional functions of employees, enhance their management ability, implement the spirit of corporate culture, and strengthen the competitiveness of employees. We have also been awarded the "Talent Quality Management System (TTQS) - Gold" by the Workforce Development Agency, Ministry of Labor.

(Taiwan region) In 2020, Cheng Shin opened 1,797 professional training classes, 19 classes for management training at different levels, 206 other classes, a total of 2,022 courses, a total of 52,171 training hours, with an average training hours per employee of 8.84 hours.

(Mainland region) In 2020, Cheng Shin organized 1,410 pre-employment training classes, 1,975 professional training classes, 121 classes for management training at different levels, 154 other classes, a total of 3,660 courses, a total of 92,511 training hours, with an average training hours per employee of 21.9 hours.



By Gender

| Type | Taiwan Region | | Mainland Region | |
|--|---------------|--------|-----------------|----------|
| | Male | Female | Male | Female |
| Total training hours received | 44,889 | 7,282 | 66,053.7 | 26,457.3 |
| Average training hours received per employee | 8.98 | 8.07 | 22.8 | 20.0 |

By Type of Employee

| Type | Taiwan Region | | Mainland Region | |
|--|---------------|---------------|-----------------|---------------|
| | Executive | Non-executive | Executive | Non-executive |
| Total training hours received | 6,111.5 | 46,059.5 | 17,356.1 | 75,154.9 |
| Average training hours received per employee | 6.92 | 9.17 | 26.1 | 21.2 |

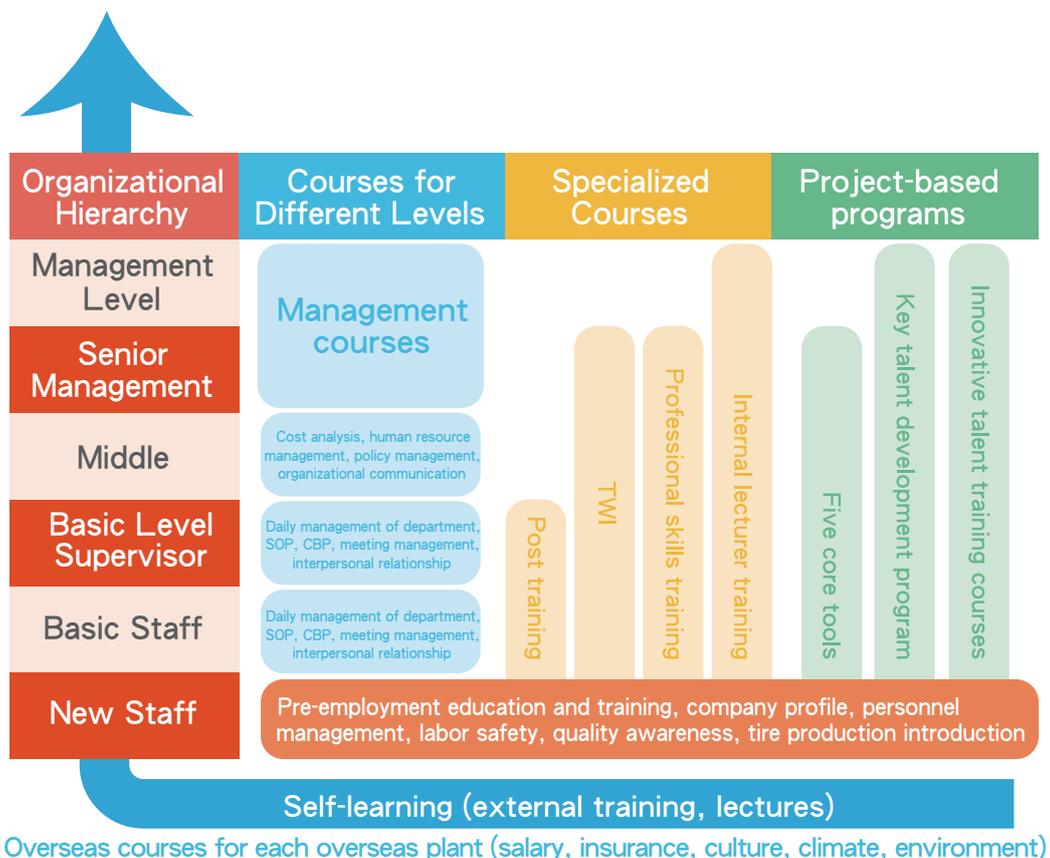
- **New employee training:** Aimed to provide new employees with an orientation to the training courses including Chen Shin's corporate culture, safety training, quality concepts, policy and procedures to help them adapt to the new environment and fit into the culture of the organization. Once the orientation training is completed, employees still need to take the onsite training and obtain the qualification and capability for the job. The new employees will also be assigned mentors for assistance.

- **Training by job level:** A series of topical courses designed for different job levels to improve employees' management skills and efficiency. The trainings will be given on topics such as presentation training and report writing for trainee level employees. The trainings will be given on topics such as presentation training and report writing for trainee level employees; communication skills, daily management and problem-solving steps to enhance the efficiency for junior management; policy management, leadership case study for officer level management. In recent years, we have optimized the learning roadmap, the project-based programs that are focused on elevating the capability of middle-top management are now conducted regularly on an annual basis to keep the management up to date and continue their learning. The training will also incorporate work safety program, corporate culture and risks mitigation, and cost management. Employees' training will start early before employees reach management level to cultivate their management skills from very early on.

- Specialized courses:** Plan different specialized courses for each position so that staff can get perfect training at each stage. For example, in the early stage of entering the factory, we will provide training for different positions according to the knowledge and skills required by each position. In addition, we provide professional skill training in production management, R&D, quality assurance, and other professional departments to guide colleagues to focus on their own work, realize themselves, and give full play to their potential. And for special technical positions, such as maintenance electrician, welder, CNC lathe, etc., we provide special training programs to assist employees in obtaining vocational qualifications to ensure that they have the professional competence required for their jobs. With the help of internal lecturer training and TWI teaching, we are developing our own internal lecturers to teach professional courses from its own units and cross-units so as to assist the transfer and inheritance of intelligent capital and become the hub of knowledge and model transmission within the organization.

- Project-based programs:** Cheng Shin develops annual education and training objectives according to its strategies and guidelines, plans a variety of project-based programs to meet the learning needs of staff at all levels in different areas, such as conducting regular courses on five core tools to enhance quality awareness, key talent development programs to train reserve managers and strengthen management capabilities, innovative talents training of R&D units and other courses.

- Personal development:** We provide opportunities for our employees to acquire new knowledge by offering financial support for language learning and hosting talks on topics such as coffee and lifestyle, health, labor laws, and regulations.



Professional Training Framework

Cheng Shin provides diversified learning channels and opportunities for employees, emphasizes the combination with work tasks while implementing the practice and case operation.



· **Education promotion:** In order to enable employees to improve their knowledge level and academic ability in their spare time, Cheng Shin cooperates with external professional training institutions to hold registration activities for education promotion twice a year. From 2013 to 2020, 16 sessions were held for both the college and undergraduate courses to provide professional guidance and facilitate employees in successfully completing their academic promotion.

MAXXIS University (mainland region)

MAXXIS University is a training center founded and named after the brand name of Cheng Shin's products, aiming to cultivate excellent professional and technical personnel and management personnel who can create the greatest value for Cheng Shin. It was founded in 2006 with RMB 17 million, with a total indoor area of more than 1,600 square meters. The complete educational facilities and wide and comfortable learning space ensure that employees can grow and learn in a sound environment.

In terms of software, Cheng Shin continues to invest about RMB 4 million in education every year, enabling employees to continuously improve their professional ability and personal development through a systematic training system and training courses designed according to different levels, with lectures, seminars, discussions, simulation, and other rich teaching modes.

MAXXIS University Profile

| | |
|---------------------------|---|
| Total indoor area | 1,600 square meters |
| Accommodating capacity | 450 persons |
| Hardware space | Training room, discussion room, computer room, multi-function hall, and supporting leisure area |
| Training system | Training course planning system, teacher management system, effect evaluation system, and information knowledge management system |
| Training courses | New employee training, in-service employee training, and training for different levels, etc. |
| Number of courses offered | About 225 courses are offered each month, and the average class hours per person is 1.7 hours per month. |



Pre-service education and training



On-the-job education and training



Vocational education and training



Vocational skills training

Foreign Consultant Guidance and TWI Training for Overseas Plants

Since the introduction of the TWI lecturer system in Taiwan region and mainland region in 2012 and 2014, respectively, many training courses have been offered so far. Through the interactive learning of subjects and techniques, students can internalize their knowledge into the field of on-site teaching. This year, with the establishment of overseas plants, Taiwan region will train nearly 44 TWI lecturers. In the mainland region, about 24 TWI lecturers have been trained and introduced to the production line in order to achieve the consistency of quality. The introduction of foreign consultants will also be combined with the TWI system to assist in improving production efficiency and reducing the probability of defective quality with the technique of observation and action analysis during operation.

Overseas Expatriation Experience Exchange

Developing toward international management and in line with the world, we have established production bases in India and Southeast Asia. To enhance the international skills and outlook of our staff, we provide overseas expatriation applications and short-term training opportunities for outstanding staff. We also organize overseas expatriation experience sharing to pass on overseas expatriation experience and understand the cultural differences.

Rehiring after Retirement

In accordance with the pension system of the "Labor Pension Act" and the "Labor Standards Act", retirees are provided with monthly contributions to the labor pension and provision for the labor retirement reserves, as well as retirement souvenirs when the employee meets the statutory retirement conditions.

Retirement Advisory Board

Cheng Shin regards employees as talents, and those with rich experience are our valuable assets. The ordinary employees of Cheng Shin, containing those "rehired after retirement" are employees qualified for retirement under the Labor Standards Act and rehired by Cheng Shin. By passing on the practical experience of senior colleagues, we can drive the atmosphere of internal inheritance so as to avoid a large loss of experienced workers and improve the middle-aged and advanced aged labor force. Under the policy of actively promoting retirees to be recruited as specialized technicians and consultants, Cheng Shin keeps revolving around the knowledge management cycle. By the end of 2020, the number of employees rehired after retirement in Taiwan region, Kunshan, and Chongqing plants reached was up to 235 persons.

Assessment System

Performance Management and Capacity Enhancement

In order to achieve the objectives of Cheng Shin's annual business policy and to understand employees' individual performance, Cheng Shin carries out the performance assessment of all employees on a regular basis. The key point of the assessment is to measure the performance of past tasks and the setting of future work goals and take this as the basis for the employee's salary, selection, and career development planning. Every year, personnel promotion is carried out by referring to the performance assessment results of the previous year to ensure the fairness and perfection of the promotion channels.

Cheng Shin is committed to building a sound education and training system for the continuous improvement of employees' abilities so as to stimulate their potential for future development. The monthly performance assessment is carried out by the supervisor of each unit according to the performance of every staff's work projects. If the staff's performance fails to meet the expected standards, in addition to interviews and care, appropriate education and training courses will be arranged to enhance the staff's skills. In 2020, 100% of employees in the Taiwan and mainland region received the performance assessment.