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Sustainable Operations

3.1 Operational Strategies and Economic Performance

Material Topics Management - Operational Strategies and Economic Performance



Description of Impact	Actual positive impact: Corporate investment in research and development and technological innovation can drive industry progress, enhance production efficiency, and introduce new products and services.	
	Potential negative impact: If the overall environmental or economic situation trends downward, it will affect the company's profitability and investors.	
Policy/Commitment	ESON's core business aims for sustained profitable development, adhering to local government tax regulations, accurately declaring and fully paying income taxes, and legally applying for tax incentives. We encourage measures for industry innovation and R&D investment, continuously develop new products, enhance competitiveness, strive to create value for shareholders, and fulfill corporate social responsibility.	
Actions Taken	Strengthen the foundation of ESG, increase number of high-margin products, develop distinctive products and services, and build diverse product capabilities.	
Tracking and Evaluation Mechanism	Regular management meetings: The company holds regular management meetings to track and review the achievement of each department's goals and to implement management measures, ensuring goal realization and continuous improvement. Quarterly board of directors meetings: Board of directors meetings are convened each quarter to ensure the forward-looking nature and feasibility of business strategies. Adjustments are made based on market changes and the company's development needs to secure long-term, stable growth.	
Management Goals	Short-term Goals (within 3 years)	Medium- and Long-term Goals (5–10 years)
	Develop new high-margin products and increase sales.	The shared goal is to achieve sustained growth and enhanced profitability. (1) Establish a sustainable supply chain and carry out global expansion and localized operations to enhance competitiveness. (2) Continue to develop new products and reduce pollution to fulfill corporate social responsibility.
Annual Performance	Revenue in 2024: NT\$13,094,331 thousand 2024 EPS: 3.36	
Stakeholder Involvement	Shareholders and investors can gain a comprehensive understanding of the company's operational performance and financial status through information provided in board of directors meetings and annual reports. Additionally, shareholders and investors can raise questions, express concerns, or offer suggestions regarding company operations during shareholders' meetings, which fosters effective communication and interaction between the company and its stakeholders.	

Direct economic value generated and distributed

Economic Performance Information		2022	2023	2024
Direct Economic Value Generated	Income	14,031,536	11,562,007	13,094,331
Proportion of direct economic value generated and spent - economic value distributed	Operating costs	11,012,616	8,872,408	10,203,190
	Employee salaries and benefits (Note 1)	2,182,250	1,825,127	2,124,381
	Payments to investors	388,595	417,019	407,906
	Amount paid by government, by country (Note 2)	152,906	253,188	197,019
	Community investment	-	-	-
Economic value retained		295,169	194,265	161,835

Note 1: Including labor and health insurance, pension, and other personnel expenses.

Note 2: Income tax paid.

Note 3: The data in this table is based on consolidated figures prepared in accordance with International Financial Reporting Standards and audited by certified accountants. Detailed operational performance and financial information can be found in the company's annual report for the respective year.

Note 4: Economic value retained: "Direct economic value generated" minus "economic value distributed."

Retirement plan

The Taiwan branch of ESON Precision Engineering Co. Ltd., a company incorporated in the Cayman Islands, follows the retirement pension system as given in the Republic of China's Labor Pension Act, which is a government-managed defined contribution pension plan. A contribution of 6% of each employee's monthly salary is allocated to individual accounts managed by the Bureau of Labor Insurance. The pension contribution policies for employees of overseas subsidiaries are implemented in accordance with local regulations. In 2024, the global pension expense recognized, including for overseas subsidiaries, amounted to NT\$99,868 thousand.



3.2 Tax

Tax Management

ESON's tax governance is overseen by the CFO as the ultimate responsible person for tax management, while daily tax administration and management are delegated to the Accounting Manager, with support from qualified and experienced tax professionals to fulfill the company's tax obligations. Additionally, ESON adheres to the spirit of the law and maintains long-term partnerships with external tax advising agencies, leveraging their professional services to enhance expertise. ESON is primarily subject to tax regulations in China, Mexico, Singapore, and Vietnam. To manage tax risks, the company engages local tax advisors to review and respond to changes in local tax policies and the impact of international financial conditions on the company's interests. The company closely monitors domestic and international policies and regulations that may affect its finances, remaining proactive in tracking tax developments and, when necessary, actively consulting with tax authorities for guidance.

Each year, ESON's taxes are audited by certified accountants and declared in accordance with the law. There is no involvement in unethical or illegal activities. Furthermore, the company's tax policies have not caused any adverse socioeconomic impact.

Tax Policy and Guidelines



01

Comply with local tax regulations in all operating regions and file taxes in a timely manner.

02

Disclose tax information in financial statements as required to ensure information transparency.

03

Group-related transaction arrangements are formulated based on transfer pricing reports and arm's-length principles, in alignment with the base erosion and profit shifting (BEPS) principles published by the Organization for Economic Cooperation and Development (OECD).

04

Conduct tax risk assessments and consider tax implications when making significant company decisions or facing changes in the tax regulations of the operating environment.

05

Establish a relationship of mutual trust and respect with the tax authorities, engaging in timely communication and clarification on tax issues to maintain smooth and positive interactions.

06

Support government tax policies that encourage corporate innovation and promote economic growth.

3.3 Information Security

Material Topics Management - Information Security

Description of Impact	Actual positive impact: Effective information security management can significantly reduce potential financial losses and legal risks for the company, while enhancing the confidence of stakeholders in the company's risk management and sustainable operations.	
	Potential negative impact: Evolving hacking techniques may lead to leaks of confidential company or customer information or pose threats from ransomware attacks.	
Policy/Commitment	We are committed to information security management to ensure the confidentiality, integrity, and availability of the company's critical information property, guaranteeing the continuity of key business operations and compliance with relevant laws and regulations, thereby earning customer trust and fulfilling commitments to shareholders.	
Actions Taken	<ul style="list-style-type: none"> Strengthen information security infrastructure by utilizing various tools and technologies for timely and effective identification, protection, detection, response, and recovery. Conduct information security education and training for employees, and periodically promote knowledge of cybersecurity through methods such as emails to enhance overall employee awareness of information security. Regularly conduct disaster recovery drills for critical application systems to ensure their effectiveness. 	
Tracking and Evaluation Mechanism	<ul style="list-style-type: none"> Internal audits. Accountant audit and attestation (information cycle). 	
Management Goals	Short-term Goals (within 2 years)	Medium- and Long-term Goals (3–5 years)
	<ul style="list-style-type: none"> Zero major information security incidents. Internal network penetration testing. Conduct social engineering drills. Introduce web application firewall. Improve local backup mechanisms and remote backup mechanisms. An average of 2 hours of information security training per employee per year. 	<ul style="list-style-type: none"> Zero major information security incidents. Establish a remote backup mechanism. Continue to optimize the information security management process. An average of 3 hours of information security training per employee per year.
Annual Performance	<ul style="list-style-type: none"> No major deficiencies, zero information security incidents Comprehensive implementation of endpoint detection and response (EDR) systems. Replaced firewalls with next-generation firewalls (NGFW) and adopted high availability (HA) architecture. Enterprise information security risk assessment (SecurityScoreCard) increased from 79 to 92 points. 	
Stakeholder Involvement	<ul style="list-style-type: none"> Arrange information security awareness training for employees. The person in charge of information security reports information security work to senior management. 	



Information Security Policy

The company is committed to information security management for the purpose of protecting ESON's business information and effectively reducing risks of information asset theft, misuse, leakage, tampering, or destruction due to human error, intentional acts, or natural disasters. This ensures the confidentiality, integrity, and availability of critical information assets, guarantees the continuity of key business operations, and complies with relevant laws and regulations, thereby earning customer trust and fulfilling commitments to shareholders.

Information security management mechanism

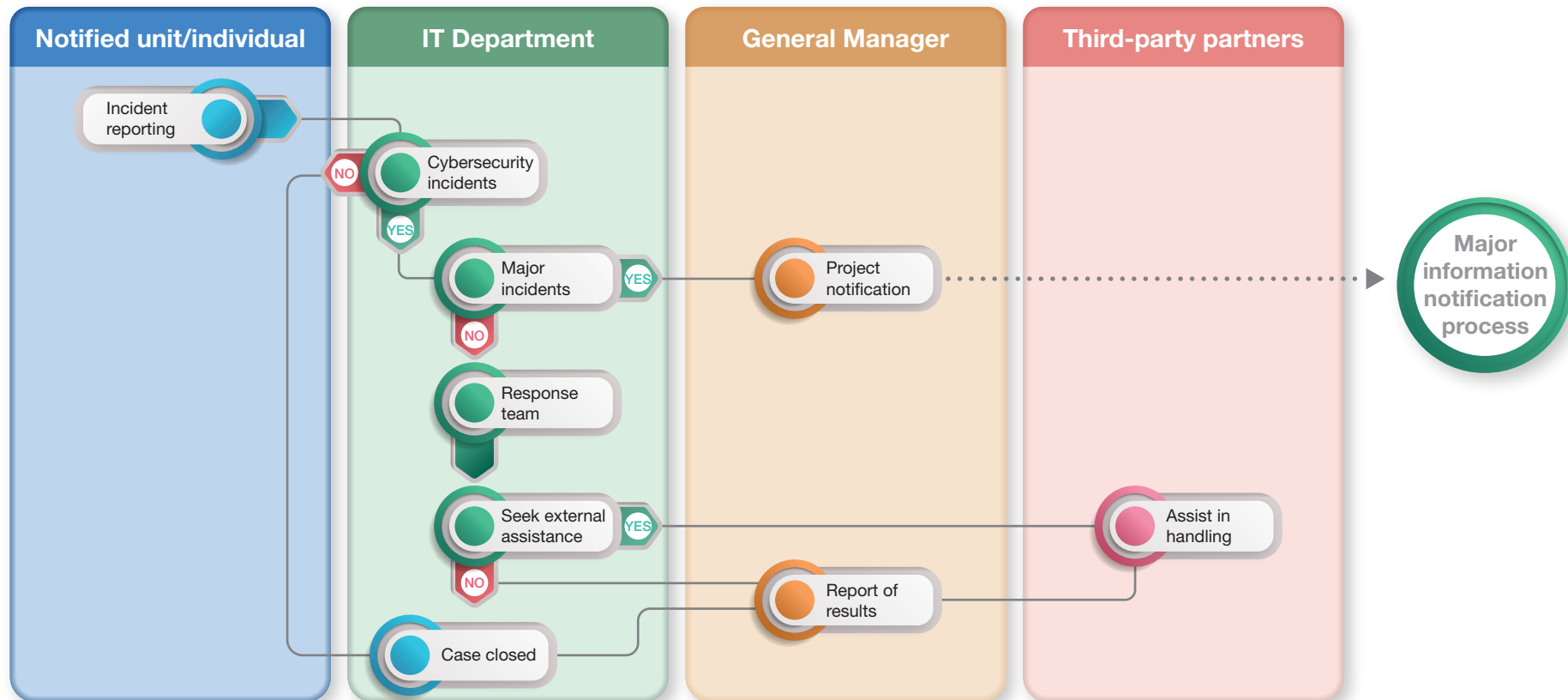
1. The company's General Manager serves as the highest-ranking executive, with the Deputy General Manager acting as the management representative. A dedicated information security supervisor, dedicated information security personnel, and information security engineers are appointed to be responsible for formulating and implementing information security policies to ensure the continuous and stable operation of the information security management system.
2. The Audit Office and external third parties conduct information security audits of the internal control system every six months to assess the effectiveness of the company's information operations internal controls, and reports are submitted to the Board of Directors. In 2024, two audits were completed.
3. Identify stakeholder groups for the information security management system and annually confirm their needs regarding the information security management system (including customer requirements for cybersecurity).
4. Conduct information security awareness training for employees. Training duration is 60 minutes, which was completed by 188 employees, for a 95% attendance rate. Periodically promote cybersecurity knowledge through methods such as emails to enhance overall employee awareness of information security.
5. Establish comprehensive regulations and clear operational procedures to institutionalize the operation of the information security management system.
6. Utilize various tools and technologies to achieve timely and effective identification, protection, detection, response, and recovery.
7. Establish response and recovery procedures for information security incidents to quickly isolate and mitigate threats, minimizing the scope and impact of incidents.
8. Regularly conduct disaster recovery drills for critical application systems to ensure their effectiveness.
9. Perform regular internal and external audits annually to review the entire management system, ensuring normal operation and continuous improvement.
10. Continuously monitor new information security information and technologies, keeping defense and management methods up to date to effectively counter emerging cybersecurity threats and reduce operational risks.

Information security foundation facilities:

1. Endpoints: Servers and personal computers are equipped with endpoint detection and response (EDR) systems to enhance monitoring of malicious software behavior; Regular patch installations are performed; Usage of USB external storage devices is controlled.
2. Network: Fully upgraded to next-generation firewalls (NGFW) with a high availability (HA) architecture.
3. Data: WEB application systems utilize HTTPS encryption; Email systems are equipped with protection mechanisms for antivirus, anti-spam, anti-ransomware, and anti-fraud measures.
4. Applications: Based on recommendations from the SecurityScoreCard assessment, deficiencies in certain application system settings were addressed, improving the risk score from 79 to 92.

Information security incident notification

In the event of a significant information service incident or information security incident, the company will promptly handle incident notifications to ensure that the competent authorities and units can effectively obtain event information. The company's internal information security incident response process is as follows:



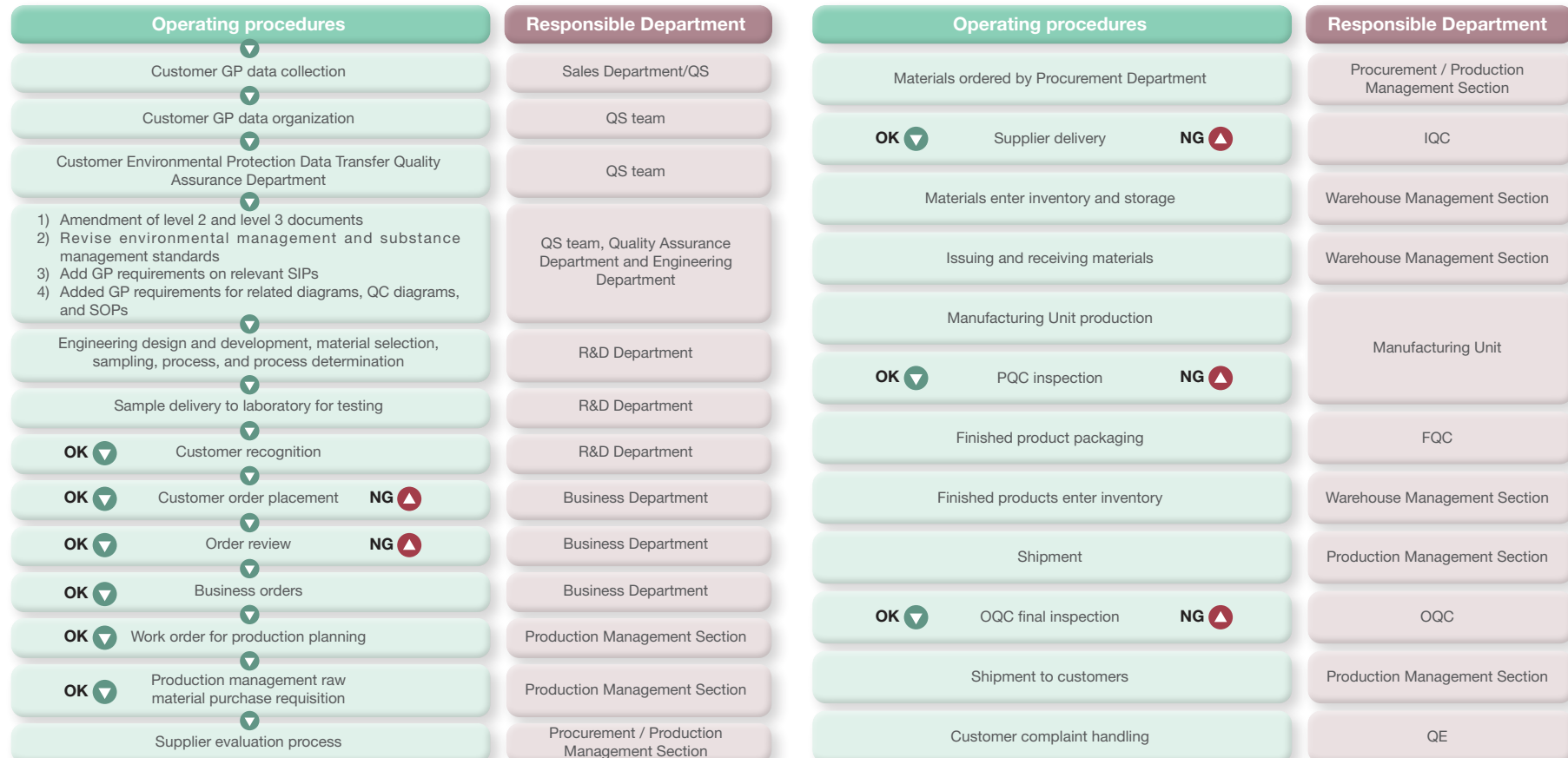
Information security incidents in the past three years

The company has not experienced any major information security incidents in the past three years. There have been no incidents of information leaks, theft, or loss of customer data, nor have there been any complaints regarding violations of customer privacy.

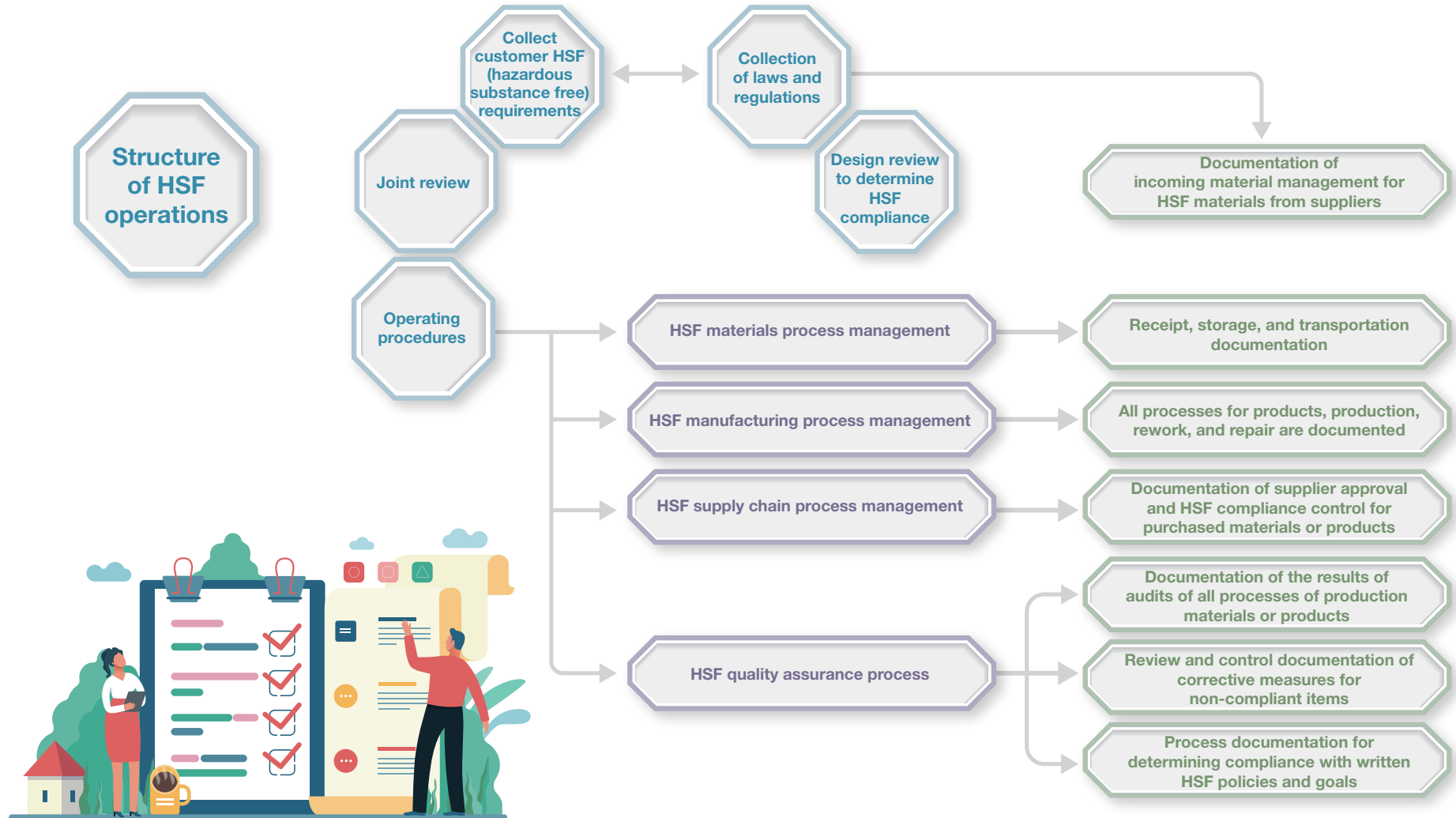
3.4 Product Quality

ESON Kunshan has established the Hazardous Substances Management System Structure in accordance with the requirements of ISO 9001:2015 Quality Management Systems, IATF 16949:2016 Quality Management Systems - Automotive Production and Relevant Service Parts Organizations, IECQ HSPM QC080000:2017 Hazardous Substances Process Management Systems, ISO 14001:2015 Environmental Management Systems, ISO 45001:2018 Occupational Health and Safety Management Systems, as well as specific customer requirements for quality and other related management systems, and in combination with the company's actual circumstances. Standard operating procedures for hazardous substances have been developed to strictly control customers, suppliers, all products, and materials. This ensures high standards of health and safety management goals, while complying with national legal regulations and standards.

Hazardous Substance Management System Structure diagram



Product Hazardous Substance Free (HSF) Management System



The company has established a comprehensive product quality control system covering the entire lifecycle, with the ISO 9001:2015 Quality Management Systems as its core framework, integrated with IATF 16949:2016 automotive industry standards and IECQ hazardous substances process management requirements. Based on the “process approach” and “risk-based thinking” of ISO 9001, every stage from raw material procurement to production and delivery is standardized to ensure consistent quality. For instance, key quality control points are defined through advanced product quality planning (APQP), and statistical process control (SPC) is used to monitor production stability in real-time, ensuring defect rates remain below industry benchmarks.

To meet the automotive industry’s stringent safety and reliability requirements, the company further strengthens supplier management and defect prevention mechanisms through the IATF 16949 standard, ensuring products meet the zero-defect delivery standards of original equipment manufacturers. Simultaneously, the IECQ certification system, through compliance with hazardous substance regulations such as RoHS and REACH, restricts residual hazardous substances across the entire process—from material testing and process design to waste disposal, to mitigate environmental compliance risks. Through the synergistic effect of multiple certifications, we have not only achieved quality stability and traceability but also driven continuous improvement through dual internal and external audit verification mechanisms. Over the past three years, customer complaint rates have decreased by 58%, and the first-time delivery pass rate has reached 99.3%. This has helped us provide high-quality solutions that combine compliance, safety, and market competitiveness for global customers in the automotive, electronics, and other sectors.

ESON Kunshan has obtained ISO 14001 certification and ensures that all products are pre-verified to comply with standards such as the EU Restriction of Hazardous Substances Directive (EU RoHS) and the EU Registration, Evaluation, Authorisation, and Restriction of Chemicals (EU REACH) before shipment. To further strengthen environmental management, ESON has established the Environmental Management Substances Control Program and continuously updates the REACH Substances of Very High Concern (SVHC) List. All raw materials used by the company internally and by all suppliers (including subcontractors), as well as parts and materials used in the company’s manufacturing, packaging, storage, and transportation processes, are managed in accordance with this program.

ESON Kunshan incorporates environmental management substances into project evaluation considerations, making compliance a prerequisite for approval. Suppliers of raw materials and packaging materials must be evaluated in accordance with the Supplier Control Program. For first-time deliveries from tier 1 and tier 2 controlled suppliers, the procurement department must clearly specify the requirements for environmental management substances in the order and sign the Non-Use of Environmental Management Substances Certification (for Material Evaluation) and the Environmental Protection Agreement. Additionally, suppliers are required to submit hazardous substance test reports, material composition tables, or Material Safety Data Sheets (MSDS).

ESON Kunshan requests material test reports, material property sheets, and MSDS from suppliers. The Supplier Quality Engineer (SQE) is responsible for compiling test reports and MSDS for raw materials (e.g., plastic raw materials, hardware), electroplating/electrodeposition/painting (e.g., copper, nickel, chromium, zinc plating), auxiliary materials (e.g., screws/studs, double-sided tape/mylar/conductive foam/footpads), chemicals (e.g., paints/inks/thinners/hardeners), packaging materials, consumables (e.g., alcohol, cleaning agents, degreasers, rust inhibitors, rust-proof oils, labels, ribbons, sandpaper, taps, oil-based pens, and paint pens), and auxiliary materials (e.g., die materials, tooling materials, labor protection supplies). These are included in the Environmental Management Substances Qualified List. Additionally, we review the test reports from subcontractors. For cases where test results comply with legal regulations and customer requirements but do not meet ESON’s internal control standards, review records must be retained.

For instances where halogen or RoHS levels exceed standards in plastic raw materials, ESON Kunshan implements robust control measures during production to prevent mixing of materials. Export countries place significant emphasis on compliance with hazardous substance regulations, so we specifically separate the production of automotive parts and 3C (computer, communication, and consumer electronics) parts to ensure compliance with each country’s environmental requirements. Annual RoHS testing using spectrometers is conducted on plastic and metal parts, ensuring a 100% pass rate.

In 2024, ESON Kunshan had no incidents of non-compliance with health and safety regulations related to products and services, no incidents of non-compliance with product and service information and labeling requirements, and no incidents of non-compliance with marketing communication regulations.

Product Quality Education and Training

To encourage employees to comply with quality control code of conduct requirements, the ESON Kunshan Quality Assurance Department conducts monthly training sessions. In 2024, a total of 12 training sessions were completed, with 624 participants, for a total of 1,248 hours of skill training. These sessions covered different customer operational standards and evaluation criteria. The key documents Quality & EHS Awareness and RoHS & Halogen Knowledge require all quality personnel to participate in training and pass written exams, with records retained, to ensure employees are familiar with and adhere to relevant standards, thereby improving product quality and reducing customer complaints.

No.	Course name	Department receiving training	Learning hours (H)	Number of participants
1	PPAP document training	Quality Assurance Department	2	52
2	"MSA Application Training"	Quality Assurance Department	2	52
3	"Sampling Plan"	Quality Assurance Department	2	52
4	"Training on Raw Materials Knowledge and Precautions"	Quality Assurance Department	2	52
5	"Quality & EHS Awareness Training"	Quality Assurance Department	2	52
6	"Metal Process Control Procedures"	Quality Assurance Department	2	52
7	"CTQ Training for Stamping Process"	Quality Assurance Department	2	52
8	"Seven Quality Control Techniques"	Quality Assurance Department	2	52
9	"RoHS & Hexane Knowledge Lecture"	Quality Assurance Department	2	52
10	"Training on Packaging Knowledge and Precautions"	Quality Assurance Department	2	52
11	"Knowledge on Plastic Materials and Injection Molding"	Quality Assurance Department	2	52
12	"Control Procedures for Unqualified Products"	Quality Assurance Department	2	52



3.5 Customer Service

Customer Service

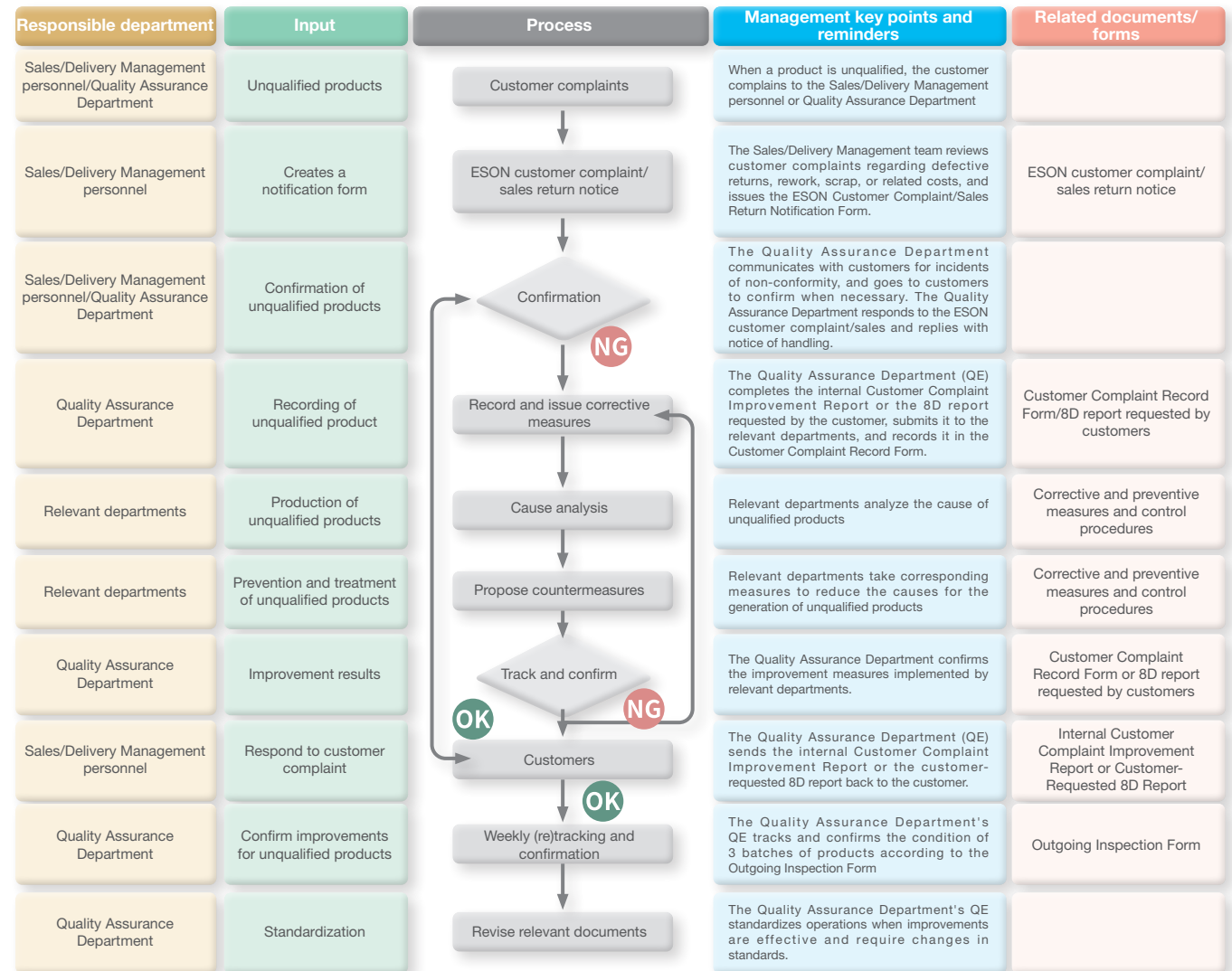
ESON Kunshan invites customers to provide monthly satisfaction feedback based on metrics such as delivered product quality, disruptions caused to customers, on-time delivery, excess shipping costs, and customer portal results. In 2024, the average customer satisfaction score was 96 points. There were no product recalls or incidents of customer rights being harmed due to quality issues, nor were there any cases of customer privacy violations or incidents involving the leakage, theft, or loss of customer data, demonstrating our emphasis on customer service and the effectiveness of our improvements.

In 2024, the cost of defects (D-cost) (Note 1) incurred due to defects discovered after product delivery to customers accounted for 0.25% of revenue, a 50% decrease compared to 2023. Additionally, in 2024, a total of 21 customer complaints were recorded, all of which were categorized and analyzed using the 8D methodology (Note 2) to identify the root causes and commonalities of issues, enabling targeted improvements in product handling. The complaints were all product-related, including quality errors and improvements, appearance defects, structural dimension issues, and dimensional anomalies. All customer complaints have been properly resolved, with no unresolved cases.

Note 1: D-cost is one of the indicators for evaluating customer satisfaction when all products are delivered to customers.

Note 2: 8D refers to the 8 Disciplines (D1: Team established D2: Description of issue D3: Implement and verify temporary measures D4: Determine and verify the root cause D5: Select and verify permanent corrective measures D6: Implement permanent corrective measures D7: Prevent recurrence D8: Recognition of closure)

Customer complaint handling flowchart



Customer Service Education and Training

To enhance customer satisfaction and improve service quality, ESON Kunshan continuously promotes professional training for its customer service team to ensure frontline staff possess excellent communication skills, problem-solving abilities, and service awareness. In 2024, a total of 3 training sessions were completed, with 130 participants, amounting to 260 hours.

Item	Course name	Department receiving training	Learning hours (H)	Number of participants
1	Training on defective processes and defective product handling	Quality Assurance Department	2	52
2	5WHYs and how to formulate effective corrective and preventive measures	Quality Assurance Department	2	52
3	Delivery Management Control Operations	Materials Department	2	26

3.6 Supply Chain Management

Local procurement

ESON supports a balance between local procurement and supply chain diversification, and continuously promotes local procurement. By collaborating with local suppliers, we stimulate the local economy and reduce energy consumption due to transportation. In 2024, the proportion of procurement expenditure from local suppliers at key operational sites was 99.39%.



Local procurement	2024
Procurement amount from local suppliers	1,308,217,705
Total procurement amount	1,316,280,865
Percentage procured from local suppliers (%)	99.39%

Note 1: The procurement amount is in NTD.

Note 2: Local suppliers are defined as those whose factories are registered in the same country/region in which they have operating locations.

Note 3: The key operational site is defined as ESON Kunshan.

Distribution of production areas of suppliers	Amount
Taiwan	7,263,360
China	1,308,217,705
Malaysia	24,058
Mexico	476,289
Hong Kong	12,960
Czech Republic	286,493

Environmental impact assessment

In 2024, ESON Kunshan added two new suppliers, both of which underwent detailed environmental impact assessments, achieving an assessment rate of 100%. ESON Kunshan encourages existing suppliers to obtain local environmental certifications or international accreditations such as ISO 14001, thoroughly implement 5S and clean production practices, actively pursue energy-saving and emission-reduction measures, and implement projects related to human rights protection and employee rights assurance. Suppliers implementing the above measures are prioritized for collaboration. In 2024, 4 suppliers obtained ISO 14001 certification. The company encourages other uncertified suppliers to pursue certification.

Environmental impact assessment	2024
Number of new suppliers in the year	2
Number of new suppliers that were screened using environmental criteria	2
Percentage of new suppliers that were screened using environmental criteria	100%
Number of suppliers assessed using environmental standards	23
Number of suppliers identified as having significant actual or potential negative environmental impacts	0
Number of suppliers identified as having significant actual or potential negative environmental impacts that have improved	0
Percentage of suppliers identified as having made improvements in the number of suppliers with significant actual or potential negative environmental impacts	-
Number of suppliers identified as having significant actual or potential negative environmental impacts with whom we have terminated partnerships	0
Percentage of suppliers identified as having significant actual or potential negative environmental impacts with whom we have terminated partnerships	-

Social Impact Assessment

In 2024, ESON Kunshan added two new suppliers, both of whom underwent detailed social responsibility assessments, achieving an assessment rate of 100%. The assessment content covered whether suppliers comply with social standards such as labor rights, occupational safety, and prohibition of forced labor. This ensures that the supply chain's social responsibility performance meets expected requirements. The company continues to strengthen the assessment and management of social impact within the supply chain, adopting a comprehensive supplier social impact assessment mechanism, actively taking action, and implementing specific management measures to ensure suppliers' behaviors align with social responsibility standards, mitigate potential negative impacts, and promote the sustainable development of the supply chain.

ESON Kunshan prioritizes suppliers that thoroughly implement human rights and equality, prohibit child labor and forced labor, and comply with major social responsibility regulations. In 2024, a total of 23 qualified suppliers were selected, all of whom have been required to adhere to the Responsible Business Alliance (RBA) Code of Conduct. This ensures a safe working environment in the supply chain, responsible and ethical business practices, and respect for human rights and the environment.

Social Impact Assessment	2024
Number of new suppliers in the year	2
Number of new suppliers that were screened using social criteria	2
Percentage of new suppliers that were screened using social criteria	100%
Number of suppliers assessed using social criteria	23
Number of suppliers identified as having significant actual or potential negative impacts on society	0
Number of suppliers identified as having significant actual or potential negative impacts on society that have improved	0
Percentage of suppliers identified as having significant actual or potential negative impacts on society that have improved	-
Number of suppliers identified as having significant actual or potential negative impacts on society with whom we have terminated partnerships	0
Percentage of suppliers identified as having significant actual or potential negative impacts on society with whom we have terminated partnerships	-

The company's Procurement, Quality Assurance, and Engineering Departments conduct written or on-site assessments of suppliers to ensure compliance with the company's environmental and social responsibility requirements. In 2024, a total of 23 supplier audits were completed. The company conducts annual comprehensive assessments of key critical suppliers whose procurement amounts exceed 10% of the total procurement budget with their production units; the evaluation results serve as the basis for determining continued cooperation in the following year.

Supplier management education and training

To enhance the sustainability of the supply chain, ESON Kunshan continuously promotes supply chain management education and training to improve suppliers’ awareness and practical capabilities regarding environmental, social, and governance (ESG) issues. In 2024, a total of two training sessions were completed, with 34 participants, amounting to 68 hours.

No.	Course name	Department receiving training	Learning hours (H)	Number of participants
1	“Identification and Management of Suppliers, 8GS Reporting, Material Characteristics Identification”	Materials Department	2	26
2	“Supplier Management Procedures”	Procurement Department	2	8

