

Corporate Social Responsibility Report 2020





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Leadership Message



Hotai Motor Chairman

黃志光



Hotai Motor President

黃純義

While pursuing growth for our investors and stakeholders, Hotai Motor continues its efforts to becoming the leading business in sustainable operations. In the face of transformation of the global automotive industry, we will gradually transition into providing mobility services to our customers. We believe that by boldly pursuing new business opportunities, we can maintain a competitive advantage through various challenges, while also ensuring that corporate responsibility is integrated into the core value of our operations.

Our vision is "**+think Amazing**", which conveys a message that not only are we humbled to be recognized as the leader in the industry, but we continue to boldly pursue, experiment and explore groundbreaking, innovative ideas and approaches to deliver impressive results. The "t" from "**+think Amazing**" is stylized as the symbol "+", which means "to level up", and the letter "i" represents each and every one of our employees, challenging employees to continuously excel themselves and encouraging them to think outside the box. As we rise to every challenge that comes our way, we firmly believe that only we can surpass ourselves. In 2021, there are two areas of emerging automotive trends that we focus on particularly: mobility as a service (MaaS) and C.A.S.E. (Connected, Autonomous, Shared, Electric). Our strategy is to stay ahead of the game and proactively seek out opportunities. As the automotive industry shifts towards mobility solutions, we have developed a new shared transportation business and launched a new app, yoxi, to provide shared ride service. By utilizing the Group's resources, we became the front-runner of MaaS to offer a comprehensive package to drivers, including car purchasing, auto loan, insurance, and maintenance services, while providing passengers quality experience with the comfort of new TOYOTA vehicles, the highest passenger liability insurance coverage available on the market, and a streamlined app to request rides.

Despite the dominance of imported vehicles, increased competition from luxury vehicle brands and shifts in consumer preferences, we were able to deliver an impressive annual sales record exceeding our projected numbers under the support of Toyota Motor Corporation ("TMC"). By the joint effort of our commercial vehicle and passenger car dealers, the total number of registered vehicles in 2020 was 153 thousand units, which accounted for 33.4% of the market share, putting us at the top among automakers in Taiwan in 19 consecutive years. In addition, TOYOTA continues to be the winner in both domestic and imported vehicles. Lexus had a record-high 22,678 units of registered vehicles, and HINO's full-size commercial vehicle

sales ranked top of the market for 11 consecutive years, both delivered remarkable records in automotive sales. While pursuing sales growth, we also work towards enhancing the "Happiness at TOYOTA" experience for our employees and continue promoting the "Sustainable Lifestyle" campaign that encourages a low-carbon, plastic-free, and fun lifestyle.

Our commitment as a corporation has always been to actively build our business around sustainable development. We became the first in the industry to establish a Corporate Social Responsibility Committee, a functional committee under our Board of Directors, and increasingly factor in environmental, social, and governance (ESG) aspects in the goals we



We take great pride in our commitment to being a responsible corporate citizen. As we move towards a more sustainable future, we will continue our pursuit of innovation and transformation in delivering products and services that exceed customer expectations and building a strong value chain.

set. Our Corporate Social Responsibility Report published in 2021 is prepared according to the GRI Standards: Comprehensive Option and the Sustainability Accounting Standards Board (SASB) Standards, aligned with international best practices to disclose ESG information relevant to investors. We also implemented the TCFD reporting framework to measure our risks and opportunities related to climate change, all of which propel us to move towards sustainable operations. We are actively working to increase levels of governance and information transparency, which is reflected in our ranking in the Corporate Governance Evaluation, putting us at the top 5% among listed companies for four years in a row. Our sustainability efforts are recognized by the various awards we received—we won the Top 50 Corporate Sustainability Award and the Taiwan Corporate Sustainability Award in the Social Inclusion category for five consecutive years, and the Excellence in Corporate Social Responsibility Award hosted by CommonWealth Magazine for six consecutive years, as well as a top-10 nomination for the first time in 2020.

At Hotai, we have made a long-term investment in the communities as we understand the importance and value of giving back. We combined resources from within and outside the Group and worked with stakeholders to develop three focus areas of community engagement and volunteer programs involving cars, people, and the environment, and actively host events that benefit the welfare of the public.

Philanthropic investment in road safety is one of our long-term commitments. As of 2020, we have donated over 97,000 sets of crossing guard equipment to public elementary schools across Taiwan. We aspire to be part of the collaborative efforts in developing young talent by hosting a variety of academic exchange activities, inspiring students to cultivate their creativity and independent thinking skills. One example is the Public Welfare Dreamer, a contest that encourages students to share their public interest project proposals. Each team operates under a NT\$150,000 grant funded by Hotai and receives coaching and mentoring during the implementation stages from professionals and nonprofit organizations in the industry. The contest helps these young adults move closer to achieving their

philanthropic dreams, thereby enhancing the CSR x USR collaboration and expanding the positive impact we create.

In order to encourage blood donation among citizens, we



have donated 11 bloodmobiles—full size HINO vehicles equipped with the latest blood donation equipment—to blood centers. To date, more than 70,000 blood donors have participated in our blood drives. In terms of our environmental efforts, over 207 metric tons of pre-loved toys have been collected, cleaned and given new life through our "TOYOTA Toy Sharing" program as of the end of 2020. As we enter into the 4th year of our "One Tree for Every TOYOTA" campaign, over 420,000 trees have been planted spanning over 150 acres and 12 cities and counties along the coast, reducing approximately 7,988 metric tons of carbon emissions.

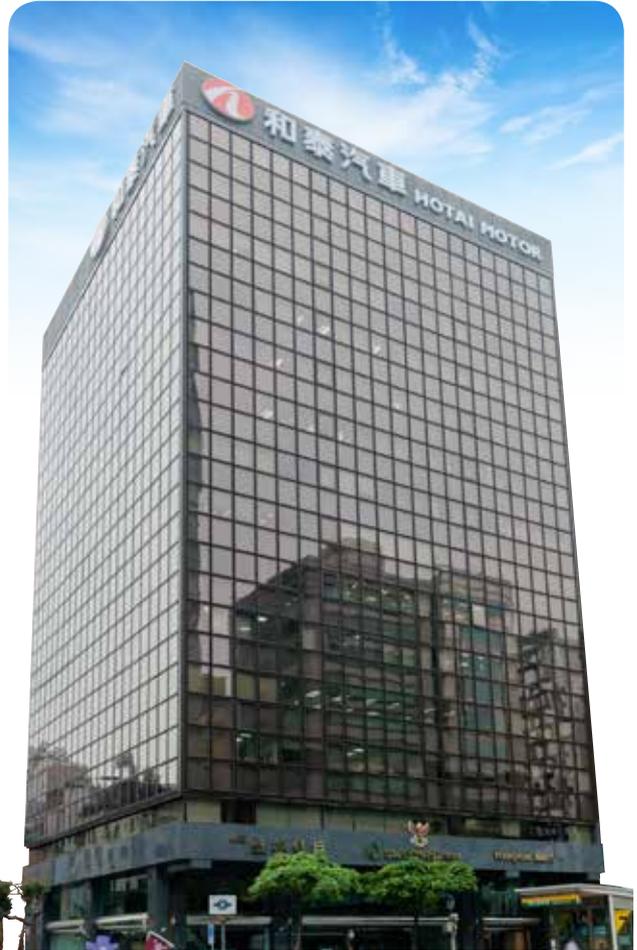
TMC requires every member in the TOYOTA family, including manufacturers, suppliers, dealers, distributors, and sales locations, to meet the challenges of zero CO₂ emissions (from new vehicle and vehicle life cycle to plant) by 2050. Since 2019, we have been working with dealers to implement sound environmental management through action plans centered on the following three areas: low-carbon, plastic-free and fun living. Our strategy is to treat sustainability as a lifestyle. In 2020, the target was to reduce carbon emissions by 3% and water consumption and general waste by 1% from a 2019 baseline. Over the last few years, we consistently made progress in reducing water used and the volume of waste we generate. In 2020, we recorded a 4% and 5% reduction respectively, which meets our goal to reduce water used and waste generated by 1% every year. The results reflect our commitment to building a sustainable future for our planet.

About Us

History of Hotai Motor

Founded in 1947, Hotai Motor started as a trading business and eventually acquired authorization to distribute TOYOTA, HINO and Lexus vehicles as the first overseas distributor for TMC. In 1997, Hotai Motor became listed on the Taiwan Stock Exchange (Stock Code: 2207).

In response to issues surrounding sustainable operations such as fuel shortage and rising oil price, we began introducing TOYOTA hybrid vehicles with cutting-edge energy efficient technologies starting in 2006. After years of promoting their environmental benefits, these hybrids are now widely accepted by consumers which, in turn, results in a demand for domestic hybrids. Meanwhile, the Lexus import luxury vehicles, TOYOTA passenger vehicles and HINO full size vehicles that we distribute are known for their high quality and aftersales support and have remained the bestselling vehicles in the market over the years.



"At Hotai Motor, we firmly believe that there is no "best", only "better." Passion and integrity are in our DNA, and we will continue to drive breakthroughs with enthusiasm and resilience as we build the foundation for Hotai Motor to be the leading company in Taiwan's automotive industry."



Our Core Values

01

Professionalism



With our expertise and extensive experience, we dedicate ourselves to building premium quality and highly efficient service, demonstrating our resiliency and continued commitment to our business.

02

Excellence



With the goals to surpass ourselves, the status quo and industry peers, we aspire to stand up to the challenges and create a bold path forward.

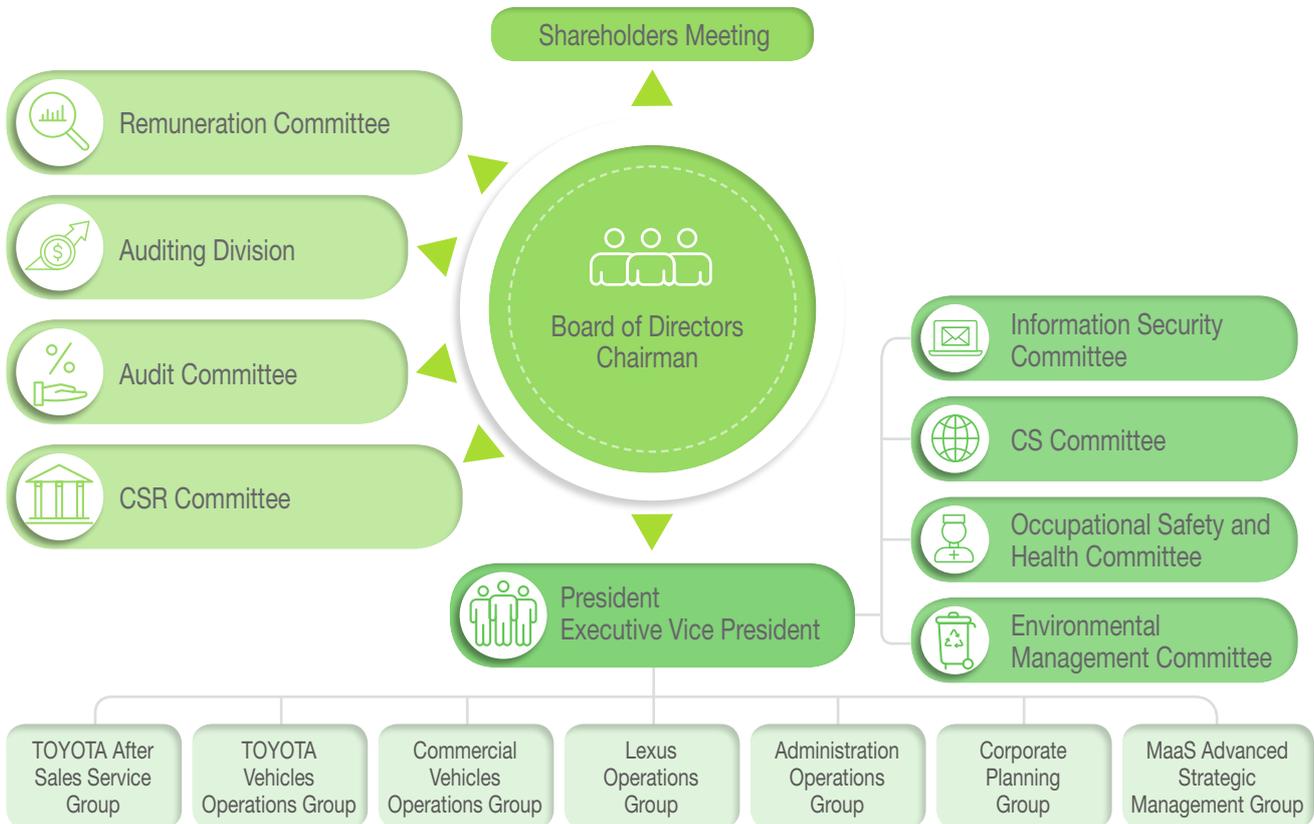
03

Innovation



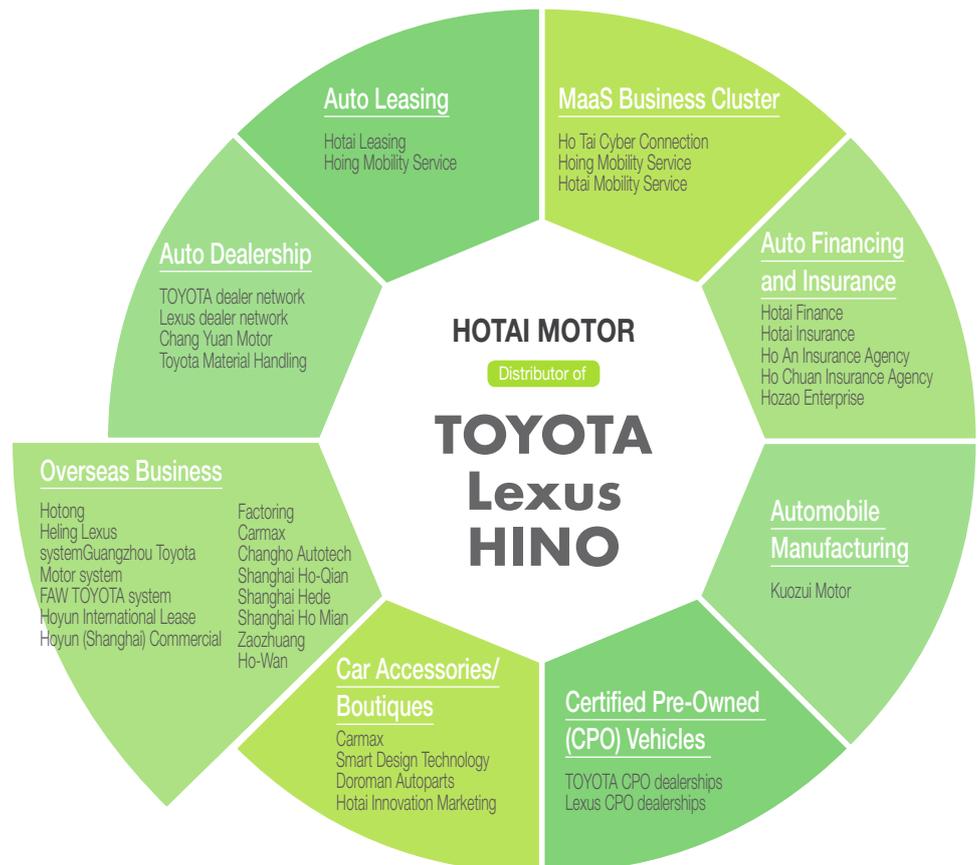
With continuous innovation, we vigorously break new ground to elevate operational efficiency.

Organizational Structure



Group Operations

The Hotai Group's ongoing efforts to develop and expand affiliated businesses enable us to deliver comprehensive solutions to our customers. From vehicle dealership, car leasing, financing, insurance and manufacturing, to certified pre-owned (CPO) vehicles, e-commerce, car accessories/boutiques and overseas operations, each affiliated company within the Group is seamlessly and closely interconnected. Together, we can break through limitations and maximize the efficiency of our operations through a robust value chain.





70 Years of Rich History

2020~

2020.12

TOYOTA remains the top selling auto brand in Taiwan in 19 consecutive years, recording a total of 146,194 TOYOTA and Lexus vehicle sales in 2020, and TOYOTA RAV4 has been our bestselling model. Meanwhile, HINO continues to rank top in the full-size commercial vehicle category for the 11th consecutive year.

Hotai Motor donates its 11th bloodmobile to local blood center and over 280 million c.c. of blood supply has been collected from donors.

All new SIENTA CROSSOVER debuts.

Lexus is ranked top as the Favorite Brand of Consumers in the auto category.

2020.11

yoxi, a mobile app that offers ride dispatch service launches.

Hotai Motor receives the "Taiwan Enterprise Sustainability Award" for the fifth consecutive year.

2020.10

TOYOTA Group's beach cleanup activity to reduce plastics was attended by tens of thousands of people.

All new domestic SUV TOYOTA COROLLA CROSS debuts.

2020.09

This September marks the 10th anniversary since Hotai began donating crossing guard equipment to schools across Taiwan. We have now completed the second round of donation, and an accumulated 97,000 sets of crossing guard equipment have been donated nationwide.

Hotai Leasing Co., Ltd. recognized as the "Top Ten Outstanding Enterprises" at the Golden Peak Award

Receives the "Commonwealth Magazine CSR Corporate Citizenship Award" for the sixth consecutive year and moved up to eighth place among large companies.

2020.08

Toyota Material Handling Taiwan Ltd. renames the company in Chinese.

All new Lexus LC CONVERTIBLE debuts.

Hotai Motor receives the honor as the only business that won "Top 500 Companies by Financial Performance" and "Top 100 Companies by Revenues" for 30 consecutive years

2020.07

All new redesigned TOYOTA HILUX debuts.

Lexus honored with the gold award by Commercial Times in the Best Service in Taiwan 2020.

Hotai Leasing receives the gold award in the auto leasing category at Commercial Times' Best Service in Taiwan 2020 for consecutive years.

2020.05

Hotai Leasing receives the gold award in the auto leasing category at Commercial Times' Best Service in Taiwan 2020 for consecutive years.

2020.04

All new TOYOTA COROLLA ALTIS GR SPORT makes global debut.

2020.03

Hotai's TOYOTA is ranked top in the auto category as the "Most Trusted Brand Voted by Common Health Magazine Readers" in 2020.

2020.01

Hotai Motor acquires iRent and incorporates the yoxi app as part of its efforts to actively develop business in the MaaS market.

One Tree for Every TOYOTA campaign achieves a milestone of 300,000 tree planted.

2019~2010

- 2019.12** Hotai Motor donates the “Hotai @” bloodmobile, reaching a total of 10 bloodmobile donation across the island as the top corporate benefactor that has donated the most bloodmobiles in Taiwan.
- Hotai Finance becomes a listed company on the Taiwan Stock Exchange.
- All new Lexus LM debuts.
- TOYOTA and Lexus remain the top auto brands in Taiwan in 18 consecutive years, recording a total of 141,891 units in sales. Among which, COROLLA ALTIS has been the bestselling model for 19 consecutive years and RAV4 remains the No.1 vehicle in Taiwan’s SUV market. Meanwhile, HINO continues to be the number one full-size commercial vehicle for the 10th consecutive year.
- 2019.11** Hotai Motor receives the “Taiwan Enterprise Sustainability Award” from the Taiwan Enterprise Sustainability Training Center (TCSA) for four consecutive years.
- 2019.10** Kuozui receives the “Outstanding Foreign Corporation Contribution Award” from the Ministry of Economic Affairs.
- 2019.09** Donates 12,000 sets of crossing guard equipment to schools in New Taipei City, Keelung City, Yilan County, Hsinchu City, Hsinchu County, Miaoli County, Hualien County, and Pingtung County. A total of 85,000 sets have been donated around the island.
- 2019.06** For the six consecutive year, Hotai Motor receives the gold award from Commercial Times in the Best Service in Taiwan 2019.
- 2019.05** Hotai Motor ranks in the top 5% for the third time among TWSE listed companies in the Corporate Governance Evaluation results released and receives the “Workplace Safety Award” from Taipei City.
- 2019.04** One Tree for Every TOYOTA campaign achieves a milestone of 200,000 trees planted.
- 2019.03** All-new TOYOTA RAV 4 and COROLLA ALTIS hit the sales floor.
- 2018.06** The Board of Hotai passes a resolution to invest NT\$6 billion in the shares of TMC.
- Hotai Yangmei Logistic Center installs over ten thousand ping of solar panels.
- 2017.09** Hotai Motor celebrates its 70th anniversary.
- 2017.03** Acquires Zurich Insurance (Taiwan) Ltd. and renames it Hotai Insurance Co., Ltd.
- 2016.12** TOYOTA "City Driver" app hits two million downloads.
- 2016.08** Hotai's Customer Service Center becomes the first in the automotive industry to have received the ISO 10002 certification (Quality Management – Customer Satisfaction – Guidelines for Complaints Handling in Organizations)
- 2014.12** Becomes equity owners of all of our dealers nationwide.
- 2014.06** Hotai Leasing Co., Ltd. becomes the first in the industry to provide a 24-hour self-service car rental in Taiwan.
- 2011.09** TOYOTA in Taiwan reaches two million units in sales.

2009~

- 2008.04** Increases its shareholding in Kuozui Motors Ltd. to 30%.
- 2003.01** Chang Yuan Motor Co., Ltd. and Toyota Material Handling Taiwan Ltd. established.
- 2001.01** TOYOTA brand certified pre-owned vehicles officially introduced into the market.
- 1999.06** Hotai Finance Co., Ltd. and Hotai Leasing Co., Ltd. established.

Vision, Mission and Operational Objectives



"With our out-of-the-box thinking and transcending innovation and excellence, we believe that only we can surpass ourselves and beyond. We strive for progress and let every challenge become an opportunity for breakthroughs. This unchanging commitment to unconventional approaches is where our value lies."



Our Vision—

At Hotai Motor, we firmly believe that there is no "best" but only "better", and it is what drives our continuous growth in a matured and competitive automotive industry. Our vision, "+hink Amazing", conveys a message that not only are we humbled to be recognized as the leader in the industry, but we continue to boldly pursue, experiment and explore groundbreaking, innovative ideas and approaches to deliver impressive results. The "t" from "+hink Amazing" is stylized as the symbol "+", which means "to level up", and the letter "i" represents each and every one of our employees, challenging employees to continuously excel themselves. One of the ways we do this is through hosting the "Amazing Innovative Ideas Contest" within the company to inspire amazing ideas. Participants consist of employees from different functions and job grades, breaking the barricade of existing organizational structure to encourage cross-functional collaboration. All the proposals submitted will be evaluated and a short list of proposals will then be selected for implementation. Based on the outcome, employees from the winning team and the department carrying out the proposal will be awarded with a fixed percentage of cash prizes. The intention behind the contest is to encourage employees to think outside the box and rise to every challenge that comes their way with the confidence that only we can surpass ourselves.

BEST

The Mission of Hotai Motor—World's Best TOYOTA Distributor

From our progressive development strategy planning, to building a team that boldly takes on challenges and constantly strives to do better, and to finally becoming an innovative service provider to customers, our corporate mission is and has always been to become the world's best TOYOTA distributor. Based on this mission, we have formulated medium to long-term development goals for 2018-2022. Through building a robust automotive service value chain, we offer customers vehicle related services and products to meet their needs. It is our aspiration to build Hotai Motor and the various brands we represent as the most attractive, premium leading brands on the market. The strategy to reinforce auto sales, aftersales service, organization and talent is centered around our ability to identify trends as well as our commitment to excellence, thereby fueling our capacity to innovate future services.



2021 Operational Objectives

In recent years, the accelerated development of information and communications technology has prompted a once-in-a-century transformation in the global automotive industry. Mobility as a service (MaaS) and C.A.S.E. (Connected, Autonomous, Shared, Electric) are now the future of the industry. For consumers, private-vehicle ownership is becoming just one of the many mobility options. As a direct response to this developing trend, TMC announced that it will transition from being a car manufacturer to becoming a mobility service provider. Riding along the wave of mobility, we established the MaaS Advanced Strategic Management Group in 2020 with the objective to integrate Hotai Group's extensive resources in reforming and innovating our business under

the guiding principle of "**Think Amazing**". In addition to existing sales channels and businesses along the value chain, we are taking steps to build mobility services as another focus area of our business going forward.

Looking ahead to 2021, the uncertainties surrounding COVID-19 continue to impact the global economy. As we adapt to the changes brought by the pandemic and to the new normal, we are also working towards better positioning ourselves for the new challenges ahead and delivering new all-time highs. Our strategy is to stay ahead of the game and proactively seek out opportunities in order to secure our leading position in the automotive industry.

Operational Objective of the Group: Staying Ahead of the Game and Be Proactive

Operational Strategies

Goals/Approaches

Increase sales service advantages and overcome the competition

| | Vehicle | Service |
|---------------------------|--|---|
| TOYOTA | move at full throttle to secure a commanding market leadership position | cater to future trends to get a good grasp of service opportunities |
| Lexus | inspire brand appeal to create new luxury experience | VIP treatment |
| Commercial vehicle | surpass competitors and build a strong foundation for a sustainable business | continuous innovation to improve quality of service |

A multifaceted automotive giant and all-around group growth

Hotai Finance: actively pursue and assess new areas of business and opportunities to expand in the region to drive growth momentum.
Hotai Leasing: provide customers with comprehensive leasing services and fulfill their leasing needs in every scenario
CarMax: develop TMC affiliate business in response to the trend of C.A.S.E. that is taking over the automotive industry
Chang Yuan Motor: actively plan and establish new sales locations and improve quality of service company wide
Toyota Material Handling Taiwan: explore new areas of business to create another robust source of profits
Hotong: establish a risk management model that anticipates risks and build a sustainable organizational structure
Hotai Insurance: increase service quality and maintain NT\$10 billion premium income
Hotai Cyber Connection: focus on developing the new business, yoxi, and increase brand recognition
Hotai Innovation Marketing: explore potential needs of the market and carry competitive products from quality brands

Amazing DNA; stay amazing

- Continue to innovate and improve under the corporate vision of "Think Amazing" and go beyond our goals to do amazing things
- Strengthen collaboration between Group companies to effect value chain synergy

Environment
Social
Governance

- Promote a sustainable lifestyle and become the benchmark of low carbon, plastic free, and fun living for Toyota around the world
- Actively reach out to the community and fulfill corporate social responsibility, and refine the core value of the Group
- Review and implement internal regulations of Group companies and ensure subsidiary management best practices
- Perfect corporate governance and sustainable operations

Sales Network and Services

Hotai Motor has dedicated significant resources to offer customers premium service. From a highly saturated and comprehensive vehicle sales network to the largest automotive complex in Southeast Asia, and a high-quality, high-capacity logistics center, we have a complete service network in place to serve our customers.

Our Sales Network



● **Passenger vehicles:**

Kuotu Motor Co., Ltd., Taipei Toyota Motor Co., Ltd., Tau Miao Motor Co., Ltd., Central Motor Co., Ltd., Nandu Motor Co., Ltd., Kau Du Automobile Co., Ltd., Lang Yang Toyota Motor Co., Ltd. and Eastern Motor Co., Ltd are our top eight dealers.

● **Commercial vehicles:**

Chang Yuan Motors Co., Ltd. is our main dealership in Western Taiwan, while Lang Yang Toyota Motor and Eastern Motors are our main dealerships in Eastern Taiwan.

The Largest Automotive Complex



● The three main areas of the Xinzhuang Automotive Complex include the "Passenger Vehicle Repair Building", "Chang Yuan Motor's Xinzhuang Facilities", and the "Research and Learning Building".

● The complex features cutting-edge, high-performance learning equipment and skill labs, providing auto repair technicians and first-line sales representatives a variety of training facilities and space. Facilities include a quiet employee-only dormitory, dining hall, recreation and common space. Approximately 23,000 employees attend training and conferences at the Complex each year.

High-quality, High-capacity Logistics Center

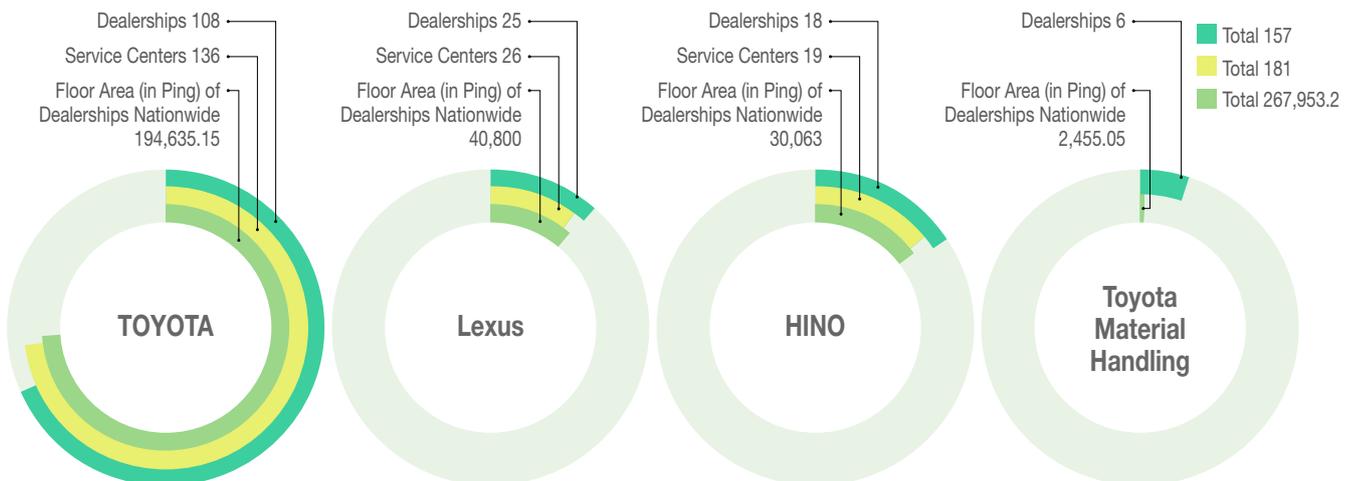


● The Yangmei Logistics Center is used as a warehouse to store automotive parts (total floor area: 10,713 ping), which supplies the demand of automotive parts for vehicle repairs across the island. Our centralized logistics allows us to deliver parts to all the service locations in Taiwan through partnering with professional third-party logistics providers.

● The Center is equipped with a variety of training facilities, including training center and proving ground for the development of talent for automotive parts management positions, offering a fully-equipped, professional space for employees to learn.

At Hotai, we put customers at the center of everything we do. "Only for YOU", a customer service campaign we launched continues to be the driving force to provide outstanding service for our customers. We have an extensive service network that spans across Taiwan, including

157 dealerships and 181 service centers, which consist of 108 TOYOTA dealerships and 136 service centers, 25 Lexus dealerships and 26 service centers, 18 HINO dealerships and 19 service centers, and six Toyota Material Handling dealerships.



2020 Sustainability Highlights

Economic

A prestigious recognition of excellence for **30** consecutive

Received recognition from China Credit Information Service as the only company that has won "Top 500 Companies by Financial Performance" and "Top 100 Companies by Revenues" for 30 consecutive years

Top **5** %

Our ranking in the 7th Corporate Governance Evaluation

32 %

Maintained the largest market share in the passenger vehicles market for 19th consecutive years

NT\$ **25.36**

Earnings per share in 2020

200,000

Number of new users who registered for the mobile app service

100 %

All the new employees have completed anti-bribery training

Environmental

2,992 metric tons

Installed solar arrays which offset CO2 emissions by approximately 2,992 metric tons in 2020

76 metric tons

The amount of VOC emissions (volatile organic compounds) reduced in 2020 by using environmentally friendly water-based paint

36,400 metric tons

In 2020, our dealers collectively recovered 28 metric tons of refrigerant through the R134a machines, equivalent to the reduction of 36,400 metric tons of CO2 emissions.

100 %

All our vehicle models meet the carbon emissions, noise control, CO2 emissions, and fuel economy regulations and standards.

3,626 million

By installing a central oil supply system, we have reduced an accumulative 36.26 million motor oil bottles as of 2020.



Social

97,000 sets

Donated an accumulative of nearly 100,000 sets of crossing guard equipment as of 2020

420,000

Over 420,000 trees have been planted from our "One Tree for Every TOYOTA" campaign, reducing approximately 7,988 metric tons of carbon emissions.

100 %

The rate of employees returning from unpaid parental leave as well as the retention rate in 2020 were 100%.

2.6 %

The average employee turnover rate in the last three years has been decreasing.

11

We have the highest bloodmobile donation among other companies in Taiwan, with an accumulation of 11 bloodmobiles.

207 metric tons

An accumulated total of over 207 metric tons of pre-loved toys were recycled and given new life as at the end of 2020.

NT\$ **51.83** million

Donated an accumulated total of over NT\$51.83 million hi-tech automotive teaching aids and materials



01

Sustainable Management



Our Guiding Principle

Using our competitive advantage as a starting point—a commitment to build strong corporate responsibility



2018

Established the CSR Committee



14 GRI Topics

Identifying 14 GRI topics that align with our material and prioritized issues



12 Sustainable Development Goals

Management guidelines for material issues and the United Nations Sustainable Development Goals

Our Corporate Social Responsibility (CSR) Committee acts as a cross-functional platform of communication, integrating corporate resources, overseeing and implementing environmental, social and governance (ESG) practices as part of our sustainability efforts. We regularly address topics that are high priority to stakeholders and continuously align our work with the United Nations Sustainable Development Goals. By incorporating corporate social responsibility into our operational strategies, we work towards making a positive impact and creating value for our stakeholders and the sustainability of the environment and society.

1.1 Corporate Sustainability Policies

As part of our efforts to realize the vision of sustainable operations, the Board-approved "Hotai Motors Corporate Social Responsibility Best Practices" require all the operational activities of Hotai and our corporate Group to comply with internationally recognized environmental, social and governance development frameworks. It reiterates our commitment to

setting a benchmark as a responsible corporate citizen by increasing our contribution to the economy in the country and improving the quality of life of our employees, local communities and society as a whole. To that end, we will use our competitive advantage as a starting point—a commitment to build strong corporate responsibility.

We continue to align our work with the United Nations Sustainable Development Goals (SDGs) and core elements of relevant global initiatives. With an emphasis on the following four key areas—implementing a robust corporate governance structure, building a sustainable planet, advocating for social justice and inclusion and engaging with communities, enhancing corporate social responsibility disclosures, we formulated a set of guidelines for our day-to-day operations. Through effective governance and execution, we can incorporate CSR actions with operations strategies, which provide as the foundation of our development and business strategies and enable us to work together with our employees to make positive impact on the sustainable development of society.

Our Corporate Social Responsibility Guidelines



Implementing a Robust Corporate Governance Structure

Avoid unfair competitive behaviors

Fulfill our tax obligations

Anti-bribery and anti-corruption

Charitable donations should comply with internal policies and procedures



Building a Sustainable Planet

Reduce resources and energy used for conversion to products and services

Proper disposal of waste

Use energy-efficient, eco-friendly supplies

Maximize the use of renewable resources to achieve sustainability, e.g., recycling and reuse of high energy consumption supplies

Increase product and service performance

Responsible and sustainable water use



Advocating for Social Justice and Inclusion and Engaging with Communities

Non-discrimination

Provide a safe and healthy work environment for employees

Create effective career development training programs to build skills

Hold regular conversations with employees

Commitment to product responsibility and marketing ethics to ensure the interests of customers

Zero-tolerance against any deceptive, misleading, fraudulent conduct, or any other behaviors that compromise the trust or adversely affect the interests of customers

Respect and protect customer privacy

Assess the environmental and social impact of our procurement on the local community, and work together with suppliers to increase our corporate social responsibility efforts



Enhancing Corporate Social Responsibility Disclosures

Board-approved corporate social responsibility governance mechanisms, strategies, policies, and management guidelines

Risks and impacts on the company's operations and financial strength as a result of implementing a robust corporate governance structure, building a sustainable planet, and advocating for social justice and inclusion.

Objectives and measures developed by the company to achieve corporate social responsibility

Measure corporate social responsibility performance



As part of our efforts to realize the vision of sustainable operations and to increase our contribution to the economy in the country, we work towards improving the quality of life of our employees, local communities and society as a whole, and use our competitive advantage as a starting point—a commitment to build strong corporate responsibility.



1.2 Corporate Social Responsibility Committee

Hotai Motor established the Corporate Social Responsibility Committee ("CSR Committee") in 2018 as a functional committee under the Board to advance corporate social responsibility, implement and oversee related policies and sustainable development strategies. The Committee meets at least twice a year and is charged with adopting annual CSR policies and reviewing the implementation of each CSR topic area through regular meetings. Our ESG performance in 2020 was reported to the Board in December last year and is now available on our corporate website.

The Office of Environmental Affairs, Office of Social Affairs, and Office of Corporate Governance are business functions established under the CSR Committee to promote and implement CSR-related practices, which support the organization by optimizing the use of Group resources and incorporating various ESG topics into our daily business operations. The offices are charged with the responsibilities to devise and implement CSR project objectives and report to the CSR Committee on the progress and results; members include delegates from the Environmental Management

Committee, TOYOTA Vehicles Division, Lexus Vehicles Division, TOYOTA Service Marketing Division, External Affairs & Legal Division. In particular, the Administration Operations Group is assigned as the lead office for CSR. Its primary responsibilities include calling CSR Committee meetings and facilitating cross-functional communications, identifying and reporting on material issues annually, collecting performance outcomes of CSR topics, and preparing the Corporate Social Responsibility Report of the company.



Hotai Motor established the Corporate Social Responsibility Committee ("CSR Committee") in 2018 as a functional committee under the Board. The Committee meets at least twice a year and is charged with adopting annual CSR policies and reviewing the implementation of each CSR topic area through regular meetings.



1.3 CSR Milestones and 2021 CSR Objectives

Hotai Motor has made a long-term investment in corporate social responsibility and dedicates significant resources in promoting corporate social responsibility activities. As a responsible corporate citizen, we understand the importance and value of giving back to the society, and our efforts received numerous commendations and recognitions from both within and outside the organization.



To amplify our CSR efforts and results, the three offices have developed the 2021 CSR objectives and measures based on environmental (E), social (S) and governance (G) aspects, which is another step toward our goal of sustainable operations.

| | 2021 Objectives | Measures |
|-------------------|--|--|
| Environmental (E) | Launch campaign for the 2030 agenda for sustainable development | EAS/Eco dealership evaluation, ISO 14001 certification, environmental training, and optimization of environmental management system |
| | Create an environmentally friendly workplace to achieve low-carbon, plastic-free and fun living | Temperature control engineering and renewable energy equipment |
| | Create an influencer marketing campaign "Sustainability: Connect and Sustain" | The Green Thumb Club, beach cleanup activity and TOYOTA Environmental Month Campaign |
| Social (S) | Create amazing community and volunteering projects to expand our impact on the welfare of the general public | <ul style="list-style-type: none"> By combining internal and external resources of our core business, we create a brand new community leading project as a way to give back and expand positive impact on the welfare of the general public. Encourage employee volunteering with the goal to increase average participation of volunteering to 1.7 hours. Host the 3rd annual "Hotai Public Welfare Dreamer" as a way to encourage young adults to give back. |
| | Increase our social impact in areas related to our core business | <ul style="list-style-type: none"> Continue our efforts in donating bloodmobiles and actively host blood drives to help ensure that blood banks in Taiwan have adequate supply. Launch the third round of the crossing-guard equipment donation program to benefit more people around Taiwan |
| | Craft a strong "employer brand" and build a work environment that values employee happiness | <ul style="list-style-type: none"> Create multiple labor-management communication platforms Host Badminton Friendly Tournament within the Group Increase the frequency of on-site physician clinics; offer employee health checks beyond regulatory requirements. |
| Governance (G) | Implement corporate governance 3.0 | <ul style="list-style-type: none"> Implement sustainable development strategies and design a mechanism for the CSR Committee to learn from cross-industry experiences. Begin publishing an English version of the CSR report and introduce the Task Force on Climate-related Financial Disclosures (TCFD) guidelines and report to the Sustainability Accounting Standards Board (SASB) framework |
| | Build the Group's corporate governance system | <ul style="list-style-type: none"> Provide consultation to subsidiaries in establishing investor relations office and a reporting mechanism Hold corporate governance campaigns and trainings for Group companies and adopt guidelines on compliance |
| | Promote regulatory compliance | <ul style="list-style-type: none"> Zero-tolerance policy and compliance review to safeguard intellectual property; use a review mechanism to promote dealer compliance, intellectual property champion, on-the-job training, and building an intellectual property management system for the Group Achieve zero incidents of non-compliance from our internet of vehicles (IoV) business: formulate guidelines based on the legality of current practices of collecting and using product and market research data; exchange of experience from IoV legal counsels Offer livestream and video clips made by our External Affairs & Legal Division, and improve services provided through our official LINE account to help bridge the gap |

1.4 Materiality Assessment

Identifying Sustainability Topics

As the automotive industry is undergoing the greatest transformation, we will be required to make better-informed decisions and increase our operational efficiency. Stakeholders who consider environmental (E), social (S) and governance (G) issues to be of paramount importance now have increasingly higher expectations of the company's non-financial performance. We are working towards incorporating each of the aspects into the organization's long-term strategies, risks and opportunities to create value for our stakeholders. Sustainable growth and stability is what we believe to be the key to enhancing the company's value, which is why we continue to offer products and services that meet the customers' needs as a way to address these top priority topics. At the core of corporate social responsibility is the ability to serve the interests of our stakeholders, which

is a management approach we use to achieve sustainable development and to maintain and develop open and effective communication channels. As part of the preparation of this report, we follow the recommendations of the GRI Standards in the context of sustainability when identifying sustainability topics. In addition to using relevant international reporting guidelines as references, including the Global Reporting Initiative (GRI), United Nations Global Compact (UNGC), International Labour Organization (ILO) Conventions and Recommendations, Sustainable Development Goals (SDGs) and ISO 26000, we go beyond existing frameworks to consider topics related to the risks and opportunities of global sustainability development, feedback from our stakeholders, trends that are specific to the automotive industry and the recommendations from external experts. To which we identified 17 sustainability topics from five categories pertinent to our operations.



Stakeholder Identification and Engagement

We have dedicated departments engaging in regular conversations with key stakeholders, which include the exchange of our core values to facilitate a greater understanding of each other's positions. Apart from that, we also maintain an open dialogue with external experts to ensure that we are heading to the right direction with our sustainable development measures. The task team preparing this report used the quantitative method from the Accountability 1000 Stakeholder Engagement Standard: 2015 (AA 1000 SES: 2015) to assess 13 indicators that demonstrate the relevancy of stakeholders and our operations based on the five principles (dependency, responsibility, influence, diverse perspectives, tension). According to

their assessment, six key stakeholder groups are identified: dealers, shareholders, employees, customers, suppliers, and media, listed in the order of level of engagement measured based on quantitative indicators. To reiterate our commitment to responding to the expectations and needs of key stakeholders, we established a diverse communication mechanism to listen to their feedback; the solutions co-created from our discussions with stakeholders are included as part of this report. The feedback received from stakeholders also helps accelerate growth of our financial performance. As we continue to facilitate meaningful and constructive dialogue with stakeholders and meet public expectations, we will also incorporate their feedback into our future planning.

| Stakeholder Group | Dealers · Suppliers Employees | Customers | Shareholders | Media |
|--|--|---|------------------------------|-----------------------------|
| Making a Complaint  leonard@mail. hotaimotor.com.tw | +886-2-2506-2121 #1835 | Service Center Toll-free Hotline TOYOTA +88600-221-345 Lexus +886-800-036-036 HINO +886-800-522-567 Toyota Material Handling +886-800-221-456 | +886-2-2506-2121 #1835 | +886-2-2506-2121 #1841 |
| | JESSIECHANG@mail. hotaimotor.com.tw |  Stakeholders Section | HSIAO@mail.hotaimotor.com.tw | ANGELAYEH@hotaimotor.com.tw |

Shareholders | Significance or Importance to Our Sustainable Development

- 1 Maximization of shareholder value
- 2 Full disclosure of anti-competitive behavior to protect the interests of the company and our shareholders

| | Channels of Engagement | Our Response | Discussion Outcome | Frequency of Engagement |
|---|--|--|--|---------------------------|
| Market strategy and fair trade | Annual report, CSR report, material information disclosure, and investor conferences | Conduct briefings on how we handle violations of anti-competitive behavior and socioeconomic regulations, as well as publicly disclose investigation progress and results | Provide full disclosure of material violation that consist of anti-competitive behavior | Once a year; periodically |
| Operational and financial performance | Annual shareholders meeting, investor conferences, and Investor Relations section on our website | <ol style="list-style-type: none"> 1 Report to shareholders on the latest operations and dividend policy 2 Report to shareholders on the operational overview and future prospect of the company based on quarterly financial results 3 Promptly disclose important financial and business information of the company | <ol style="list-style-type: none"> 1 Maintain a reasonable stock price 2 Respond to investor needs as appropriate to build a long-lasting relationship | Once a year; periodically |
| Customer management and privacy protection | Annual report, CSR report and our website | <ol style="list-style-type: none"> 1 Privacy policy briefing 2 Disclose customer relationship management activities and results 3 Information Security Committee progress briefing | Provide full disclosure of our customer management and privacy protection policy | Once a year; periodically |



Dealers

Significance or Importance to Our Sustainable Development

- 1 Advancement our annual sales target through vehicle reservations/sales promotions
- 2 Maintaining our relationship with dealers and resolving issues relating to customers' vehicles
- 3 Sharing knowledge and experience with new employees and developing top talent to aid sales
- 4 Through due diligence conducted based on a comprehensive compliance system, we can control and mitigate legal risks
- 5 To achieve corporate governance in the area of compliance and fulfill our corporate social responsibility

| | Channels of Engagement | Our Response | Discussion Outcome | Frequency of Engagement |
|---|--|---|---|---------------------------|
| Corporate governance and ethical business practices | Survey, onsite audit, meetings and online training | <ul style="list-style-type: none"> 1 Dealers will submit an improvement plan based on the recommendations given to improve the deficiencies found during due diligence 2 Conduct a systematic review on the important legal issues and/or relevant issues within the organization and compliance policies for the last year 3 Address some common legal disputes encountered by first line sales representatives as part of promoting a zero-tolerance policy against non-compliance | <ul style="list-style-type: none"> 1 Once the members of senior management have reached a consensus on regulatory compliance, we will communicate the importance of reinforcing personal accountability to the employees through teams across functions and amend the rules as appropriate. 2 Reduce non-compliance and consumer disputes to lower the costs as a result of non-compliance and mitigate goodwill risks. | Once a year; periodically |
| Operational and financial performance | Announcement of monthly revenues, quarterly financial report, annual financial report, and the Investor Relations section on our website | <ul style="list-style-type: none"> 1 Regular presentation of our business performance to the public 2 Timely disclosure of important financial and operational information 3 Discuss and confirm the annual targets with each dealer and brief them on the annual sales focus | Complete the disclosure of all financial and operational information according to regulatory requirements | Periodically |
| Customer management and privacy protection | Supplier business meetings and EVENT briefings | Provide market updates and establish sales focus | <ul style="list-style-type: none"> 1 Achieve annual targets 2 Achieve interim sales focus | Periodically |



Customers

Significance or Importance to Our Sustainable Development

- 1 Our potential and existing customers directly impact the brand's revenues and profits
- 2 We value customers' voice and make customer satisfaction as our top priority

| | Channels of Engagement | Our Response | Discussion Outcome | Frequency of Engagement |
|--|--|--|---|-------------------------|
| Customer management and privacy protection | Survey, toll-free customer hotline, mobile apps and emails | Provide the best solutions to customers' requests, and funnel customer feedback to appropriate departments so that improvements can be made | Minimize customer dissatisfaction and increase customer retention | Periodically |
| Brand management and marketing | Customer events and TV/ print advertising | <ul style="list-style-type: none"> 1 Promotion and marketing across all media outlets geared towards target customers when launching new vehicles 2 Offer more appealing freebies/events to attract existing customers to our viewings | Successfully create topics to attract target customers to viewings and test drive vehicles. | Periodically |
| Operational and financial performance | Announcement of monthly revenues, quarterly financial report, annual financial report, and the Investor Relations section on our website | <ul style="list-style-type: none"> 1 Regular presentation of our business performance to the public 2 Timely disclosure of important financial and operational information | Complete all regulatory required disclosure of financial and operational information | Periodically |



Employees

Significance or Importance to Our Sustainable Development

- 1 Improving employee communication and enhancing employee engagement
- 2 Gender equality and diversity
- 3 Training programs for each job grade
- 4 Enhancing public image of the company
- 5 Collaborative efforts of the company and our employees to give back enable us to build our brand through community engagement

| | Channels of Engagement | Our Response | Discussion Outcome | Frequency of Engagement |
|---|--|--|---|----------------------------------|
| Human resources management | Employee suggestion box, employee satisfaction survey, labor-management meeting, and posts on social media | <ol style="list-style-type: none"> 1 Evaluate employee proposals 2 Set up meetings with employees to discuss items that receive low satisfaction and make improvement accordingly 3 Run awareness campaigns to educate employees on the latest regulatory changes | Maintain open communication and engage with employees, promote labor-management harmony to increase employee satisfaction | Twice a year; once every quarter |
| Career development and education/training | Mandatory and elective training courses for each job grade | <ol style="list-style-type: none"> 1 Regularly and periodically offer training programs to improve employees' competencies 2 Through the Career Development Center's evaluation, facilitate discussion between employee the competencies required for a promotion and how performance can be improved | To assign tasks based on employees' strength and help them reach their full potential | Periodically |
| Brand management and marketing | TV/print advertising/press release, Hotai newsletter, and community events | <ol style="list-style-type: none"> 1 Communicate the latest news from within and outside the organization to employees through press release and Hotai newsletter that's regularly published 2 A variety of events based on the themes of our community engagement and encourage participation of volunteering | Help employees understand the value of our brand | Periodically |



Suppliers

Significance or Importance to Our Sustainable Development

- 1 Authorized Hotai to distribute TOYOTA, Lexus and HINO vehicles
- 2 Provide adequate supply of domestic vehicles to meet market demand
- 3 Conduct audit on the parts operations of TOYOTA's distributors in Asia
- 4 Deliver eco-friendly products to minimize our environmental impact

| | Channels of Engagement | Our Response | Discussion Outcome | Frequency of Engagement |
|---------------------------------------|--|--|---|---|
| A sustainable value chain | Contract clauses, three-way conferences between Hotai and our suppliers and dealers, emails | <ol style="list-style-type: none"> 1 Optimize the production efficiency of selected vehicle models 2 Facilitate monthly discussions on production volume to ensure that the demand in distribution and production can both be met 3 Conduct onsite audit to help dealers improve their parts operations (DPOK): real-time supply rate, months of supply, SOPH (BO materials management and procurement board) and warehouse management. | <ol style="list-style-type: none"> 1 Maintain a long-lasting relationship with suppliers 2 Ensure the monthly production volume meets market demand/ annual target 3 Enhance dealer inventory management in order to deliver premium parts supply service to customers | Periodically; once a month; once a year |
| Brand management and marketing | Meetings and emails | Provide dealers with environmentally friendly water-based paint | Minimize environmental impact and ensure the health and safety of first line employees | Periodically |
| Operational and financial performance | Announcement of monthly revenues, quarterly financial report, annual financial report, and the Investor Relations section on our website | <ol style="list-style-type: none"> 1 Regular presentation of our business performance to the public 2 Timely disclosure of important financial and operational information | Complete all regulatory required disclosure of financial and operational information | Periodically |



Media

Significance or Importance to Our Sustainable Development

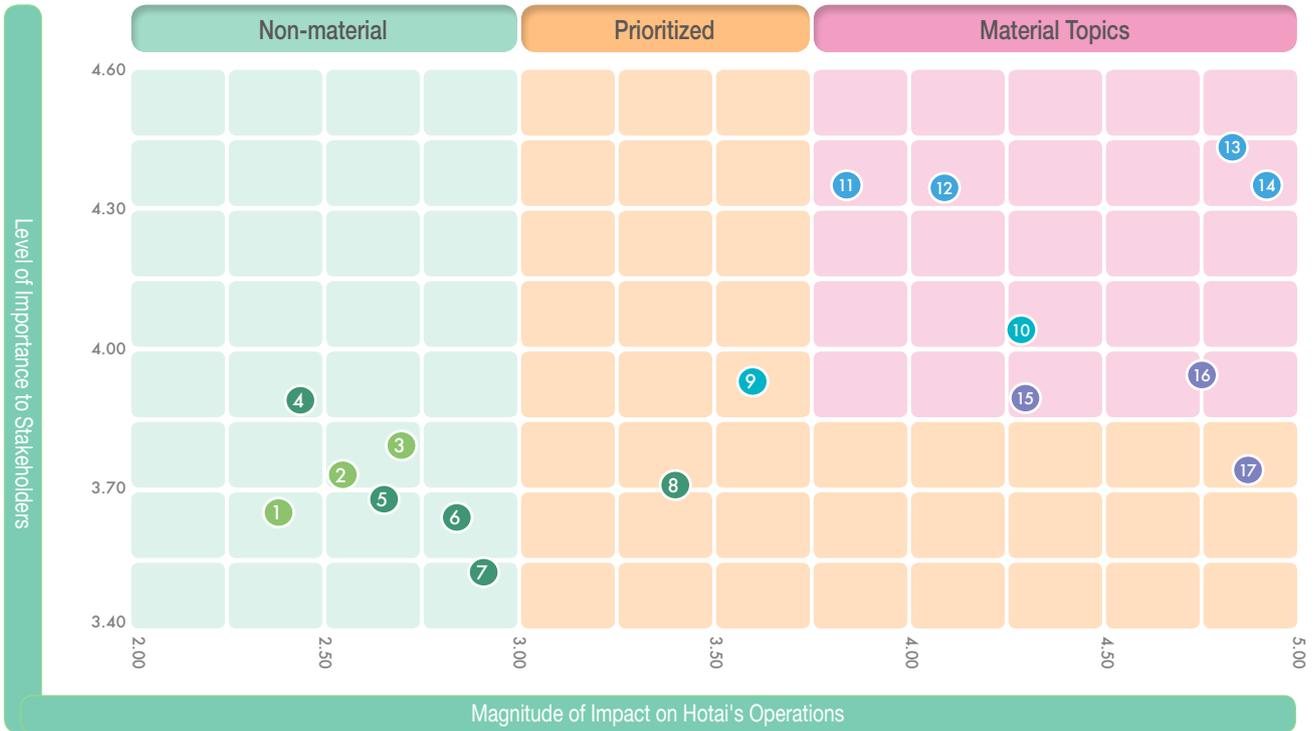
- 1 Disseminating information about new vehicle launch and events to create topics
- 2 An important role to connect us and the brand to the public

| | Channels of Engagement | Our Response | Discussion Outcome | Frequency of Engagement |
|--|--|--|--|-----------------------------|
| Brand management and marketing | Press release, press conference for a launch, new vehicle test drive event for the press, promotional and marketing events | <ol style="list-style-type: none"> 1 Communicate new vehicle launch information to the media through press releases 2 Arrange press conference for the launch of key new vehicles 3 Host new vehicle test drive event for the press so that they can gain firsthand experience and to increase their understanding of our products 4 Disseminate information about our community engagement activities | <ol style="list-style-type: none"> 1 Effectively attract target customers to car viewings and test drive vehicles 2 A better informed media of our new product features can help convey a more accurate and complete product information to the public | Periodically |
| Customer management and privacy protection | Annual report, CSR report and our website | <ol style="list-style-type: none"> 1 Privacy policy briefing 2 Disclose customer relationship management activities and results 3 Information Security Committee progress briefing | Provide full disclosure of our customer management and privacy protection policy | Once a year Periodically |
| Human rights and labor-management relations | Our website, annual report, CSR report, and press release. | <ol style="list-style-type: none"> 1 Human rights policy and benefits policy briefings 2 Employee training and development programs 3 Retirement policy briefing | Provide full disclosure of our human rights and labor-management relations policies | Periodically |

Identification of Material Topics and Topic Boundaries of Disclosure

Every year we use an online survey to determine which sustainability topics stakeholders consider to be important. Each sustainability topic is rated using a five-level importance scale question from "very important" to "not at all important", which is to be answered by the respondent based on their stakeholder group. From December 2020 to February 2021, we collected a total of 159 valid survey responses. In light of our decision to include "level of importance to the stakeholder" and "magnitude of impact to our operations" in the material topics we disclose, the task team preparing this report also needs to determine the magnitude of impact each sustainability topic has on our operations in addition to its level of importance to the stakeholders. The magnitude of impact of each topic is rated on a scale from 1 to 5. The task team is divided into six groups based on their functions, and each group is to assess the impact of the risks each topic has on the company's sustainable operations on a broader scale. Based on these two quantifiable data, we have created a materiality

matrix, including seven material topics, three prioritized topics and seven non-material topics for Hotai in 2020. The material and prioritized topics correspond to 14 GRI topics, including four economic, four environmental and six social topics. These ten material and prioritized topics are further evaluated by the task team members based on the following seven factors to establish relevancy to our operations: increasing revenues, reducing costs, enhancing customer loyalty, creating new business opportunities, mitigating goodwill risks, boosting employee engagement and creating social impact. Once the relevancy is established, we then identify potential risks and opportunities through formulating management approaches to minimize the adverse impact from the risks and utilize the opportunities to boost business performance.



- 1 Circular economy
- 2 Low carbon initiative
- 3 Environmental impact management
- 4 Community engagement and volunteering
- 5 Human resources and inclusion
- 6 Human rights and labor-management relations
- 7 Career development and education/training
- 8 Occupational health and safety
- 9 Marketing strategy and fair trade
- 10 Operational and financial performance
- 11 Customer privacy protection
- 12 Brand management and marketing
- 13 Customer health and safety
- 14 Product and service quality
- 15 Sustainable partnership
- 16 Risk and crisis management
- 17 Corporate governance and business ethics



Material and Prioritized Topics



Corresponding GRI Standards



Significance to Our Operations

● High Relevance ▲ Medium Relevance

| | Material and Prioritized Topics | Corresponding GRI Standards | Significance to Our Operations | |
|------------------------|--|--|--------------------------------|--|
| Sustainable Operations | 16 Risk and crisis management | Anti-corruption 205 Socioeconomic Compliance 419 | ● ▲ ● | A Increase product sales and revenues |
| | 15 Sustainable partnership | Procurement Practices 204 Supplier Environment Assessment 414 | ● ● | B Improve efficiency or lower expenses, which reduces operational costs |
| Automotive Industry | 13 Customer safety | Customer Health and Safety 416 | ▲ ● ▲ ▲ | C Enhance brand trust and customer loyalty |
| | 14 Product and service quality | Marketing and Labeling 417 | ● ● ▲ | D Create business opportunities to expand market reach of our sales and services |
| | 11 Customer privacy protection | Customer Privacy 418 | ● ● | E Minimize the operational risks due to the impairment of goodwill |
| Economic | 13 Brand management and marketing | Socioeconomic Compliance 419 | ● ● ● ▲ | F Boost employee engagement and increase operational efficiency |
| | 10 Operational and financial performance | Economic Performance 201 | ● ● ▲ | G Create positive impact on society and foster harmony and inclusion |
| Environmental | 9 Market strategy and fair trade | Anti-competitive Behavior 206 Socioeconomic Compliance 419 | ● ▲ | |
| | 3 Environmental impact management | Energy 302 Emissions 305 Environmental Compliance 307 | ● | |
| Social | 8 Occupational health and safety | Occupational Health and Safety 403 | ▲ ● | |

14 GRI Topics

Members of the task team preparing this report have reviewed each of the ten material and prioritized topics against the corresponding 14 GRI Standards and identified where we have the most opportunity for impact within the organization (i.e., Hotai Motor and our subsidiaries) and along our value chain (i.e., suppliers, contractors, customers), as well as the level of

involvement under each topic area. This report also details the management approaches, actions taken and results in each chapter with regards to impacts on the company; impacts that occur in the subsidiaries within the organization and entities along the value chain are primarily described in the management approach for the topics.

| Material Topic | Entities Within the Organization | | | | | Entities Outside the Organization | | | | | | |
|----------------|-----------------------------------|---------------|------------------|-----------------|---------------|-----------------------------------|------|----------------|---------------|----------------------------|--------------------------------------|---|
| | Hotai Motor | Subsidiary | | | | Main Supplier | | | Dealer | | | |
| | Hotai Finance | Hotai Leasing | Hozan Investment | Hotai Insurance | Kuozui Motors | Toyota | Hino | Toyota Dealers | Lexus Dealers | Chang Yuan Motor Co., Ltd. | Toyota Material Handling Taiwan Ltd. | |
| Economic | Economic Performance | ● | | ● | | | ▲ | | | | ◎ | |
| | Procurement Practices | ● | | | | | | | | | | |
| | Anti-Corruption | ● | | | | | | | | | ◎ | |
| | Anti-Competitive Behavior | ● | | ● | | | | | | | ◎ | |
| Environmental | Energy | | | | | | | | | | | ◎ |
| | Emissions | | | | | | | | | | ◎ | ◎ |
| | Environmental Compliance | ● | | | | | ▲ | | | | | |
| | Supplier Environmental Assessment | ● | | | | | | | | | | |
| Social | Occupational Health and Safety | ● | | ● | | | ▲ | | | | ◎ | |
| | Supplier Social Assessment | ● | | | | | | | | | | |
| | Customer Health and Safety | ● | | ● | | | ▲ | | | | ◎ | ◎ |
| | Marketing and Labeling | ● | | ● | | | ▲ | | | | ◎ | ◎ |
| | Customer Privacy | ● | | ● | | | ▲ | | | | ◎ | ◎ |
| | Socioeconomic Compliance | ● | | ● | | | ▲ | | | | ◎ | |

Hotai Motor's Involvement: ● Directly Linked ▲ Caused or Contributed to ◎ Business Relationship

Identification of Material Topics and Topic Boundaries of Disclosure

Achieving the United Nations Sustainable Development Goals requires the collective efforts of businesses and governments. As part of our efforts to move towards this common goal, we continue to align our sustainability reporting with GRI standards, corporate sustainability, and SDGs. In managing material topics and setting goals, we follow the five steps—understanding the SDGs, defining priorities, setting goals, integrating, reporting and communicating—in the SDG Compass developed by the UN Global Compact (UNGC), World Business Council for Sustainable Development (WBCSD) and GRI to define relevancy. So far, we have

identified 12 relevant sustainability goals including SDGs 5, 6, 7, 8, 9, 10, 12, 13, 14, 15, 16 and 17 that align with our work. In the process of defining these topics, we have also discovered that the higher a SDG's risk has on our operations, the more opportunities it could potentially bring, indicating a positive correlation between the two factors. To that end, we have committed to incorporate SDGs that align with our work into the core development strategies of our corporate social responsibility and vision, minimizing the risks and turning them into opportunities.

1.5 External Engagement

| Name of Organization | Title |
|---|----------|
| | |
| Third Wednesday Club | Member |
| Commerce Development Research Institute | Director |
| The Chinese National Association of Industry and Commerce, Taiwan (CNAIC) | Member |
| Importers and Exporters Association of Taipei | Member |
| Taiwan Japan Association for Business Communication | Member |
| Taiwan-Japan Economic and Trade Development Foundation | Member |
| The Japanese Chamber of Commerce & Industry Taipei | Member |
| Taiwan Corporate Governance Association | Member |
| Taiwan Stock Affairs Association | Member |
| Taipei Automobile Distributor Association | Member |
| Taiwan Transportation Vehicle Manufacturers Association | Member |
| Taiwan Automobile Repair Industry Association | Member |
| Chinese East Asia Economic Association | Member |
| Taiwan Institute of Directors | Member |
| Center for Corporate Sustainability | Director |

1.6 2020 Awards and Honors



7th Annual Corporate Governance Evaluation Ranking

Ranks in the top 5% among TWSE listed companies for the 4th time



Gold award in The Best Service in Taiwan 2020

7th consecutive year



#1 Favorite Brand of Consumers in the auto category in 2020

6th consecutive year



2020 TCSA Taiwan Enterprise Sustainability Award

5th consecutive year



#1 Most Trusted Brand Voted by Common Health Magazine Readers in the auto category in 2020

3rd consecutive year



#8 in the 2020 Commonwealth Magazine CSR Corporate Citizenship Award

6th consecutive year and a first-time nomination as top 10 finalists in 2020



Received the honors as the only business that has been listed among the "Top 500 Companies by Financial Performance" and "Top 100 Companies by Revenues" for 30 consecutive years

First time receiving the honors

Management Approach for Material Topics and UNSDGs

| | Corporate Governance and Business Ethics | Risk and Crisis Management | Market Strategy and Fair Trade |
|-----------------------------|--|---|---|
| SDGs |  |  |  |
| Relevancy to Our Operations | <ul style="list-style-type: none"> Increase revenues Mitigate goodwill risks Create social impact | <ul style="list-style-type: none"> Lower costs Enhance customer loyalty Mitigate goodwill risks | <ul style="list-style-type: none"> Mitigate goodwill risks Create social impact |
| Management Approach | <p>Requiring each entity to comply with affiliated business management guidelines to build trust and a long-lasting relationship with robust operations, and implementing a zero-tolerance policy against unethical behaviors.</p> | <p>We have a zero-tolerance policy against non-compliance with laws and regulations. While we increase employee awareness and emphasize the importance of compliance, our legal counsel will also conduct compliance review to ensure that the overall operations of the company comply with applicable laws and regulations.</p> | <p>Complying with TMC policies to develop market strategies compatible with local economic climate, and activating the "Think Amazing" DNA to level up our games.</p> |
| KPI | <ul style="list-style-type: none"> Corporate Governance Evaluation ranking Regular investor conferences | <ul style="list-style-type: none"> Non-compliance rate | <ul style="list-style-type: none"> Number of anti-competitive behavior violations |
| Short-term Objective | <ul style="list-style-type: none"> Top 6-20% among listed companies At least once a quarter | <ul style="list-style-type: none"> Reducing areas where non-compliance incidents occur until average non-compliance rate is under 10% | <ul style="list-style-type: none"> Zero violations |
| Medium-term Objective | <ul style="list-style-type: none"> Enhancing corporate governance culture | <ul style="list-style-type: none"> Reducing areas where non-compliance incidents occur until average non-compliance rate is under 7% | <ul style="list-style-type: none"> Zero violations |
| Long-term Objective | <ul style="list-style-type: none"> Becoming the benchmark enterprise for corporate governance | <ul style="list-style-type: none"> Reducing areas where non-compliance incidents occur until average non-compliance rate is under 5% | <ul style="list-style-type: none"> Zero violations |

Customer Privacy Protection



Enhance customer loyalty
Mitigate goodwill risks

Conducting mystery shopping audit at service centers to ensure that the operating procedures and customer privacy awareness are in compliance with the Personal Data Protection Act and company policies, and to prevent any violation of the Act.

Number of anti-competitive behavior violations

Zero violations

Zero violations

Zero violations

Operational and Financial Performance



Increase revenues
Lower costs
Boost employee engagement

Ensuring that the financial report accurately reflect the operational and financial performance of the company

The financial report should be free from any material misstatement

The statements are fairly presented

Financial transparency

Compliance

Product and Service Quality



Increase revenues
Enhance customer loyalty
Mitigate goodwill risks
Create social impact

Ensuring that we deliver vehicles with the highest quality and safety to customers

New vehicle's months in service (MIS)

90 day/120 day resolution rate

Recall completion rate

New vehicle MIS <15

90 day resolution rate > 95%

100% of 120 day resolution rate

100% of recall completion rate

Continuous efforts in our EDER campaign (early detection early resolution) to improve vehicle safety

Continuous efforts to improve product quality to ensure that we deliver vehicles with the highest quality and safety to customers

SDGs

Relevancy to Our Operations

Management Approach

KPI

Short-term Objective

Medium-term Objective

Long-term Objective

| | Brand Management and Marketing | Sustainable Partnership | Customer Safety |
|-----------------------------|---|---|---|
| SDGs | | | |
| Relevancy to Our Operations | <ul style="list-style-type: none"> Increase revenues Enhance customer loyalty Create new business opportunities | <ul style="list-style-type: none"> Increase revenues Create new business opportunities | <ul style="list-style-type: none"> Increase revenues Enhance customer loyalty Mitigate goodwill risks Create social impact |
| Management Approach | Offering products that are in compliance with regulatory requirements, creating an inclusive and dynamic brand identity, and meeting the needs of customers by hosting vehicle debut events and providing product information | Dedicating our efforts in accurately and seamlessly delivering products that meet customers' needs, and building long-lasting partnerships with our dealers | <ul style="list-style-type: none"> Introducing a complete set of safety features Ongoing communication with suppliers regarding quality improvement to ensure the highest quality of vehicles and instill customer confidence in vehicle safety Introducing a complete set of safety features to enhance driving safety for customers |
| KPI | Brand recognition enhancement | <ul style="list-style-type: none"> Toyota Service Management (TSM) standards Parts supply rate | <ul style="list-style-type: none"> 'Phasing in the following safety features from 2021 to 2023: <ol style="list-style-type: none"> 1. Preventive Contact System (PCS) 2. Lane Departure Warning System (LDWS) 3. Vehicle Stability Control (VSC) 4. Automatic fire suppression system in buses Recall completion rate |
| Short-term Objective | Meeting the needs of the public or a specific customer group to be informed on product information and branding through brand communication | <ul style="list-style-type: none"> 100% meeting the TSM standards in 2021 Reaching 97.8% of parts supply rate | <ul style="list-style-type: none"> '2021 objectives: <ul style="list-style-type: none"> - Adding PCS, LDWS and VSC to our 700 series heavy-duty trucks, 500 series medium-duty trucks, and RM1A buses - Adding LDWS and VSC to 300 series medium to light-duty trucks and RK, HS buses - Adding automatic fire suppression system to all bus series Achieving at least 90% of recall completion rate Adding the Lexus Safety System+, a driving assistance system to all Lexus vehicles Adding the TOYOTA Safety Sense+, a driving assistance system to all TOYOTA vehicles |
| Medium-term Objective | Becoming the leading brand with the largest market share | <ul style="list-style-type: none"> Continuously improving parts supply rate Continuously improving parts supply rate | <ul style="list-style-type: none"> Achieving at least 95% of recall completion rate Enhancing the self-driving technology in the Lexus Safety System+ Enhancing the self-driving technology in TOYOTA Safety Sense+ |
| Long-term Objective | Becoming the leading brand with the largest market share and increasing brand loyalty | <ul style="list-style-type: none"> 100% meeting the TSM standards Continuously improving parts supply rate | <ul style="list-style-type: none"> Achieving 100% recall completion rate Becoming the number one luxury brand in vehicle safety |

Environmental Policy and Management



Mitigate goodwill risks
Create social impact

Implementing ISO 14001 Environmental Management Systems and promoting environmental awareness

ISO 14001 certification and eco dealerships

Establishing eco dealerships and receiving ISO 14001 certification

Establishing eco dealerships and receiving ISO 14001 certification

Establishing eco dealerships and receiving ISO 14001 certification

Occupational Health and Safety



Mitigate goodwill risks
Boost employee engagement
Create social impact

Complying with occupational health and safety regulations, formulating employee health and safety policy and guidelines and regularly reviewing whether regulatory requirements are met

1. Implementation and management of respiratory protection programs
2. Ongoing implementation of four key programs, as well as risk level management and follow-up.
3. ISO 45001 certification

Hosting at least one health and wellness talk for each office based on health and work related topics that came up in employees' health checks

Receiving ISO 45001 certification and using a systematic method to implement sound occupational health and safety practices

Providing a safe, healthy and comfortable work environment

SDGs

Relevancy to Our Operations

Management Approach

KPI

Short-term Objective

Medium-term Objective

Long-term Objective



02 Customer Services



97.8%

Average supply rate of automotive parts in the last four years



Over 300,000 people

Average monthly active users of our mobile apps



19 consecutive years

Number one company in Taiwan's automotive industry



Over 97%

2020 customer satisfaction score

Our people-first culture is what enables us to maintain a leading position in Taiwan’s automotive industry for 19 consecutive years. From car viewing and sales, to aftersales support and maintenance, we consistently provide high-quality, trusted services. Customer feedback and expectations are what drive us to continuously progress. By keeping people at the heart of every decision we make, we are creating a driving experience that exceeds customers’ expectations.

2.1 “Happiness at TOYOTA” Service Culture

At Hotai Motor, we put people at the center of everything we do. We are deeply invested in both customer experience and employees’ job satisfaction. Our vision is to work together to create a happy workplace for employees—a fun and enjoyable working environment at TOYOTA. We believe that increased employee satisfaction leads to stronger performance in customer satisfaction and thereby build customer loyalty over time. Hotai Motor and our TOYOTA dealers periodically review the work environment and work-life balance of employees, sales staff, and customer representatives for aftersales support, and offer benefits based on the needs of employees, including a wide range of incentives, wellness programs, work environment and facility upgrade, family events for employees, and on-the-job training. By ensuring that our employees are well taken care of, we are better positioned to deliver services to customers

through our expertise.

We also commit significant resources to delivering personalized solutions (i.e., products and services that are tailored to customers’ needs and exceed their expectations) so that owning TOYOTA vehicles can be an enjoyable experience for our customers. Some of these efforts include incorporating local cultures into our service procedures, creating a desirable atmosphere and design for the showroom and customer lounge, offering a variety of family activities, introducing brand new digital service, and inviting local communities to our events—all of which are aimed to appeal to TOYOTA owners as a brand with a personal touch.

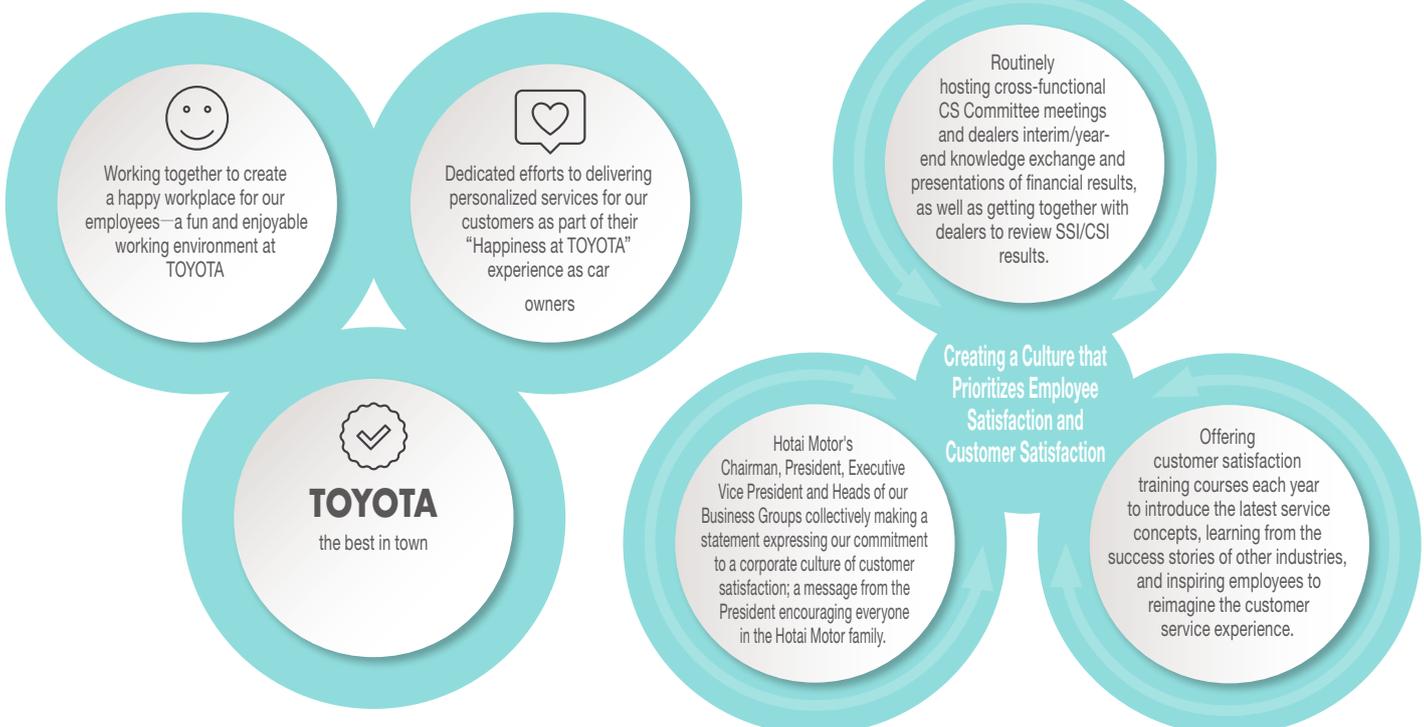


Our commitment to the “Happiness at TOYOTA” service culture will continue to be the driving force behind our efforts to increase employee satisfaction and customer satisfaction. We aspire to create an enjoyable working environment by enhancing employee engagement and boosting morale, and providing a place where employees can play to their strengths and be creative, thereby delivering a personalized service experience for our customers.



The “Happiness at TOYOTA” Concept

Creating a Culture that Prioritizes Employee Satisfaction and Customer Satisfaction



At a Glance: A History of Our Service Culture



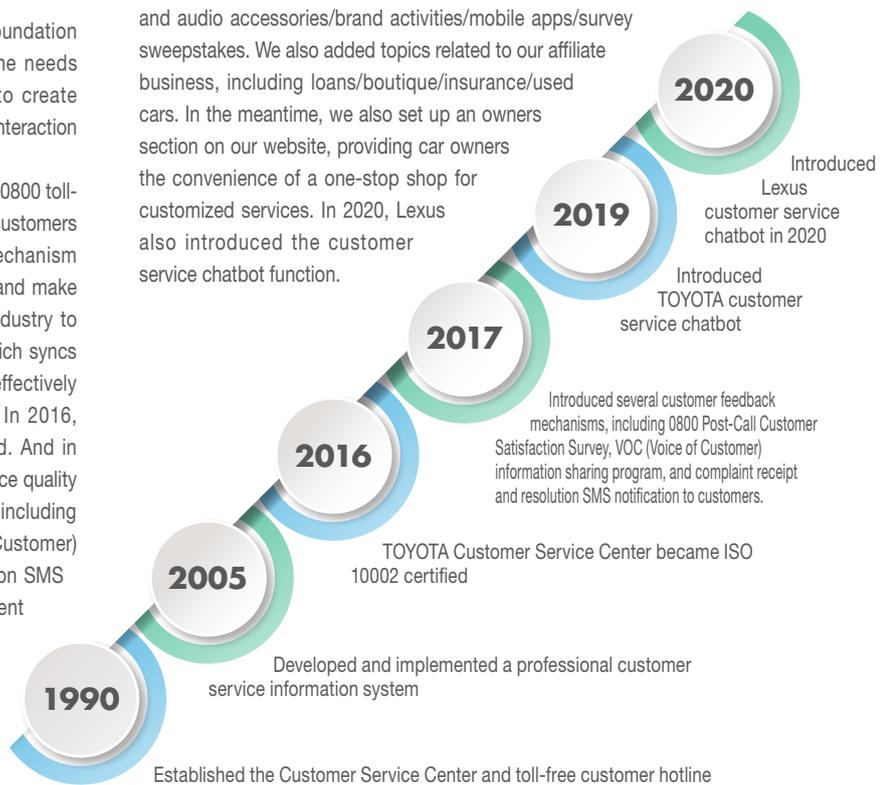
2.2 Customer Relationship Management

2.2.1 We Listen Intently to Customers' Needs

The "Happiness at TOYOTA" service culture serves as a foundation for our commitment to putting customers first. By having the needs of customers at the heart of everything we do, we aspire to create personalized experience with a human touch for each customer interaction with TOYOTA.

In 1990, Hotai Motor established a customer service center and a 0800 toll-free hotline to receive and handle inquiries and complaints from customers through a unified system. The standardized management mechanism allows us to thoroughly review the feedback of each customer and make improvements accordingly. In 2005, we were the first in the industry to develop a professional customer service information system, which syncs data from the dealers' platforms to ours and enables us to effectively track the progress of customer complaints and feedbacks. In 2016, TOYOTA customer service center became ISO 10002 certified. And in 2017, we introduced several mechanisms to improve overall service quality and customer relationship through total process management, including 0800 Post-Call Customer Satisfaction Survey, VOC (Voice of Customer) information sharing program, and complaint receipt and resolution SMS notification to customers. Through these systematic management procedures, we continue to improve our customer service quality and strengthening customer relationship. Considering the increased internet access of customers, we introduced the TOYOTA customer service chatbot, an AI-powered service, in 2019, which provides real-

time responses to customers and enhances customer experience. In 2020, we continue to improve our service chatbot capabilities and expanding our FAQ database. In addition to existing sales/service topics, we expanded the question answering datasets to include video and audio accessories/brand activities/mobile apps/survey sweepstakes. We also added topics related to our affiliate business, including loans/boutique/insurance/used cars. In the meantime, we also set up an owners section on our website, providing car owners the convenience of a one-stop shop for customized services. In 2020, Lexus also introduced the customer service chatbot function.



Customer Feedback Channels



Harnessing customer input and feedback has remained one of our top priorities. We maintain open communication with owners of our vehicles through multiple channels, including a 24-hour toll-free hotline, customer service hotline, our corporate website (AI-powered customer service chatbot), customer satisfaction survey (e.g., phone interview, paper survey, online survey), and mobile apps. By fostering an environment where voices are heard, we turn customer feedback into opportunities to deliver quality service.

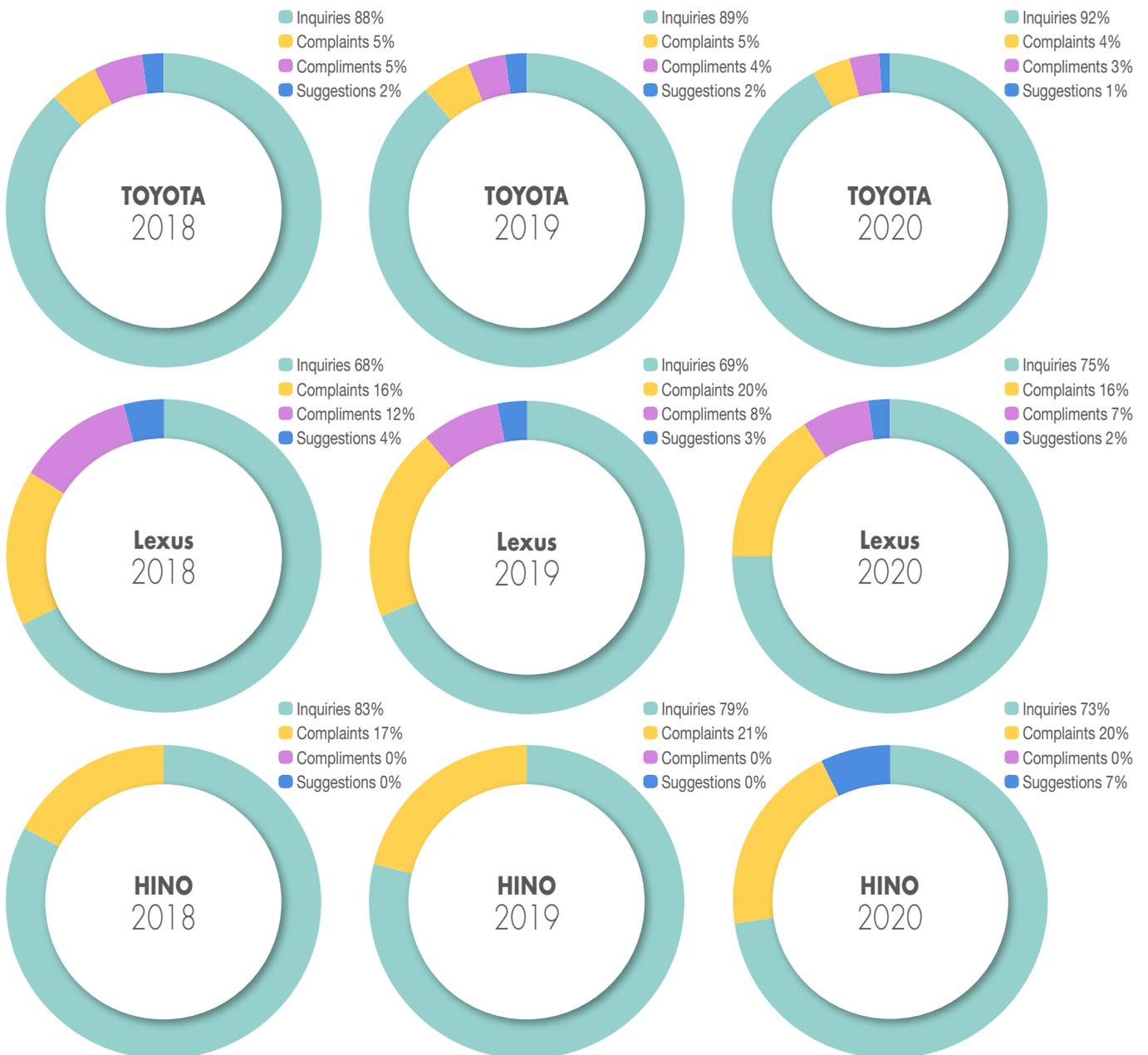
| | TOYOTA 0800-221-345 · (02)5599-7299 www.toyota.com.tw | Lexus 0800-036-036 www.Lexus.com.tw | HINO 0800-522-567 www.hino.com.tw |
|-------------------------|--|---|--|
| Phone Interview |  <ul style="list-style-type: none"> ✓ Calls are made to all customers ✓ SSI respondents: owners who have taken delivery of their cars for more than seven days ✓ CSI respondents: a text message is sent out to owners who have picked up their cars from the shop for more than three days after being serviced; if the message remains unresponded, a follow-up call will be made to the car owner after seven days. |  <ul style="list-style-type: none"> ✓ Calls are made to all customers ✓ SSI respondents: owners who have taken delivery of their cars for more than seven days ✓ CSI respondents: owners who have picked up their cars from the shop for more than three days after being serviced |  <ul style="list-style-type: none"> ✓ Phone interview is not the primary survey method |
| Paper and Online Survey |  <ul style="list-style-type: none"> ✓ Monthly random sampling by sending paper and online surveys to assess the level of customer satisfaction ✓ Owners who have taken delivery of their new cars (sample size: 8,000 respondents per quarter) ✓ Owners who have brought their cars in for service (sample size: 15,000 respondents per quarter) |  <ul style="list-style-type: none"> ✓ Monthly random sampling by sending paper and SMS surveys ✓ SSI respondents: owners who have taken delivery of their new cars within six months (sample size: 1,000 respondents) ✓ CSI respondents: owners who have picked up their cars from the shop within three months after being serviced (sample size: 2,000 respondents) |  <ul style="list-style-type: none"> ✓ Online survey is sent to customers who registered their plates or brought their cars in for service to assess the level of customer satisfaction ✓ SSI respondents: a QR code/LINE link to the SSI survey is provided to owners who have registered their plates when they take delivery of their new cars ✓ CSI respondents: owners who have brought their cars in for service will receive a LINE message the following day with a link to the survey (sample size: 800 respondents per month) |
| Mobile App |  <ul style="list-style-type: none"> ✓ All-in-one lifestyle mobile app, City Driver  |  <ul style="list-style-type: none"> ✓ All-in-one lifestyle mobile app, Lexus Plus  |  <ul style="list-style-type: none"> ✓ LINE@HINO Commercial Vehicles  |

SSI: Sales Satisfaction Index; CSI: Customer Service Index

Responding to Customer Feedback

The Voice of Customer (VOC) data sharing enables us to understand the needs of customers to which we actively respond. Customer feedback is organized into four categories: inquiries, complaints, compliments, and suggestions. Most of the feedback we receive is either inquiries, compliments, or suggestions.

| Source of VOC in 2020 | | | | |
|---|--------|-------|------|--|
| Source of VOC* | TOYOTA | Lexus | HINO | Business Units |
| Phone calls | 48% | 84% | 8% | Customer service divisions of TOYOTA and Lexus |
| Corporate website Customer service chatbots + emails | 47% | 6% | 15% | HINO: Commercial Vehicles Service and Marketing Office |
| Phone interview, mail survey and online survey | 5% | 10% | 77% | TOYOTA: conducted by external providers (phone interviews are conducted by dealers) Lexus: conducted by external providers HINO: conducted by external providers |



A representative from a dedicated team will be assigned to track the progress of the complaints, and the concerns will be funneled to the appropriate departments for research and discussion in order to further formulate plans and improvement. Each VOC is properly handled by an assigned customer service manager to track progress.

Customer Feedback Process



Customer Satisfaction

At Hotai Motor, we put the customer at heart of everything we do. From new vehicle sales to aftersales support, we ensure that we get everything right down to the last detail so that customers can receive the best service. Our efforts to understand customers' needs and listen to their voices include periodic audit on service quality and standard operating procedures, as well as engaging external market research companies to conduct customer satisfaction survey in order to refine our service quality and meet and exceed customer expectations.

Through a variety of customer satisfaction survey methods (e.g., phone interview and mail survey), customer feedback collected is handed

over to the Customer Service Center. We also require dealers and first-line representatives to implement changes and improvements based on customer feedback to enhance customer satisfaction. Over the years, we've invested significant resources in educating employees on the importance of customer satisfaction. We see employee satisfaction as the foundation of customer satisfaction. With the participation of top management and timely improvement on the sales floor by first-line representatives, we aspire to create an enjoyable work experience for our employees at TOYOTA. By consistently responding in empathy, we believe that we will earn customer trust and confidence and maintain TOYOTA's leading position in the market.

Percentage of VOC categories

| Brand | Survey Method | 2018 | 2019 | 2020 | 2021 Target |
|--------|---------------------------------------|------|------|-------|-------------|
| TOYOTA | SSI phone interview (score) | 97.0 | 97.6 | 98.1 | 98.0 |
| | CSI phone interview (score) | 96.0 | 97.0 | 97.0 | 97.0 |
| Lexus | SSI phone interview (completion rate) | 98.6 | 98.9 | 94 | 95 |
| | CSI phone interview (completion rate) | 98.9 | 99.1 | 95 | 95 |
| | Mail survey-SSI (satisfaction score) | 987 | 990 | 991 | 980 |
| | Mail survey-CSI (satisfaction score) | 982 | 985 | 984 | 975 |
| HINO | CSI-Survey | 95.6 | 97.4 | 96.1 | 90 |
| | SSI-Survey (satisfaction score) | 93.3 | 94.8 | 98.3* | 98 |

Summary of survey methods:

1. TOYOTA

SSI phone interview (score): the average satisfaction score of all TOYOTA sales locations

CSI phone interview (score): the average satisfaction score of all TOYOTA service centers

2. Lexus

Phone interview: the average score based on completion rate of all Lexus sales locations and service centers.

Mail survey: the average of customer satisfaction score of all Lexus sales locations and service centers (on a 1000-point scale).

3. HINO

*Instead of phone interviews, SSI was conducted through online survey; we also changed the scoring system.

CSI survey (score): the average satisfaction score of all HINO service centers. (In 2021, our target score is 90 as a result of a recalibrated KPI due to change of survey structure and questions).

Mobility Service—City Driver and Lexus Plus

We are committed to delivering convenient and safe driving experience for car owners. In 2013, we launched City Driver and Lexus Plus, two mobile apps that fully support nine key features for drivers as an industry first, which emphasize the concept of all-in-one lifestyle apps. In addition, TOYOTA and Lexus owners are given access to an exclusive “Vehicle Assistant” feature to assist car owners to keep track of maintenance information of their vehicles. The apps also feature maintenance alerts and online service scheduling, as well as e-coupons available from time to time to make maintenance and service convenient for car owners. When the apps first launched, we had well over 500,000 downloads every year for both apps. Due to positive user reviews, our downloads and verification counts have reached saturation point and continue to grow at a steady rate. In 2019, we offered owners additional value-added services through the optimization of the apps and by incorporating cross-industry events. Since 2019, we have built upon the existing diverse service framework and improved the stability and content of each service and received high reviews from users. The apps have an accumulated 3 million downloads and an average of over 300,000 active users monthly. In November 2020, we introduced the Hotai Group Membership Car owners can now use one single account and enjoy all the affiliated services offered by the Group, creating an enhanced digital service experience. In 2020, we had an



accumulative of 200,000 new registered users, and this year we are working towards achieving 1.2 million new registered users. Going forward, we will continue to dedicate our efforts in delivering more diverse, convenient and safe driving experience and mobility service to the public, thereby benchmarking our corporate social responsibility progress.

2.2.2 Customer Relationship Management

The automotive industry today has evolved from traditional manufacturing to vehicle services. As such, building strong and long-lasting relationships with customers to gain their trust becomes a foundational element for us to thrive in this industry. By reaching out to customers about their overall driving experience, hosting a variety of customer events, and connecting via digital media, we hope to create relatable daily life experience and real-time interactions with customers, which demonstrate our service expertise and passion as we live out the vision of “Think Amazing” .

TOYOTA

| | | |
|--|---|--|
|  <p>Vehicle Purchase and Delivery</p> <p>Once the customer places an order, the information is logged into the i-follow system and outlet manager will make a follow-up call to the customer to confirm the order.</p> <p>A call is made to customer seven days after taking delivery of their vehicle to survey customer about their purchasing experience, as well as to inquire about their vehicle use, collect feedback and verify contact information.</p> |  <p>Customer Care</p> <p>Communicate information regarding vehicle use, insurance renewal, scheduled service, and inspection reminder to TOYOTA owners via SMS.</p> <p>A customer care message is sent on the third day after the customer brought in their vehicle for maintenance or service. If a customer has not replied to the message, we will make a phone call to the said customer on the seventh day. These efforts are to ensure that each customer is satisfied with their driving and maintenance experience.</p> |  <p>A Variety of Customer Events</p> <p>We work with our dealers to host a variety of owners events periodically. These events include Family DIY activities, health and road safety lectures, environmental sustainability activities, little technicians camps and LEGO camps, which increase our interactions with owners and reinforce the idea of sustainability, thereby elevating brand service image as we build relationship with owners.</p> |
|--|---|--|

Lexus



Taking the Initiative to Reach Out

Vehicle purchase experience: A call is made to the customer seven days after taking delivery of their vehicle to inquire about their vehicle use, collect feedback and verify contact information.

Vehicle service experience: A call is made to the customer within three days after vehicle is picked up from the service center to inquire about their vehicle use in order to survey the customer about their experience with the service or maintenance.



Visits by Sales Representatives

We extend invitations to and engage with Lexus owners. We also send birthday gifts every year to owners who made their purchase within the last six years



Customer Events

We work with dealers to host a variety of owner events, such as makers and crafts, food and travel, art and culture, sports and fitness to facilitate interactions with owners. We also use event feedback survey to investigate customers' interests and suggestions regarding the event.



Quarterly Magazine

We include a survey at the back pages of every issue of the LESUS magazine to survey vehicle owners (approximately 160,000 owners) about their level of interest towards each section of the magazine to help us create topic contents that better align with their interests.

HINO



Sales Representative

A call is made to the customer three days after taking delivery of the vehicle:

- To inquire about their vehicle use



Sales Manager

A call is made to the customer seven days after taking delivery of the vehicle:

- To inquire about their vehicle use
- To investigate the execution of vehicle delivery
- To incentivize the customer to bring their vehicle in for service after the first thousand kilometers

Voluntary Recalls

For Hotai Motors, the safety and interests of our customers have always been our top priorities. We consistently perform testing and sampling inspections on each of our vehicles and parts, and the standardized assembly process have also received numerous audits and inspections. While vehicle safety defects and recalls are ultimately inevitable, the recalls demonstrate how manufacturers carry out their responsibility to protect customers. We take the interests of our customers seriously and immediately send out a "Safety Recall Notification Letter" signed by our president to owners via registered mail whenever TMC notifies us of any recalls. The letter explains the reason for the recall, potential impact of the defect, actions taken, the time needed for repair or replacement,

recall timeframe, as well as an apology to customers for any convenience caused.

In 2020, there were no incidents of compulsory product recalls or termination of service, no fines imposed due to non-compliance that impacts the health and safety of the public, violations that result in warnings, and violations of voluntary code on recalls. However, there was a recall in 2020 due to two incidents where the SRS airbag inflator on the driver's side could rupture with metal fragments and increase fatality rate. Our commitment to acting with honesty, responsibility and taking the initiative to quickly address and fix the issues reinforces confidence in our customers to fully enjoy the comfort and delight of vehicle use.

Vehicle Recall Volume

| Brand | Model/Number of Vehicles Recalled |
|---------------|--|
| TOYOTA | <ul style="list-style-type: none"> • CELICA driver airbag inflator (see note)/77 • CAMRY and ALTIS fuel pump/40,222 • RAV4 driver airbag inflator see note/1,032 • PRIUS ECU software update/723 • ALPHARD, CAMRY, CAMRY HV rear seat belt/325 • PRIUS, PRIUS PHV, PRIUS a driver seat belt buckle/5,644 • ALPHARD, PRADO, SIENNA fuel pump/1,571 |
| Lexus | <ul style="list-style-type: none"> • GS250/NX200t/IS300 fuel pump/5,758 • LM300h rear brake light wiring harness/604 |
| HINO | No recalls in 2020 |

Note: Ammonium nitrate (NH4No3), an explosive chemical compound was found in the SRS airbag inflators. If left unattended, the airbags could explode and catch fire. All the SRS airbags removed from the vehicles by service centers have been collected and stored at the Yangmei warehouse. According to our records, three 20-foot containers carrying 2,420 pieces, 2,177 pieces, and 2,492 pieces of recalled inflators respectively were shipped back to TMC via Everbest Logistics on February 11, 2020, May 12, 2020, and October 5, 2020.

2.3 Product Design and Manufacturing

2.3.1 Introducing Products that Match Market Needs— Hybrid Vehicles, Sustainability and Convenience Combined

Customer needs have always been one of our top priorities. Before the implementation of any new product and parts, we study trends, demands, behaviors and background information of new vehicle buyers by using the New Car Buyers Study (NCBS) database. Prior to every vehicle launch and during the initial stage of a product launch, we dialogue with suppliers and conduct interviews with dealers in order to predict future consumer behaviors by following market trends.



Market Research

Study the needs, behaviors and background information of new vehicle buyers by using the New Car Buyers Survey (NCBS) database and DLR hearing result, and analyze future consumer trends.



Prior to Vehicle Launch

Communicate annual product plan and provide the latest regulations to TMC to ensure that new vehicles will be qualified with certifications on emissions, noise level, fuel economy, and safety reviews prior to the launch.



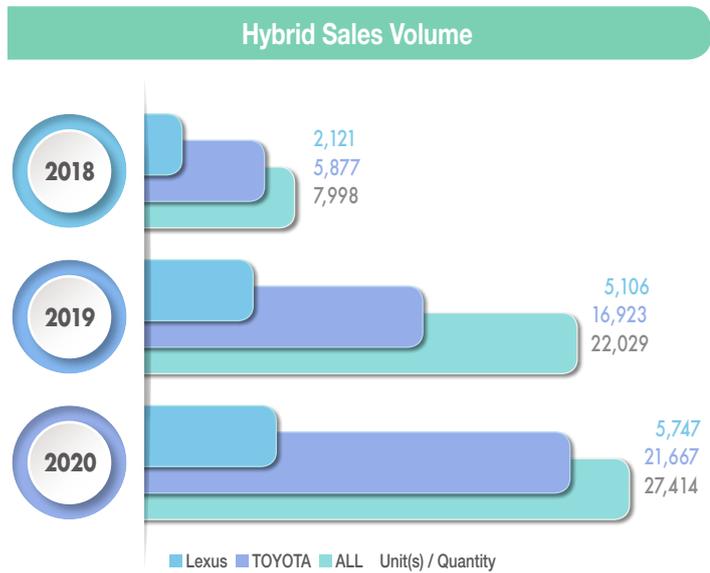
Early Stages of Product Launch

Through interviews with dealers, we observe how customers respond to the products based on their feedback. If there are needs to be matched, we then discuss with TMC whether the originally intended performance, design, and functions of the vehicles will be impacted in order to meet those needs to the extent that vehicle safety is not compromised.

Product Implementation Evaluation Process

Over the last few years, hybrid models have gained immense popularity around the globe due to shifting consumer preferences as a result of growing environmental awareness. We were the first automotive company to introduce hybrid models in Taiwan, creating a cleaner sustainable lifestyle for local consumers and the most comfortable energy-efficient experience for car owners.

Note 1: 248 HINO hybrid vehicles were sold from 2018 to 2020.



2.3.2 Improving Product Safety Performance

Safety is our foundational commitment at Hotai Motor. It is our goal to achieve vehicle and road safety and zero crashes. To attain high level of safety performances, we conduct crash tests and use driver simulation and virtual anthropomorphic test device in our crash tests with the concept of integrated safety management. Our vehicles are built with safety in mind. Each model under our brands is equipped with active and passive safety systems, driver assistance systems, braking/suspension systems, and highly rigid body design, offering a comprehensive set of safety features.

Crash Tests

We analyze crash event data and conduct extensive crash testing in order to continuously implement new safety features to reduce crash fatalities.

Driving Simulator

We built the most advanced driving simulator in the world, a moving-base dome containing a 360-degree high-definition screen which simulates left and right turns, accelerating and braking, which recreates driving a vehicle in dangerous or special conditions. We study driver response and vehicle information in these crash events to continuously improve our active safety technology

Using Virtual Anthropomorphic Test Device

TOYOTA has been developing Total Human Model for Safety (THUMS), a virtual human body model software program since 1997. The program is used to analyze injuries sustained by passengers and pedestrians in a crash event in order to understand how the internal organs of the human body are affected in vehicle collisions. We will also continue to develop more refined THUMS to simulate the body condition of different genders and age groups. The data acquired helps us develop passive safety technologies such as side curtain airbags and WIL seat design to reduce cervical spine injuries.

Integrated Safety Management Concept

By building a system that can assist drivers in every aspect of their driving experience, including parking, active safety, crash preparedness, passive safety, and roadside assistance, we commit significant resources to creating vehicles that help reduce crashes.

Safety Performance Improvements

TOYOTA

- To reduce crashes and ensure road safety, we commit significant resources to implementing a comprehensive set of active and passive safety features, such as TOYOTA's advanced safety system (integrating driver-assistance system, brake assist, and safety alert system), Toyota Safety Sense (TSS), and high-strength steel car body.
- To meet consumer expectations, Hotai Motor is consistently upgrading the safety features of vehicles under our brand. For domestic vehicles, all series of our bestselling models in the segment, Corolla Altis and Corolla Cross, are packed with TSS and 7 airbags; Sienta, Yaris and Vios are also equipped with the TSS feature. For import vehicle models, all series of RAV4, Camry, C-HR, Corolla Sport, Prius, Prius α, Prius PHV, Prado, Alphard, Sienna, Hilux, and Supra are packed with TSS and 7 (or more) airbags. A total of 14 vehicle models are packed with these safety features to ensure driver and passenger safety. (As of the end of 2020, vehicle models with TSS account for 73% of the sales of all vehicle models.)

Lexus

Our luxury brand, Lexus, has made its mark by providing a quiet ride and advanced safety features. As of 2020, all Lexus series have implemented the Lexus Safety System+, an active safety feature; all Lexus hybrids are packed with a pre-collision system to warn drivers about approaching vehicles to enhance driving safety.

HINO

HINO trucks use high-strength steel to build the cabins, together with anti-intrusion beam on the side doors, energy-absorbing steering wheel and features like Panoramic View Monitor, the goal is to reinforce driving safety. New models of HINO buses are equipped with wide rear axle suspension system to reduce vibration and shaking, and the optimization of brake assist capability paired with the exhaust brake system increase vehicle performance during deceleration.

2.3.3 Risk Management in Implementing New Vehicle Models

At Hotai Motor, it is our long-term commitment to deliver the best products and service to customers. In order to offer vehicles with the highest quality and serve the interests of customers, we have a comprehensive management mechanism in place to ensure the quality of new vehicles. We also work towards delivering new vehicles that are defect-free as we build customer trust and satisfaction.



Full Coverage of New Vehicles Sales Protection Insurance

To ensure that new vehicles are secure from the moment they came off the production line until delivery to customers as well as to lower risks and enhance brand image, we purchased new vehicle sales protection insurance as an industry first, including insurance against theft, third-party liability insurance, parts insurance, and typhoon insurance. On average, we spend NT\$12 million each year on insurance premium.



Ensuring New Vehicle Quality

Vehicle Delivery Quality Improvement Committee

To ensure vehicle delivery quality, we set up the Vehicle Delivery Quality Improvement Committee. The Committee conducts an on-site audit every six months on the quality of operations at the dealerships (including the process of transportation, preparation, and delivery), and further analyzes the quality of new vehicle delivery to ensure that customers interests are served.

Standard Operating Procedures (SOP)

Whether it's import vehicles entering the country or new domestic vehicles rolling off the assembly line, we have a standard operating procedure for quality control and inspection every step along the process from vehicle preparation to logistics. The goal of our practice is to ensure that from factory to preparation and to delivery to owners, every new vehicle remains spotless throughout the process.

Quality Research Team

To reduce customer complaints and concerns regarding the quality of their new vehicles, Hotai Motor established the Quality Research Team in 2011 with the goal to conduct research studies on strategies and methods to improve product quality through brainstorming ideas with suppliers and dealers. At the same time, we help dealers step into their roles as the gate keepers of our products through the Completely Check Completely Find Out (CCCF) campaign to ensure that we deliver defect-free vehicles.

2.3.4 Ensuring Efficiency and Quality of Parts Supply

Our parts supply management is built on the spirit of the TOYOTA Production System (TPS) and its methodology. The system provides accurate information that enables us to deliver a wide variety of parts service across our extensive network of 181 service centers around the island. Hotai Motor's Parts Operation Division is charged with the important tasks of parts procurement, pricing, quality management,

inventory control, warehouse security of dealers, logistics and delivery, as well as training of parts staff. Parts supply is one of our most significant area of focus as it directly impacts the interests of customers in vehicle use. From 2018 to 2020, our parts supply rate has met our targets and averages at 97.7%.

Parts Information System

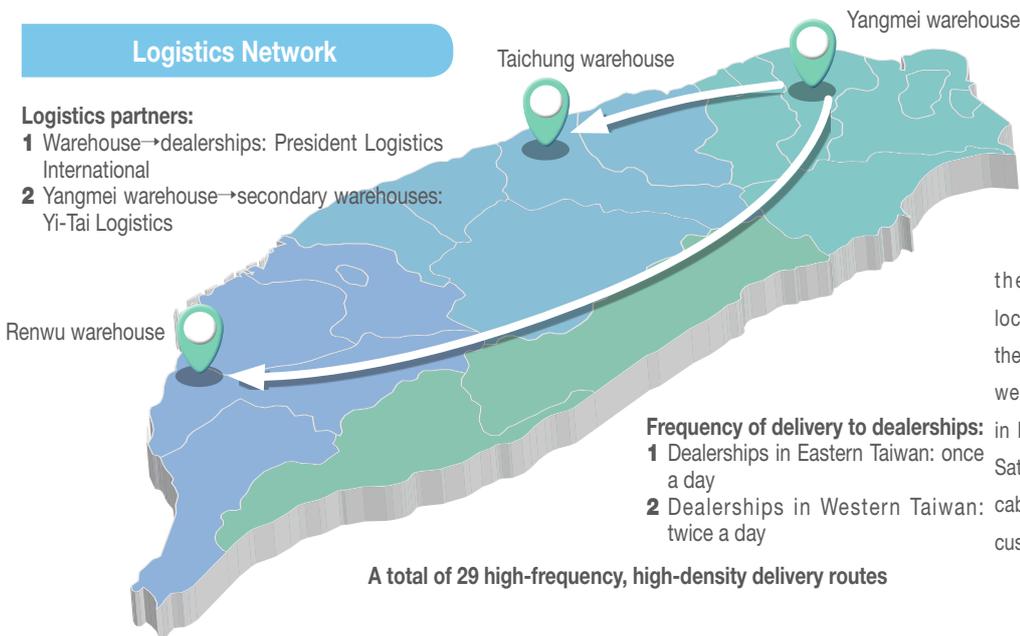


| | 2018 | 2019 | 2020 | 2021 Target |
|-----------------------------------|------------|------------|------------|-------------|
| Purchase Order Volume | 24,796 | 26,114 | 26,746 | — |
| Sales in Total (in NT\$ thousand) | 11,826,772 | 12,197,408 | 12,529,308 | — |
| Parts Supply Rate (%) | 97.8% | 97.8% | 97.6% | 97.8% |
| Number of Delivery Locations | 172 | 174 | 184 | — |

Logistics Network

Logistics partners:

- 1 Warehouse→dealerships: President Logistics International
- 2 Yangmei warehouse→secondary warehouses: Yi-Tai Logistics



We regularly purchase parts and components, supplies and consumables for vehicle models that we sell, and deliver them to dealerships and sales locations based on demands within the shortest time possible. Currently, we deliver twice a day (once a day in Eastern Taiwan) from Mondays to Saturdays. Dealers can pick up or use cab or courier service in the event of customer requested express delivery.

Frequency of delivery to dealerships:

- 1 Dealerships in Eastern Taiwan: once a day
- 2 Dealerships in Western Taiwan: twice a day

A total of 29 high-frequency, high-density delivery routes

Customer Services



03 Best Partner



20 consecutive years

Sponsoring the National Skills Competition



36.66%

Percentage increase of local sourcing



171 sales locations nationwide

The first company in the automotive industry to have received ISO 14001 certification



13,971

Number of drivers that have attended our commercial vehicle fuel efficient driving program

For the last 70 years, these are our most trusted partners—TMC with whom we've formed partnership for over six decades, Kuozui Motors who crafts domestic TOYOTA and HINO vehicles, a group of close-knit, dedicated teams of dealers, and highly cooperative suppliers who are dedicated to premium quality. Together with our partners, we have created the best service with a human touch for our employees, shareholders and customers that exceed their expectations. Moving forward, we will continue to dedicate resources in working with our dealers and suppliers to deliver more impressive records.

3.1 Dealers Management

The combined efforts between Hotai Motor and our dealers have enabled us to establish a strong presence in Taiwan's automotive market. By investing significant resources in the development of dealers, we believe that, collectively, Hotai Motor and our dealers are better positioned to deliver the best service to customers as we build our brand value.

3.1.1 Passenger Vehicle Dealers

At the beginning of 1986, we designed a TOYOTA passenger vehicle dealer network to provide vehicle sales, maintenance, and service through our top eight dealers. To date, we have established hundreds of dealerships and

service centers and occupied a dominant position in the market for the last several decades.

As part of our goal to deliver consistent quality and service to customers, we conduct annual evaluations on dealers' policies, carry out satisfaction survey on day-to-day operations and sales practices, hire mystery shoppers to regularly visit each sales location to have the full customer experience and to investigate whether standard operating procedures (SOP) are properly implemented. As the trusted partner to our dealers in sustainable operations, we also offer mentoring and support as needed in addition to the above management measures.

Passenger Vehicle Dealer Training

We offer a comprehensive series of training for dealers, which include product training, service training, brand training, sales skills training, customer service training, sales management training, and personal development training courses. All the staff at the dealerships are required to be certified and pass the evaluation. On the other hand, training courses for aftersales support are offered in two areas: technical and management. To that end, we have the Office of Education and Training to conduct training by stages to build auto technician skills and customer service skills. We also help our dealers train in-house lecturers as a way to continually improve their technical skills and service capabilities.



| | | | 2018 | 2019 T | 2019 L | 2020 T | 2020 L |
|---|--|------------|------------|-----------|-----------|-----------|-----------|
| Training Statistics of Passenger Vehicle Aftersales Support | Session | Technical | 98 | 97 | 78 | 80 | 58 |
| | | Management | 68 | 62 | 10 | 51 | 9 |
| | Cumulative Attendance | Technical | 1,174 | 1,532 | 829 | 1,260 | 619 |
| | | Management | 1,318 | 1,477 | 300 | 1,069 | 454 |
| | Amount Invested in Dealer Training (in NT Dollars) | | 10,570,000 | 8,699,000 | 6,846,390 | 7,420,000 | 8,640,950 |

Note 1: We require our top eight dealers to conduct regular training in Personal Data Protection Act related topics each year for all employees.

Note 2: Training figures are listed in separate columns to reflect that TOYOTA and LEXUS trainings are planned and conducted independently.

Passenger Vehicle Customer Events

As part of our efforts to increase service center and customer interactions and to deliver all new customer experience, we started the LEGO STEM Camp at our dealerships and service centers across Taiwan in 2018 in addition to existing holiday campaigns. The event combines fun with educational content and has been widely received by car owners with positive feedback which, in turn, reinforces TOYOTA's image as a company providing exceptional service. In 2020, TOYOTA held 19 rounds of LEGO STEM Camp and a total of 331 people registered for the event, creating a fun experience for car owners through family-friendly events.



LEGO STEM Camp

The LEGO STEM Camp ran from July to September 2020. Our classes adopt LEGO Education's 4C learning approach (Connect, Construct, Contemplate, Continue) in teaching students

how to use LEGO Bricks, gears and wheels to build an electric car, and give an overview of how vehicles drive up a hill and accelerate so that students can understand the characteristics of a gear ratio.

A portion of the registration fees is donated to non-profit organizations, which is a way for car owners to take part in our efforts to give back while learning about STEM concepts.



For LEXUS, we offer personalized delivery service to new vehicle owners. We also launched the LEXUS LINE@ official account to provide convenience and novel experience for car owners (e.g., owners service, VIP service representative). As of December 2020, we have approximately 54,000 verified users since the service launched in January 2019 and the numbers continue to grow. In order to reinforce employees' sense of honor and boost service morale, we recognize top-performing sales representatives by publicly presenting them with the LEXUS Star Award as we strive to provide quality service.

3.1.2 Commercial Vehicle Dealers

Our current commercial vehicle dealerships nationwide provide a one-stop-shop for both vehicle sales and service, offering total customer solutions. We also have a mobile service unit that makes regular stops around the island bringing repair and maintenance service to the door so customers can enjoy the convenience. In addition, we offer roadside assistance to help owners with vehicle emergencies. As we continuously strive to deliver satisfactory service, it is our aspiration to work alongside our customers and become their partner of choice.



Safety Campaigns

Enhance driving safety by promoting awareness of vehicle safety and vehicle weight regulations and educating customers about vehicle safety features at the time of delivery/pickup of new vehicles and during customer visits.



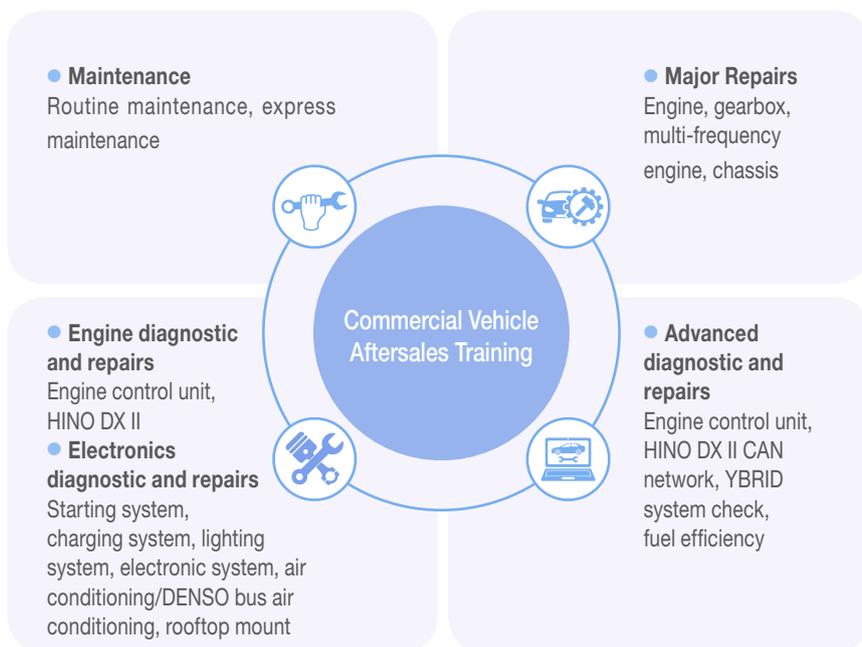
Test Drives

Offer test drives in HINO 3.49T and TOYOTA GRANVIA so that customers can experience it first hand driving the vehicle as well as the quality of our products prior to purchasing.

The Chinese Edition of HINO CARES Magazine



We publish HINO CARES in the Chinese language quarterly to help customers connect more deeply with HINO products and brand activities. The magazine introduces HINO's latest products and discusses various customer engagement efforts through interviewing HINO employees around the world.



Commercial Vehicle Aftersales Training

Given the function and purpose of commercial vehicles, it is imperative that aftersales support adhere to these two principles—quick repairs and shorter turnaround time. In light of this need, we have designed a four-stage training program for technicians based on their job grades and level of skills required to ensure the quality and effectiveness of training. Through pre-class screening and post-class quizzes, we help technicians spot issues and encourage them to raise questions in class. In 2020, 333 technicians completed the training.

| | | 2018 | 2019 | 2020 | |
|--|--|------------|-----------|-----------|-----|
| Training Statistics of Large Commercial Vehicle Aftersales Support | Session | Technical | 20 | 34 | 20 |
| | | Management | 1 | 1 | 1 |
| | Cumulative Attendance | Technical | 331 | 506 | 318 |
| | | Management | 12 | 12 | 15 |
| | Amount Invested in Dealer Training (in NT Dollars) | 1,782,600 | 2,179,000 | 1,662,800 | |

Commercial Vehicle Customer Events

Environmental Sustainability—Fuel Efficient Driving Training

Commercial vehicles are used for business purposes and often accumulate high mileage within a short period of time. With proper driving techniques, we can optimize performance of these commercial vehicles and improve fuel economy, thereby minimizing environmental impact and reducing costs for owners. Since 2008, we have been hosting seminars on fuel efficient driving techniques for fleet customers (e.g., cab companies) and private customers. In 2020, we held 138 rounds of seminars which had an accumulated attendance of 1,860 drivers. From 2008 to 2020, a total of 13,971 drivers have attended this training. The attendance for the last three years is as follows:

| | 2018 | 2019 | 2020 |
|-----------------------|-------|-------|-------|
| Rounds of seminars | 150 | 156 | 138 |
| Cumulative attendance | 1,563 | 1,386 | 1,860 |



Sponsoring Technician Skills Competitions

Each year, Hotai Motor sponsors the National Skills Competition by partnering with our dealers to provide staff support and equipment in discovering and developing technician talent in the country. In 2020, we

continue to sponsor the National Skills Competition and Vocational Skills Competition and offer technical consultation and support during the competitions to encourage students' interests in the industry and contribute to the development of industry talent.

Sponsoring the 50th National Skills Competition in 2020



Sponsoring Vocational Skills Competition

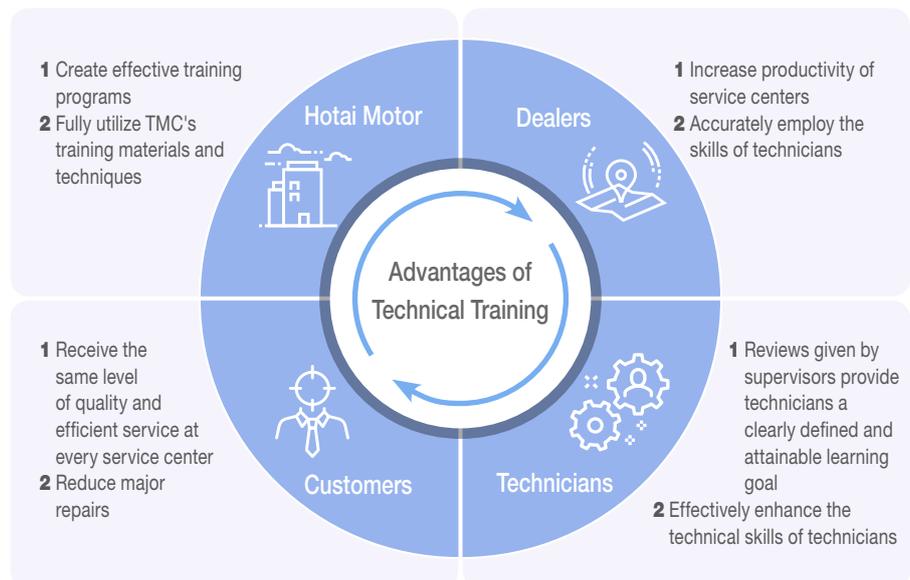
For educational purpose, we donated RAV4 study vehicles in 2020 to auto mechanic vocational schools that have sent students to compete and won.

(As a gesture of gratitude, Minister of Education, Pan Wen-Chung, presented the certificate of appreciation to the manager of Hotai Motor's Training and Kaizen Division, Wang Hui-Min)

3.1.3 Technical and Service Training of Dealers

Dealer Technical Training

At Hotai Motor, we are committed to building and nurturing dealer partnerships. By joining forces with our dealers, we work towards a common goal to improve service quality. Through our training programs, dealers are given complete technical training which effectively increases their productivity and technical capability and enables us to deliver higher quality products and service to customers.



TEAM 21 (Toyota Education for Automotive Mastery in the 21st Century) is a training and certification program to equip technicians with the skills to provide technical service, which consists of general repair training (including routine service training and diagnostic and repair training) and refresher training. There are four levels of certification under the assessment system, including TOYOTA certified technician, pro technician, diagnostic technician, and master technician. Among which, there are three sub-categories for diagnostic technician. The program offers the certification of a total of six types of technicians which aims to establish a highly efficient training system and high-performance service operations.

In June 2019, Hotai Motor implemented the Toyota Education and Management System-Global Program ("TEAM-GP"), a training program that allows technicians to rotate through training modules for different levels each year; the technicians are scheduled to complete all training modules in 2022. This design will enable us to foster a more robust and complete training environment for technicians at each service center.

TEAM-GP Advantages

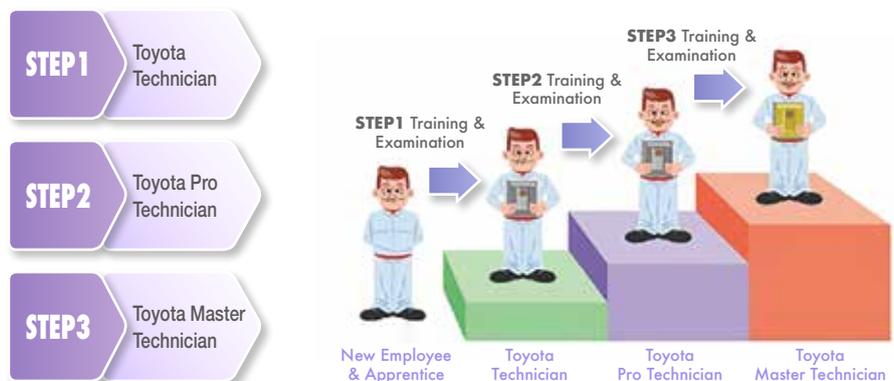
- Provides instantaneous learning materials, independent and easily comprehensible training courses (through 3D object recognition and animation to help technicians understand the principles behind the components), and makes the progress of each technician more measurable (hands-on courses supplement the disadvantages of self-study)
- TEAM-GP increases pre-lecture prep time, requiring e-learning courses and e-tests to be completed prior to the Practice courses.
- Lecturers from the distributor and dealers have the discretion to increase the hours of Practice courses to supplement the disadvantages of self-study.

Comparing TEAM 21 with TEAM-GP



Since the inception of the program, we have seen impressive outcomes through the efforts of our dealers. By integrating new learning materials of Body & Paint into the program, we have made adjustments with the goal to implement an all-encompassing training structure so that the professional knowledge and skills of technicians can be more precisely monitored and effectively enhanced, thereby improving service center productivity and customer satisfaction as we work with dealers to deliver growing revenues from aftersales service.

Body & Paint Training Structure



Dealer Service Training

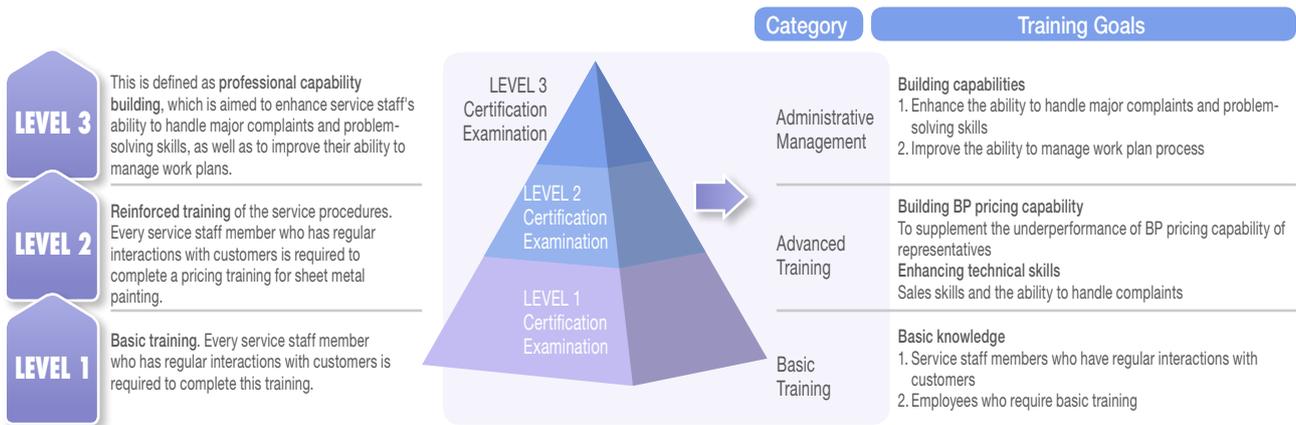
At Hotai Motor, we firmly believe that the sole solution to delivering quality service to satisfy customers is through considerate and well-trained service staff at a safe and healthy working environment. To that end, TMC has developed a customer service training program to build the capabilities and customer care skills of first line employees in order to deliver a re-imagined customer experience and higher quality service.

TOYOTA's customer service training also includes the Toyota Service Advisor Program (TSAP). TSAP was implemented in 1991 and has yielded positive results thanks to the efforts of our dealers. As part of TMC's global program launch, we officially introduced TSA21 training program in January 2018 with the goal to build up various communication skills of first line employees. The primary focus of this brand new program is to reinforce product knowledge, customer complaint handling, and customer care skills

of service advisor so that we are better positioned to deliver world-class experience to every customer that comes through our doors. Through these efforts, we believe that we can deliver strong performance in customer satisfaction and thereby generate consistent aftersales revenues in our dealerships. Ultimately, our goal is to create lifelong customers. Based on the nature of their functions, service advisor and cashiers are both to receive TSA21 training.



Service Staff Covered by the TSA21 Training Program



TOYOTA + LEXUS Aftersales Service Staff Training Hours and Costs

| | Training Hours | | | | Costs (NT\$) | | | |
|-----------------------------|----------------|--------------|--------------|--------------|------------------|------------------|------------------|------------------|
| | 2019(T) | 2019(L) | 2020(T) | 2020(L) | 2019(T) | 2019(L) | 2020(T) | 2020(L) |
| Service Representatives | 1,024 | 320 | 756 | 323 | 2,339,000 | 829,750 | 2,050,000 | 649,950 |
| Entry-Level Technicians | 1,272 | 680 | 1,136 | 688 | 3,033,000 | 1,851,850 | 2,560,000 | 1,551,750 |
| Sheet Metal Technicians | 536 | 256 | 456 | 224 | 1,808,000 | 2,586,550 | 1,360,000 | 908,100 |
| Auto Body Paint Technicians | 616 | 256 | 552 | 232 | 1,217,000 | 918,240 | 1,460,000 | 1,164,000 |
| Total | 3,448 | 1,512 | 2,900 | 1,467 | 8,397,000 | 6,186,390 | 7,430,000 | 4,273,800 |

Training figures are listed in separate columns to reflect that TOYOTA and LEXUS trainings have been planned and conducted independently since 2018.

HINO Aftersales Service Staff Training Hours and Costs

| | Training Hours | | Costs (NT\$) | |
|-------------------------|----------------|------|--------------|-----------|
| | 2019 | 2020 | 2019 | 2020 |
| Service Representatives | 16 | 16 | 27,600 | 37,500 |
| Entry-Level Technicians | 1,016 | 720 | 2,151,400 | 1,625,300 |
| Total | 1,032 | 736 | 2,179,000 | 1,662,800 |

In 2019, we introduced a management capability evaluation program to assess the capability of employees in management positions at the dealerships. The program provides a comprehensive assessment in four key areas (sales, management, leadership and service) on the capabilities of employees in management positions and is complemented by a reinforcement training in targeted areas where they underperform. We

also offer supplemental courses on focused topics for the current year. Furthermore, we have implemented new hire performance review for sales advisors to speed up the process of ramping up new hires, and designed courses based on the use of social media and digital tools to improve their ability to utilize new media.

Sales Managers and Advisors at Dealerships

| Position | 2020 | 2021 |
|------------------------|--|--|
| General Manager | <ul style="list-style-type: none"> • Management and application of mobile toolkit • Team management skills • Motivational skills | <ul style="list-style-type: none"> • Management trainee program |
| Deputy General Manager | <ul style="list-style-type: none"> • Capability building (leadership/service/sales/management skills) • In-house lecturer training • Management trainee program | <ul style="list-style-type: none"> • Social media and digital tool management • In-house lecturer training • Management trainee program |
| Sales Advisor | <ul style="list-style-type: none"> • Product knowledge reinforcement training, sales pitch competition • Kuozui visits/itinerant training workshops • TOP 100 Sales Elite Social Club | <ul style="list-style-type: none"> • Social media and digital tool training • Sales pitch competition |

3.1.4 Environmental Performance of Dealers

We work closely with dealers—our best partners—in the area of environmental sustainability to create a more sustainable planet. Since 2003, we have been working towards the goal to have all our dealers and affiliates certified to ISO 14001, and we were the first company in the automotive industry to become ISO 14001-certified along with all dealerships nationwide. Currently, our 171 locations (including TOYOTA, LEXUS and HINO service centers/dealerships and sheet metal paint centers) have all been certified with the current version of ISO 14001:2015 Environmental Management Systems, which demonstrates our commitment to working with dealers in creating a better future for the planet.

Energy Use

As part of our efforts to effectively manage energy consumption, we implemented an environmental data management system in 2018 to manage greenhouse gas emissions, water use, and waste data. Currently, we've achieved 100% implementation and data logging rate in our dealership network. Through the process of environmental management

and inspection, we began phasing out the combustion of heavy oil and lubricating oil in spray booths at our dealerships since 2018 and replaced them with diesel and natural gas. As of 2019, we no longer use heavy oil and lubricating oil. In 2020, the total electricity and fossil fuels used by our top eight dealers was 3.16 x 10⁸ million J.

Energy/Natural Resource Consumption of Top Eight Dealers

| Types of Energy/Natural Resource | Energy Unit | 2018 | 2019 | 2020 |
|----------------------------------|--------------|------------|------------|------------|
| Gasoline | Liters | 845,047 | 920,138 | 908,641 |
| Diesel | Liters | 813,536 | 732,460 | 646,575 |
| Heavy Oil | Liters | 0 | 0 | 0 |
| Lubricating Oil | Liters | 64,692 | 0 | 0 |
| Natural Gas | Cubic Meters | 426,023 | 562,784 | 669,241 |
| LPG | Liters | 16 | 0 | 0 |
| Electricity | kWh | 64,364,245 | 64,202,834 | 67,032,909 |

| Types of Energy/Natural Resource | Energy Unit | 2018 | 2019 | 2020 |
|----------------------------------|-------------|---------|---------|---------|
| Gasoline | GJ | 27,590 | 30,042 | 29,667 |
| Diesel | | 28,605 | 25,754 | 22,734 |
| Heavy Oil | | 0 | 0 | 0 |
| Lubricating Oil | | 2,600 | 0 | 0 |
| Natural Gas | | 14,266 | 18,846 | 22,411 |
| LPG | | 0 | 0 | 0 |
| Electricity | | 231,711 | 231,130 | 241,318 |

Reduction of Greenhouse Gas Emissions

Among the greenhouse gas (GHG) emissions produced from various energy use of our top eight dealers, electricity is the highest in volume, which accounts for 87% of the GHG emissions. The total GHG emissions were reduced by 211 metric tons compared to a 2018 baseline. Dealers reduce GHG emissions by suspending the combustion of heavy oil and lubricating

oil, adding a timer switch, replacing older spray booths, compressors and air conditioning, adding power inverters to spray booths and compressors. Between these various measures, the policy to suspend using heavy oil has reduced our GHG emissions by 624 metric tons. In 2020, 16 dealerships have installed solar power systems, which offset a total of 1,764 metric tons of GHG emissions.

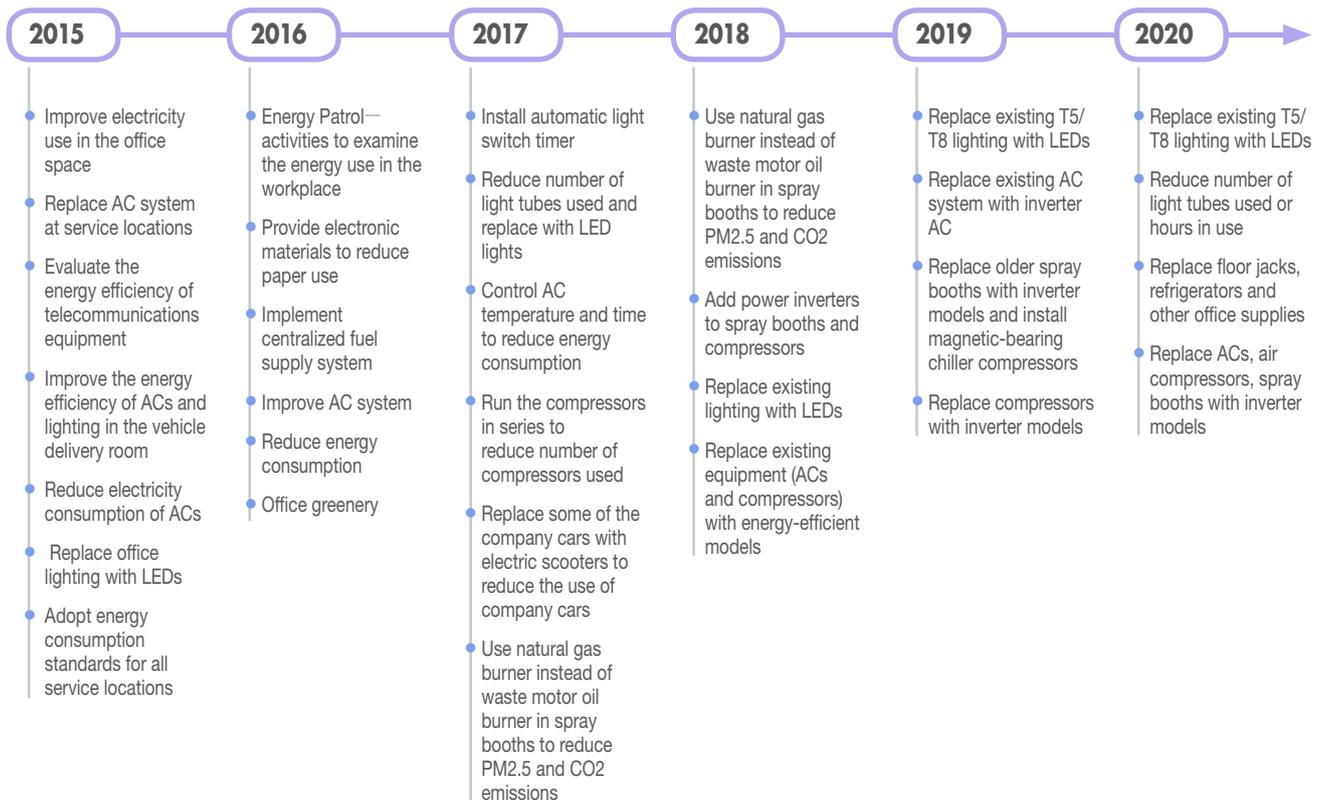
Greenhouse Gas Emissions of Top Eight TOYOTA and LEXUS Dealers

| Types of Energy | Emissions Unit | 2018 | 2019 | 2020 |
|-----------------|-----------------------------------|--------|--------|--------|
| Gasoline | Metric tons CO2 equivalent (CO2e) | 1,912 | 2,082 | 2,056 |
| Diesel | | 2,120 | 1,909 | 1,685 |
| Heavy Oil | | 0 | 0 | 0 |
| Lubricating Oil | | 191 | 0 | 0 |
| Natural Gas | | 801 | 1,057 | 1,258 |
| LPG | | 0.028 | 0.0 | 0.0 |
| Electricity | | 34,306 | 32,679 | 34,120 |

Note 1: Scope 2 emissions are from electricity use, and emission factors were 0.533 kg CO2e/kWh in 2018 and 0.509 kg CO2e/kWh from 2019 to 2020. Reporting of emission factors is based on the latest protocol published by the Bureau of Energy each year. Therefore, the data would be moderately different than the previous year.

Note 2: The source of emission factors is GHG Emission Factors Table version 6.0.3, and the global warming potential (GWP) rate uses IPCC's AR4 values..

Reduction Activities Over the Years



Note: The same reduction activities in different years are due to the plan to be implemented in different service locations year by year.

Air Pollutants Control

Our Environmental Management Manual is adopted as the basis for the control and management of dealers' pollutant emissions. Each dealer is required to implement measures to manage each pollutant according to the Environmental Management Procedures provided in the Manual, including source of emissions, control measures, and inspection records.

Currently, air pollutants generated by the operations of dealers include nitrogen oxides (NOX) and sulfur oxides (SOX). They also continue to introduce various air pollution control equipment on their own to minimize pollutant emissions. In particular, the suspension of using heavy oil and

lubricating oil in the surface coating process has reduced the emissions of nitrogen oxides (NOX) and sulfur oxides (SOX) by 33% and 21% respectively compared to 2017 before the suspension.

Air Pollutant Emissions of Top Eight Dealers

| Types of Energy | Units | 2018 | 2019 | 2020 |
|-----------------------|-------|-------|-------|-------|
| Nitrogen oxides (NOX) | Kg | 3,331 | 3,017 | 3,050 |
| Sulfur oxides (SOX) | Kg | 8,002 | 6,651 | 5,872 |

Waste Management

Hotai Motor has committed significant resources in promoting motor vehicle waste recycling since 2003. Currently, all the recyclable waste has been fully recycled. Our Environmental Management system is implemented by all the facilities of our passenger vehicle dealers to provide a solution to a long-term problem—the difficulty of waste disposal, and to increase the recycling and reuse of waste through a waste recycling program.

Every service location in the country has the required software and equipment in place for recycling operations, such as a waste recycling site, waste oil tank, oil pipeline, spill prevention equipment, fire safety equipment, environmental maintenance, environmental management system document control, in which we have invested NT\$250 million. Waste generated by dealerships and service centers are categorized into recyclable waste, operational waste, and hazardous waste, and the type of waste should be recorded in the waste management reporting form for statistics. In addition, dealers are required to conduct audits on the waste management service providers to determine whether the disposal of waste complies with applicable laws and regulations and record the results in the Waste Management Vendors Audit Checklist.

To meet TMC's requirements, we only work with qualified waste management providers. Currently, we recycle 100% of the HV batteries, which are shipped and processed overseas; in 2020, we recycled a total of 7,324 HV batteries.

Waste Disposal by Top Eight Dealers



Bumper—recycled into plastic particles

We have made a full switch to TSOP (TOYOTA Super Olefin Polymer) in the plastics used in all of our TOYOTA vehicles, which is a highly sought material by junk yards and recycling facilities. The concept of TSOP takes material recycling and reuse into consideration and incorporates biofabricated plastics and regenerated materials into the manufacturing of new products to put an end to environmental hazards. By only using a single type of plastics across the whole vehicle also significantly aids the recycling companies in sorting and reuse.



Coolant and solvent waste—recycled and reused

All TOYOTA and LEXUS service centers send their coolant and VOC (volatile organic compounds) waste to Grade A processing facilities for recycling and reuse. The primary products made are thinners and chemical products.



Waste lead-acid batteries and lead wheel weights—recycled to produce large ingots and lead bars

Once batteries and lead wheel weights are scrapped, they can be recycled and reused. The casing of waste battery can be recycled as plastics once shredded, and the reclaimed acid can be smelted to produce lead ingots and bars. All TOYOTA and LEXUS service centers transport the waste generated to qualified processing facilities for recycling to ensure legal compliance and safety of waste disposal.



Scrap tires—recycled to produce auxiliary fuel and rubber products

Plastic shreds from reclaimed tires have high heating values and can be used as auxiliary fuel, or as a raw material for the production of concrete. They can also be made into rubber powder that contains high purity for the production of rubber products. Scrap tires are sent to processing facilities for recycling to ensure legal compliance and safety of waste disposal.



Waste glass—recycled to produce glass pellets and permeable bricks as green building materials

Most of the waste glass generated by our service centers comes from front and rear windshield and vent glass. All TOYOTA and LEXUS service centers send the waste generated to qualified processing facilities for recycling to ensure legal compliance and safety of waste disposal.



Waste lubricating oil—recycled to produce renewable fuels

Fuels replaced during vehicle maintenance are sent to processing facilities by service centers for recycling and reuse. Fuels reclaimed are compressed and filtered into recycled fuel so that they can be reused on a continual basis.

Environmental Investment

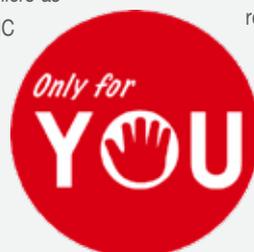
With rising environmental awareness in recent years, our top eight dealers have also been increasing their investments in different environmental aspects. Their environmental expenses include ISO 14001 certification, environmental training, environmental facilities, environmental surcharges, and waste disposal fees. The investment in environmental facilities such as the addition of sheet metal painting underground processing facilities and inverter spray booth have significantly increased the expenses in 2018. In 2020, the total expenses were NT\$68.37 million as a result of an increase in waste disposal fees and environmental facility expenses, which accounted for 46% and 43% of the expenses.

Environmental Expenses of Top Eight Dealers

| Item | 2018 | | 2019 | | 2020 | |
|--------------------------|------------|----------------|------------|----------------|------------|----------------|
| | Expenses | Percentage (%) | Expenses | Percentage (%) | Expenses | Percentage (%) |
| ISO Certification | 635,420 | 1.0 | 636,407 | 1.4% | 664,925 | 1.0% |
| Environmental Training | 313,947 | 0.5 | 2,128,771 | 4.6% | 2,137,911 | 3.1% |
| Environmental Facilities | 41,030,666 | 64.1 | 15,896,124 | 34.3% | 29,501,813 | 43.1% |
| Environmental Surcharges | 2,738,605 | 4.3 | 4,008,733 | 8.6% | 4,668,328 | 6.8% |
| Waste Disposal Fee | 19,340,603 | 30.2 | 23,708,141 | 51.1% | 31,399,705 | 45.9% |
| Total | 64,059,241 | 100 | 46,378,176 | 100.0% | 68,372,682 | 100.0% |

3.2 Hotai Motor's Supplier Management System

As the leading automotive brand in Taiwan, we aspire to build a sustainable service value chain along with our suppliers and dealers. Apart from evaluating the product/service quality, professional capabilities, operation efficiency and other performance indicators of suppliers that we regularly work with at the end of the year, we also require sales staff to make a note of any outstanding performance or material defects occurred in their dealings with suppliers as factors to consider in subsequent assessment. While TMC is our primary supplier, there are also other dedicated suppliers in our extensive network. In 2020, we've conducted risk assessment on 48 of these suppliers, which account for 20% of all our suppliers, including 83 onsite audits.



Our supply chain management system begins with creating

value through the following five aspects: standardized management, information sharing, supplier evaluation, supplier audit, and supplier capability building. As part of our efforts to strengthen the sustainable development capability in the value chain, suppliers are invited to support the development of environmental and social sustainability. Our contracts also lay out expectation for lawful compliance with our requirements in the area of corporate social responsibility. If the actions of the supplier create any material adverse impact on the environment or society, the supplier relationship will be terminated. It is our hope to build quality, long-lasting partnerships through a sound supply chain management, and our commitment to putting the customer first continues to be the driving force behind our "Only for YOU" campaign, which is aimed to improve dealership capabilities in creating service quality that exceeds customer expectations.

Hotai Motor's Supply Chain Management System: Sharing and Co-Creating Value



Standardized Supplier Management

Suppliers are encouraged to obtain internationally recognized certifications, such as ISO 14001 and OHSAS 18001. In addition, the supplier portal should include business ethics regulations and environmental sustainability information. Our contracts lay out expectation for lawful compliance with our requirements in the area of corporate social responsibility. If the supplier violates our policies which creates material adverse impact on the environment or society, their contract will be terminated.



Supplier Information Sharing

We work closely with our raw material suppliers and exchange inventory information to create transparency in raw material sourcing and inventories, which also help us monitor and anticipate any changes in demand.



Supplier Assessment

Every quarter, we hold a business review meeting with selected suppliers to evaluate their overall performance in quality, turnaround time, and capability of sustainable operations. By reviewing the key indicators listed on the bi-annual or quarterly monitoring score chart or checklist, we ensure that suppliers are meeting all of our requirements.



Supply Chain Audit

Each year, we visit key suppliers and conduct onsite audit according to our annual plan. If there is any incompliance discovered during the audit, we will meet with suppliers to discuss proper solutions to improve the situation. A staff member will be assigned to provide a defined goal and timeframe in order to implement the improvement plans.



Supplier Capability Building

Together with our suppliers, we monitor market development and the profit and loss from the operations. As part of our efforts to build a resilient supply chain, we provide continual support and mentoring to suppliers to help them excel in their sales performance and increase operational efficiency.

At Hotai Motor, we are committed to the local economic development of where our operations are located. Given the unique characteristics of the industry and manufacturing know-how and patents required for raw materials, local sourcing is defined as the percentage of vehicles and parts that are purchased locally. In 2020, 36.66% of the materials are locally sourced. We will work towards establishing appropriate procurement and supply network based on our business direction to increase local sourcing in the future.



Key Supplier: Kuozui Motors

Kuozui Motors is TMC's manufacturing base in Taiwan, founded as a joint venture by TMC (65%), Hino Motors (5%) and Hotai Motors (30%). Kuozui Motors have two factories, one located in Zhongli and the other in Guanyin, which have been running for over 36 years with an

annual production as high as 200,000 units and is currently the largest car manufacturer in Taiwan.

We have manufactured numerous models of TOYOTA and HINO vehicles through Kuozui Motors' state-of-the-art manufacturing technologies, which are then distributed by our dealers to meet consumer needs. From new vehicle planning, production preparation, parts procurement, production and manufacturing, to quality management, sales and aftersales service, Kuozui Motors and Hotai Motor have formed a collaborative and complete network to deliver the most efficient, reliable, and highest-quality service to customers.

Kuozui Motors began exporting vehicles to the Middle East in 2009 and has accumulated 575,000 units of vehicle export sales to date. Not only is the vehicle quality attested to by local consumers, our "Made in Taiwan" brand has made a name for itself among TOYOTA's global network.

Kuozui Motors' Social Responsibility Efforts

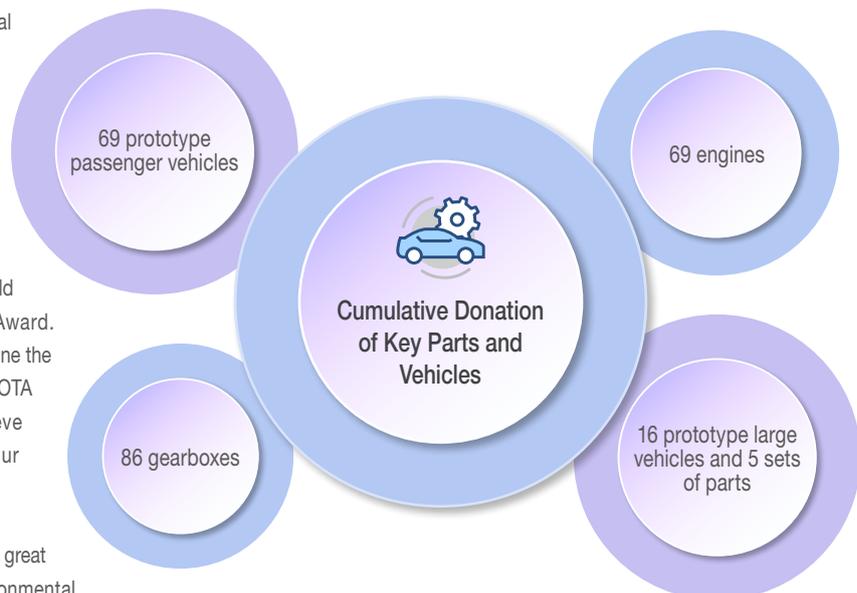
Kuozui Motors strives to realize the vision of sustainable operations in becoming a trusted, responsible corporate citizen. Some of their recent sustainability efforts include:



Environmental sustainability: As part of their goal to improve battery manufacturing technologies in Taiwan and reduce energy consumption and carbon emissions, Kuozui Motors assemble energy- and fuel-efficient hybrids. In 2015, the administrative building at the Zhongli factory received the Diamond status in the Green Building Certification. And from 2016 to 2018, Kuozui Motors was recognized with Silver and Gold Awards in the National Business Environment Award. Going forward, Kuozui Motors will continue to combine the efforts of the Group and actively support the TOYOTA Environmental Challenge 2050 initiative to achieve the vision of zero CO2 emissions as part of our responsibility as a corporate citizen.

Social impact: While Kuozui Motors has dedicated great resources to manufacturing operations and environmental sustainability, they also provide mentoring to companies in the industry as part of their effort to facilitate the development of the industry. Not only do they implement the Toyota Production System, but they are also committed to improving the quality and production efficiency of the supply chain in order to build their capabilities. In addition, top management has visited our partners around Taiwan to offer guidance. In 2020, we mentored 26 subcontractors in the industry and 32 subcontractors outside of the industry. Kuozui Motors remains committed to creating safe and comfortable vehicles as they strive to manufacture high-quality vehicles that exceed the expectations of customers as a way of giving back.

Education and culture: In addition to sponsoring road safety tours and factory apprenticeship, Kuozui Motors provides scholarships for students from disadvantaged families to lessen their financial burden and supporting them to receive education. Disadvantaged students whose academic performance is above certain levels are eligible to apply for the scholarship. A total of 2,344 top-performing students have received scholarships in the



last 20 years, and the accumulative amount of scholarship money given has reached approximately NT\$20 million. In order to expand the resources of practical training for schools in the country and to promote industry-academia collaboration to develop more vehicle technician talent, we also provide the latest vehicle and key automotive parts to schools in the country periodically.





04 Corporate Governance



100%

Functional Committee Attendance



2 seats

Two of our Board of Directors are women, reflecting our efforts towards gender parity



NT\$25.36

Earnings per share reaches a new high in five years



100%

Percentage of employees receiving annual compliance training

For 74 years, integrity and ethics have been the core values in Hotal Motor's corporate culture. Through sound corporate governance systems, professional management teams, rigorous risk management practices and internal audit and controls, transparent and effective communication channels, we continuously deliver robust growth and expand our market reach while coexisting in harmony and thriving with the society, thereby achieving our vision and goal of sustainable operations.

4.1 Board Structure and Functions

The Board is comprised of 14 directors, including three independent directors as prescribed by our Articles of Incorporation. The directors are elected from a list of Board candidates using the candidate nominating system for a three-year term and can be reelected. In 2020, the Board met eight times and the average attendance was 97.3%; important Board resolutions can be found in the Investor Relations section of our corporate website.

4.1.1 Diversity of the Board

To maximize Board function and improve the quality of decision-making, our Corporate Governance Best Practice Principles requires that diversity of Board composition should be considered. In addition to the requirement

that directors in management positions should not exceed one third of the Board seats, we also formulate diversity policies based on the operations, nature of business and development needs of the company. In 2020, we have a total of 14 directors, three of which are independent (21%) and two are employees (14%). There are two directors that are women, accounting for 14% of the Board. In terms of age demographics, two of the directors are 50 or under, five are between the age of 51 to 65, and seven are 66 or above. Our directors have expertise in various areas, such as management, business administration, and finance. Not only do we consider professional capabilities and experience of the directors, we also place great emphasis on personal reputation in respect of ethics and leadership skills in the selection process.

With the intention of achieving a desirable outcome of corporate governance, the Board as a whole should have the following capabilities: 1. business judgement, 2. accounting and financial analysis 3. business management, 4. crisis management, 5. industry knowledge, 6. global market perspective, 7. leadership, 8. decision-making. The experience, expertise and training of each Board member can be found on pages 20 to 63 in our 2020 Annual Report.

4.1.2 Functional Committees of the Board

To enhance governance and oversight, the Board has the following committees: the Audit Committee and Remuneration Committee. In 2018, we exceeded regulatory requirements and established the Corporate Responsibility (CSR) Committee as part of our efforts to effectively integrate ESG practices and resources to enhance corporate governance effectiveness. In 2020, the Audit Committee met five times, the Remuneration Committee met four times, and the CSR Committee met twice; the attendance was 100% for all meetings.

Audit Committee

- Chairman** ● Shih, Hsien-Fu
- Members** ● Su, Chin-Huo; Wu, Shih-Hao
- Primary responsibilities**
1. Ensure that the company's financial statements are fairly and accurately presented
 2. Appoint and remove external auditor and verify their independence and performance
 3. Effectively implement internal controls of the company
 4. Ensure compliance with applicable laws and regulations
 5. Manage existing and potential risks of the company

Remuneration Committee

- Chairman** ● Shih, Hsien-Fu
- Members** ● Su, Chin-Huo; Wu, Shih-Hao
- Primary responsibilities**
1. Adopt and regularly review the performance of the Board and officers, as well as remuneration policies, systems, standards, and structures.
 2. Regularly review and adopt director and officer remuneration policies

CSR Committee

- Chairman** ● Huang, Wen-Jui
- Members** ● Su, Jean; Su, Chin-Huo; Wu, Shih-Hao
- Primary responsibilities**
1. Review and advise on the performance outcomes of corporate social responsibility
 2. Plan the direction of corporate social responsibility practices as well as annual action plans and timeline.

4.1.3 Board Performance Evaluation

As part of the efforts to increase Board effectiveness, the Board of Directors approved and adopted the Hotai Motor Board Performance Evaluation Guidelines on December 29, 2016. The Guidelines provides that the performance of the Board should be reviewed and evaluated every year in December, which includes the overall function of the Board and self-evaluation of individual directors. Every three years, an external evaluation of the Board should be performed by an independent institution.

Each year the company conducts evaluation on the performance of the Board and individual directors. In 2020, the results of the evaluation indicate that both the Board and individual directors delivered excellent performance. In the last external evaluation in Q4 2018, we engaged the Taiwan Institute of Ethical Business and Forensics to conduct an evaluation on the performance of the Board of Directors. The evaluation uses surveys and in-person interviews to evaluate the functions of the Board from the aspects of decision-making, competency, compliance, and corporate social responsibility. The results of the evaluation have been reported to the meeting of the Board on January 24, 2019, including suggestions for improvement in each of the areas reviewed. Based on the outcome of the evaluation, the Company has a well-functioning Board. The next external evaluation is scheduled to be performed in 2021.

4.1.5 Internal Audit System

The Board has a dedicated Auditing Division charged with conducting internal audit of the company and handling relevant reporting. This division is comprised of a Chief Auditing Officer and six auditing staff to ensure the effectiveness and efficiency of operations (including profitability, performance, and safeguarding of company assets), reliability, timeliness, transparency, and conformity of the reporting, and compliance with applicable laws and regulations.

Our internal audit system has five key components—control environment, risk assessment, control activities, information and communication, Monitoring Activities. Through frequent self-monitoring, we can quickly respond to changes in the environment or circumstances. The Auditing Division develops the annual audit plan for the following year based on results from the risk assessment, conducts audits on the finance, risk management, and regulatory compliance of the company and subsidiaries at least once a quarter and prepares an audit report accordingly. These efforts are to ensure that the day-to-day operations align with the standards of ethical business practices.



4.1.4 Board of Directors and Executive Management Remuneration Policy

In 2018, we set up the CSR Committee under the Board of Directors to implement and oversee the economic, environmental and social performance of the company. The CSR Committee has three business functions, Office of Environmental Affairs, Office of Social Affairs, and Office of Corporate Governance, established to devise and implement CSR project objectives. Every year in July, the offices review the CSR objectives and report to the CSR Committee in December on the progress and results of the projects, as well as the focus areas of the projects for the following year. These performance outcomes are then compiled and reported to the Board by the Committee. In reviewing ESG outcomes, not only do we rate the performance based on individual's goal attainment rate, but we also consider the company's overall business performance, future operational risks and industry trends, and periodically review the remuneration policies based on our financial health and applicable regulations as we see fit. Our goal is to achieve a balance between sustainable operations and risk management.



4.2 Compliance

At Hotai Motor, we keep discipline and compliance at the heart of our business practices, and we see integrity and transparency as the core of corporate social responsibility. As part of our commitment to ethical business practices, we ensure ongoing compliance with relevant laws and regulations and developed extensive guidelines specific to different functions and job grades with the goal to preserve the core values of ethics and integrity and to continue Hotai Motor's legacy.

Recusal Rules for the Board of Directors



- To effectively implement the director recusal policy, the Rules and Procedures of Board Meetings specifically provides that when the agenda item being discussed presents a conflict of interest between a director or the corporation represented by the said director and the company, the director must disclose the conflict at the meeting, and refrain and recuse themselves from any discussion and voting concerning the matter when the conflict competes with the interest of the company. The said director may not act as proxy for another director.
- Disclosures of cross-board membership, cross-shareholding, and existence of controlling shareholders in the highest governance body can be found on pages 20 to 31 of our 2020 Annual Report.

Hotai Motor Corporate Governance Best Practice Principles



Rules and Procedures of Board Meetings



Procedures for Handling Material Nonpublic Information



- As part of our efforts to establish a well-functioning mechanism to handle and disclose material nonpublic information, we have the Procedures for Handling Material Nonpublic Information in place to prevent unauthorized disclosure of information and to ensure the consistency and accuracy of information we make public.
- In order to improve Board functions and risk management, we adopted the Insider Trading Prevention Management Guidelines in April 2011 to ensure the effectiveness of corporate governance and prevent insider trading from happening.

Procedures for Handling Material Nonpublic Information



Anti-Bribery Policy and Standards of Ethical Business Practices



Anti-Bribery Policy and Standards of Ethical Business Practices



- Our Anti-Bribery Policy and Standards of Ethical Business Practices are guided by the Ethical Corporate Management Best Practices for TWSE/GTSM Companies, TMC's Anti-Bribery Guidelines, and applicable laws and regulations to ensure that we act with honesty, transparency, and responsibility. Every director, supervisor, officer, and individual hired by the company in any form are expected to comply with the Policy and Standards.
- In June 2016, the Policy and Standards were amended to reflect the updated Ethical Corporate Management Best Practices for TWSE/GTSM Companies and Articles of Incorporation of the company. To complete our reporting procedures, we adopted the Procedures and Guidelines for Anti-Bribery and Ethical Business Practices in January 2018, providing employees with clearly defined operating procedures.
- To prevent corruptions and unlawful behaviors, employees are prohibited from directly or indirectly offering, accepting, promising, or demanding benefits in the course of doing business with the other party, except in the event where the benefits are part of the lawful business conducted or considered appropriate under the social norms. The Guidelines also establish clear rules on policy-making, business activities, political contributions, charitable donations and sponsorships. To ensure full compliance with the Guidelines, the Board of Directors is required to fulfill its duty of care as a good manager and oversee the company's efforts in preventing unethical and unlawful behaviors and review the results of implementation from time to time for improvement. We are firmly committed to a zero tolerance policy against corruption.

Employee Code of Conduct



- Founded in 1947, Hotai Motor has been committed to the sustainable development of society by delivering quality products and service to our customers. Through these efforts, we have built a resilient company spirit that passes from one generation to another which materializes into the Hotai Motor Employee Code of Conduct.
- We expect our employees to live out the Code of Conduct with the mindset that "there is no best, only better" as we continue to build on this legacy, enhancing economic prosperity in the society. The Code of Conduct requires us to adhere to the laws and regulations and act with humility, honesty, and integrity. Based on its core values, we create a set of guidelines that covers employee conduct in the following aspects, business operations, corporate activities and society, which guides our daily business practices.

Procedures and Guidelines for Anti-Bribery and Ethical Business Practices



4.2.1 Ethical Business Practices and Anti-Bribery Training

At Hotai Motor, integrity and ethics are the core of our corporate culture. The Compliance Office is the dedicated unit leading and promoting ethical business practices, and the Auditing Division is charged with reporting to the Board on the progress of our practices. Apart from the above, we also have an online and physical reporting system for any concerns of bribery, corruption, unethical or unlawful behaviors. While an employee who reports the concerns can choose to not remain anonymous, we ensure a strict non-retaliation policy to protect individuals for making a report in good faith and encourage an ethical and transparent governance culture. Most of the concerns reported are related to customer complaints and have been funneled to appropriate departments within the Group for further actions.



| Reporting Concerns | 2018 | 2019 | 2020 |
|-------------------------------|---|------|------|
| Number of Concerns Reported | 13 | 9 | 7 |
| Number of Confirmed Incidents | 0 | 0 | 0 |
| Investigation Progress | Most of the concerns reported are customer complaints and have been forwarded to the appropriate departments. | | |

Every year, we conduct compliance training to ensure employee compliance with the Anti-Bribery Policy and Standards of Ethical Business Practices. We hope to convey the core values of integrity and ethics through a series of training courses and instill this culture into our employees' daily practice. Meanwhile, we also conduct anti-bribery training for new employees each year to ensure that each new member joining our family shares the same value as the organization. All the new hires are required to complete this training as part of the goal to strengthen our ethical business practices. In 2020, there were no confirmed incidents of corruption.

| | | 2018 | 2019 | 2020 | |
|-----------------|--|--|------|------|------|
| Ethics Training | Annual Compliance Training for All Employees | Attendance | 406 | 551 | 556 |
| | | Percentage of Employees Receiving Training | 100% | 100% | 100% |
| | Anti-Bribery Training for New Employees | Attendance | 21 | 18 | 26 |
| | | Percentage of Employees Receiving Training | 100% | 100% | 100% |

4.2.2 Zero Tolerance Policy

To effectively prevent non-compliance, Hotai Motor uses the "Broken Windows Theory" and through diverse campaigns and in-person trainings for first-line employees to effectively convey the company's zero tolerance policy against unethical and unlawful behaviors. These efforts are to prevent minor misconduct from turning into major violations and to mitigate the risks of having an environment that promotes further non-compliance.

• Zero Tolerance Campaign Video

Our campaign video to promote zero tolerance against unethical and unlawful behaviors launched on March 11, 2020, available for internal education use to promote awareness. The video was produced based on actual scenarios occurred at our dealerships with the purpose to encourage employees to think for themselves while reflecting on these topics. The campaign also incorporates online testing and sweepstakes for those who leave comments as incentives to attract members of the Group to watch the video and share their thoughts to achieve more desirable results. The video was viewed 5,666 times and has 1,107 comments.

• Compliance Office Live Streaming

As part of our goal to create more interesting contents for compliance training while offering first-line dealership employees the opportunity to interact with legal counsels in real time and on a more in-depth level, the Compliance Office has been hosting live events through streaming once every quarter. We hope to create contents that are more relatable to first-line operations and bridge the gap between employer and employees.



• Legal Seminars on Zero Tolerance Policy

Hotai Motor regularly hosts legal lecture on the topic of zero tolerance against unethical and unlawful behaviors. In the seminar, we discuss the concepts of the "Broken Windows Theory" and "Zero Tolerance" as well as common violations in our operations from real-life examples to reinforce compliance of first-line employees. We also invite legal counsels from our dealerships as guest speakers for in-person trainings, and offer online training and conduct post-training quizzes for those who are unable to make it in person. These efforts demonstrate our unwavering commitment to fight against unethical and unlawful behaviors.

2020 Compliance Office Livestreaming: a total of 10,694 employees attended

| Session | Spring | Summer | Fall | Winter |
|------------|----------|--------|--------------|-------------|
| Date | March 20 | June 5 | September 17 | December 22 |
| Attendance | 2,962 | 3,210 | 2,611 | 1,911 |

In-Person Training

| | |
|--------------------------|--|
| Target Training Sessions | 60 |
| Training Sessions Held | 77 (including trainings for our top eight dealers), achieving 128% of our target |
| Attendance | 2,530 |

Online Training

| | |
|--|-------|
| Attendance | 2,638 |
| Percentage of Employees Receiving Training | 100% |

4.3 Information Disclosures

We have a variety of information disclosure channels in place that we use to communicate with investors, including a spokesperson system, investor relations website, stakeholders section on our corporate website, shareholders meetings, investor conferences and roundtable sessions. In addition to providing accurate and timely information to our investors, we also offer a platform to ensure that their voices are heard. In 2020, we attended investor conferences held by external institutions each quarter, and hosted several roundtable sessions where our spokesperson and investor relations team presented key performance results and future strategies of the company to corporate investors. During shareholders meetings, each item requiring ratification or discussion is voted in the order of the agenda and the results of which are made public in a timely manner.

Information Disclosure Channels

| | |
|--|--|
| Spokesperson and Acting Spokesperson | Appoint a spokesperson and acting spokesperson according to the Corporate Governance Best Practice Principles for TWSE/TPex Listed Companies for the communication with investors. |
| Investor Relations Website | <ul style="list-style-type: none"> ● Provide real-time searches, downloads of financial report, annual report and other important financial data, and information on investor conferences and shareholders meetings. ● Regularly disclose the collection of information by the company and assign dedicated staff for the task  |
| Investor Conferences/ Roundtable Sessions | <ul style="list-style-type: none"> ● Host investor conferences quarterly ● Host investor roundtable sessions periodically or on an as-needed basis  |
| Stakeholders Section | Provide an open communication platform for employees, consumers, suppliers, communities, and other stakeholders.  |

4.4 Risk Management

4.4.1 Risk Management Process

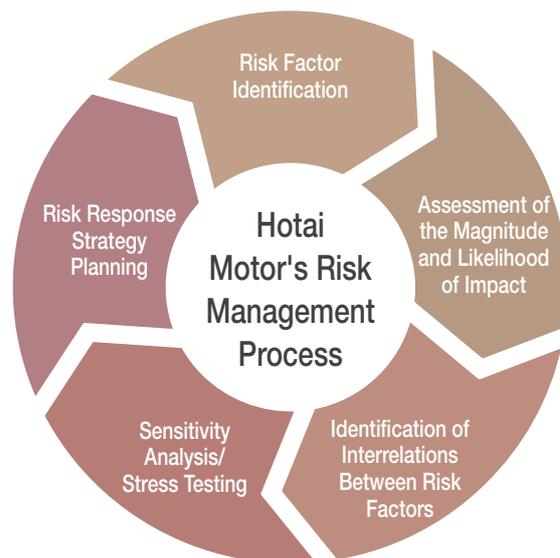
For Hotai Motor, each aspect of risk management is vital to our operations. Across departments, we identify potential risks with the utmost caution and determine the magnitude of impact and frequency of occurrence. We also consider the interrelations between the risk factors and different functions. Based on the policies approved by the Board, the Finance and Accounting Division conducts long-term research, assessment, prevention, and mitigation on the contingent financial risks due to interest rate and exchange rate fluctuation, inflation, and deflation.

Maintaining steady and robust operations has always been our business strategy, and we do not engage in any high-risk, high-leverage investments. Each subsidiary within our Group is required to adopt their own Operating Procedures for Fund Lending and Procedures for Providing Endorsement and Guarantee of Obligations to guide and manage relevant operations, while all the transactions of derivatives should follow Hotai Motor's Procedures for Engaging in Derivative Transactions.

4.4.2 Risks and Opportunities Related to the Industry

Despite the impact of the coronavirus (COVID-19) pandemic on the global economy, Taiwan's economic growth remained steady in 2020, riding high on its success in fighting the pandemic, anticipated boost from stimulus measures, and strong exports. The annual growth rate last year was at 3.11%, up by 0.4 percentage points compared to 2.71% in 2019, and the total sales in the automotive market reached 457,435 units, compared

with 104% in the previous year, mainly attributed to factors such as the sunset of the subsidy policy of vehicle trade-ins for reduced excise taxes and the successive launch of new domestic automobile models by various brands, both of which fueled demands for new cars throughout the year. For the first time in 15 years, Taiwan's total sales in the market topped 450 thousand units.



The market share of passenger vehicles in Taiwan

| Year | 2018 | | | 2019 | | | 2020 | | |
|-------------------------------------|---------|--------------|---------|---------|--------------|---------|---------|--------------|---------|
| | Units | Market Share | Ranking | Units | Market Share | Ranking | Units | Market Share | Ranking |
| TOYOTA and Lexus Passenger Vehicles | 120,765 | 27.8% | 1 | 141,890 | 32.3% | 1 | 146,194 | 32.0% | 1 |
| Total Market | 435,131 | - | - | 439,834 | - | - | 457,435 | - | - |

TOYOTA

Favorable Factors

- 1 The government's excise tax rebate policy under the scrappage program has already continued for five years (until early 2021) and is expected to extend beyond this year; therefore, demand for new cars should continue.
- 2 Taiwan's success in containing the COVID-19 pandemic has boosted economic growth, and multiple new vehicle models will launch.

Unfavorable Factors

- 1 Around the globe, sales targets have been revised upward by automakers as the automotive market emerges strong from the pandemic, causing a global parts shortage—the shortage of auto chips has been the most severe.
- 2 As uncertainty surrounding the COVID-19 pandemic remains, subsequent development is expected to impact the global economy.
- 3 The public transportation networks of major metropolitan areas are gradually completed, resulting in reduction of vehicle use and mileage and causing consumers to delay vehicle purchases.
- 4 Mobility-as-a-Service (MaaS), car sharing, and autonomous driving have become the focus areas in the development of major automakers, which will challenge the competitions among traditional automotive industry.

Response Strategies

1 Product diversification

- Create a meticulous product strategy and continue to strengthen the competitiveness of products; promote major legislative amendments to effectively activate the automotive industry; introduce Sienta Welcab and seize the opportunity of long-term care mobility service, and strengthen the brand's positive CSR public image; push for the introduction of more potential products, gain insight into small commercial vehicles industry and the needs of car owners in order to establish mid and long term strategies and related new business, and create a brand new value chain.
- Expand sales of domestic vehicles (by collaborating with Kuozui Motors to develop locally, strengthening the competitiveness of the products, and bringing in young customers).
- Enhance the competitiveness of car accessories and the Internet of Vehicles (together with CarMax, improve the installation rate of connected car device); set up quality assurance team; promote the quality consistency inspection mechanism; devise a price validation system for car accessories to ensure competitive pricing.

2 Trending of the brand

- Create topics on the market with creative marketing strategies: continue to raise the online media budget, increase the proportion of digital marketing, partner with celebrities and influencers, and promote car models and the advantage of the brand in a subtle and immersive manner.
- Reinforce social media management and enhance brand recognition: grow the size of major social media platforms to reach 1.14 million followers (as opposed to a 110,000 increase in 2019); combine fun with creativity and start a deeper conversation regarding the Company's new image of safety, fun driving, technological innovation, and environmental sustainability. Through cooperation with different industries, launch cross-platform marketing campaigns to create hot topics on social media.

3 Robust organizational structure

- Enhance DLR self-improvement capability
- Build the strongest sales teams
- Increase the value of used car channels through brand value enhancement, operation process improvement, and optimization of customers' online car-buying experience.

4 Intelligent sales solutions

From precision marketing to creative marketing (e.g., expand data collection channels and increase the number of online behavior tracking of CR owners); expand inter-industry collaboration to create hot topics in the market (while continuing to raise the online media budget).

5 Service customization

- VR show room experience and car purchasing, including optimization of online showroom experience, five-star certification program, customer experience upgrade, and diversified test drive experience.
- Intuitive driving, the comprehensive evolution of the Internet of Vehicles by introducing Send to Car navigation system and notification (e.g., usage reporting and fuel-efficient driving suggestions) so that car owners can fully track the condition of their cars; CR feedbacks; customer data collection and organization project.

Note: More details can be found on pages 92 to 105 of the 2020 Annual Report.

Lexus

Favorable Factors

- 1 With Taiwan's success in containing the pandemic and possible extension of vehicle trade-ins for reduced excise taxes through the scrappage program, tourism within Taiwan will continue to stimulate purchasing of SUVs.
- 2 With the evolution of smart technology and 5G network, autonomous driving, connected and shared mobility services have transformed how consumers interact with vehicles. As a result, new business modes like strategic alliance and open platforms were born, inspiring new visions and business opportunities.

Unfavorable Factors

- 1 Our competitors are actively raising the bar of luxury goods and expanding product lineup in an attempt to gain leading advantage in the luxury vehicles market.
- 2 The sales of new eco-friendly vehicles continue to rise and replace gas-powered vehicles, which accelerates the transformation of traditional automakers and propels them to march into the field.

Response Strategies

- 1 Reclaim the luxury appeal and cutting-edge technology that only Lexus can offer by:
 - introducing the redesigned LS flagship model to achieve the brand's excellent craftsmanship
 - introducing the flagship GT sports car LC Limited Edition to showcase the brand's core vision to pursue advanced energy source and smart driving
- 2 Improve the competitiveness of SUV products to secure our leading position in the LSUV segment.
- 3 Launch Lexus LINK, a mobility service platform providing brand new safety and security service for drivers and AI personalized user experience that allows continuous improvement and upgrade.
- 4 New business model—expand CPO market reach and create flexible CPO rental programs (e.g., subscription and MaaS fleet rental programs) to grow our customer base.

Commercial Vehicles

Favorable Factors

- 1 The growing e-commerce market drives the demand for home delivery and logistics transport vehicles.
- 2 The Executive Yuan implemented the "Forward-Looking Infrastructure Plan" at a 4-year budget of NT\$420 billion since 2017 to promote infrastructure construction projects, which have increased demand in heavy duty trucks for constructions.
- 3 The Environmental Protection Administration has extended the deadline to apply for increased grants to replace older diesel trucks until the end of 2021.
- 4 The return of mainland Taiwanese businesses and the increase in import and export cargo transportation have bumped up the demand for semi-trailer trucks.

Unfavorable Factors

- 1 In response to the new emission and safety regulations of Class 6 trucks to be implemented in 2021, automakers have raised the price to reflect increasing costs.
- 2 COVID-19 has impacted foreign travelers traveling to Taiwan as well as domestic tourist groups, and the demand for tour buses has shrunk as a result.

Response Strategies

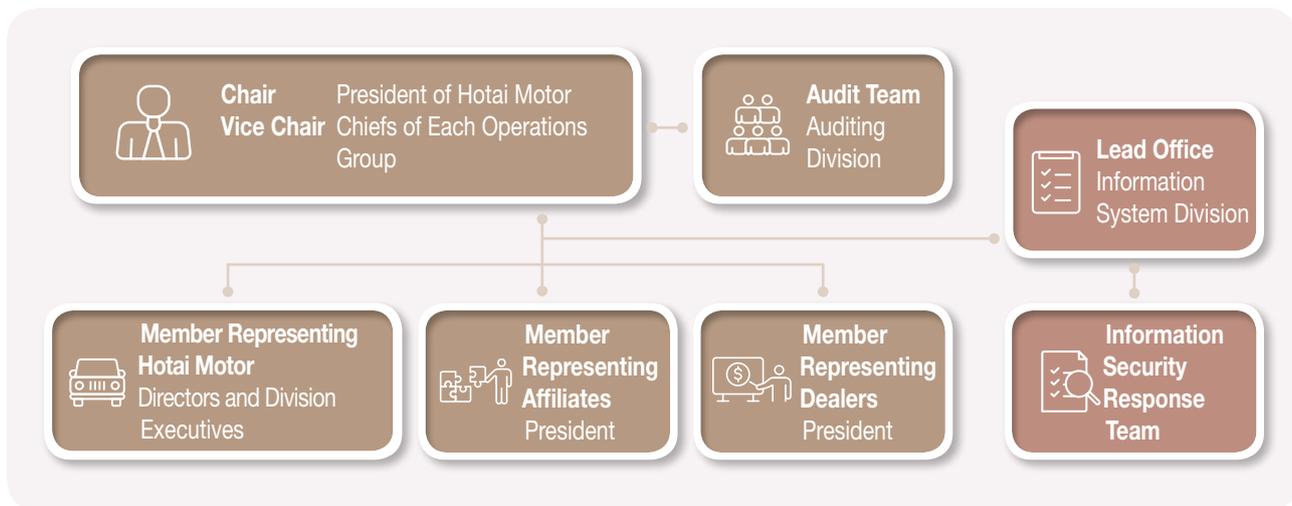
- 1 Maintain sufficient inventory of Class 5 trucks and offer competitive prices through procurement optimization.
- 2 Continue to introduce new products and create a complete product lineup; take advantage of the after-sales service system to retain existing customers and create new business opportunities.
- 3 Promote the new telematics system and accelerate the introduction of large-scale logistics management framework.
- 4 Make full use of the advantages of Toyota Hiace/Granvia to gain entry into the special vehicles market and create more sales opportunities.

4.5 Information Security and Customer Data Protection

Hotai Motor began manufacturing and selling small commercial vehicles and passenger vehicles in 1987 and has accumulated the personal data of 3.5 million customers in the last 34 years. To protect customer data and effectively lower cybersecurity risks, we continually upgrade and reinforce our information security system. We also established an Information

Security Committee, led by the President as the chair of the committee to be the highest governing authority of the Group's information security practices. The committee is charged with developing information security policies and reviewing related issues and countermeasures with the aim to thoroughly implement and articulate our information security governance policies and protect information from unauthorized access. We require the full compliance of all employees as we work towards maintaining information security of the Group.

Information Security Committee Structure



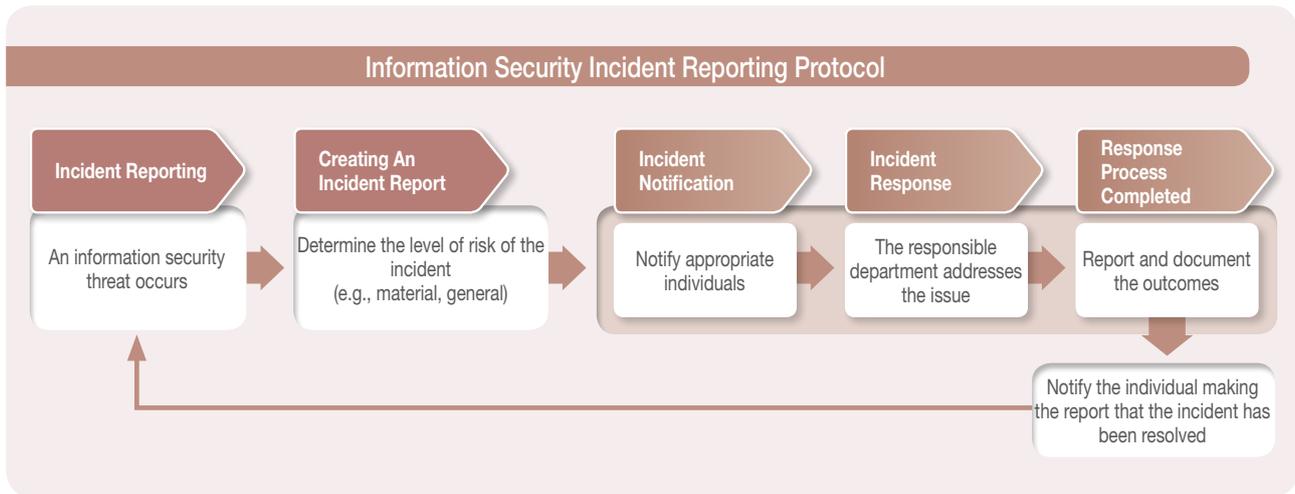
4.5.1 Information Security Management System

For Hotai Motor, building and maintaining secured and trusted information environment and ensuring the stability and security of data, system, equipment, and network are imperative to achieving sustainable operations. In 2008, Hotai Motor worked with eight of our dealers to promote ISO 27001 certification, an international standard of information security management, and became the first company in Taiwan's automotive industry to have dealers and every single upstream and downstream supplier certified to ISO 27001 standards. Through regular meetings, the Lead Office assesses the potential impact to our information security prior to the implementation of any new technology or new information and communications system projects to protect the confidentiality, integrity and availability of information, while reviewing, processing, and reporting information security and personal data breaches and threats. This mechanism enables us to meet the required information services risk assessment and personal data protection and to be fully prepared for information security threats.

In light of rising malicious email attacks in recent years, the Group has established a reporting and response mechanism to prevent hacks. Apart from conducting regular training and simulations to reinforce employee awareness of malicious email threats, we also implemented an advance

email security protection system, APT, which utilizes global threat intelligence to analyze emails and blocks malicious emails from infiltrating the internal network of the company. By using the PDCA approach to continuously refine the information security risk management process, we can ensure the effectiveness of our information security management. Additionally, we conduct annual information security risk assessment to establish the effectiveness and adequacy of the information security management, analyze risks we are likely to be exposed to from each possible threat and vulnerability combination and make improvements. The ongoing control and monitoring enable us to minimize our information security risks.

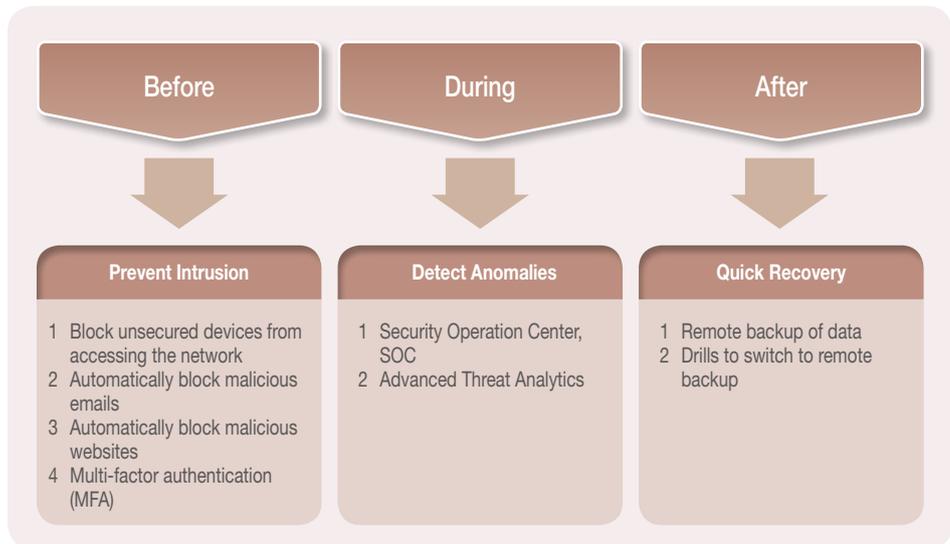
When an incident of suspected information security (including personal data) breach is discovered or reported by an employee, the appropriate department should be promptly notified and the severity of the incident should be determined. An information security incident classified as material should be reported to top management and recorded in the system. Once the reported incident is resolved, the appropriate departments will notify the individual who made the report and conduct a root cause analysis to reduce the likelihood of similar incidents occurring in the future.



2020 IT Security Management Measures

In the face of various external information security threats and network security breaches, we have redefined our information security risk management measures. In 2020, we adopted a zero-trust security approach, reinforcing the detection of information security threats and defense mechanism. Based on different hacking techniques, we can prevent the breach beforehand, detect anomalies during the incident, and quickly recover from the intrusions afterwards. Some examples include,

blocking unsecured personal computers (e.g., when the virus protection or security of the computers is not up-to-date) from accessing Group network, requiring employees to pass security verification in order to connect to the intranet, and blocking attempts to connect to malicious websites to prevent threats from entering the Group's network; establishing a cyber threat intelligence center to monitor information security protection status in real time (e.g., malicious threat alerts); upgrading security protocols of mobile devices (i.e., cellphones and tablets); implementing multi-factor authentication (MFA) in IT service to enhance the identity verification process. Each year, we invest significant resources in reinforcing our cyber security and defense solutions, improving information security management systems, and educating our employees to raise awareness. From the technical to management aspects, we ensure that our information security system is working effectively.



Information Security Awareness

Despite our information security measures, it is impossible to eliminate risks completely in this area. With new hacking techniques emerging constantly, it is important for us to continue building employees' information security awareness through diverse training and communication strategies to raise the overall awareness of the organization. Some of our efforts include, requiring every new employee to complete two hours of information security training and testing to reduce the likelihood of information security incidents or data leaks due to lack of knowledge of relevant regulations on the part of employees; conducting regular information security training for all employees each year; sending information security newsletters regularly to share relevant news and knowledge and using it as an opportunity to promote awareness and communicate Hotai Motor's latest regulations and guidelines with employees so that they are fully aware of information security risks and the importance of data protection.

4.5.2 Customer Data Protection

Protecting Customer Privacy

Hotai Motor has implemented a Group-wide personal data management system to ensure that customer data is adequately protected. From positioning the organizational management and operations from a strategic aspect of the business, and through analyzing service procedures and information systems, we examine the lifecycle of personal data from collection, processing, transmission, storage, archive, and destruction, as well as access and control of the data throughout its lifecycle in order to deliver the most comprehensive personal data solutions.

Ensuring Compliance

With the intention to protect customer privacy online and ensure compliance with Taiwan's Personal Data Protection Act in collecting, processing, and using personal data, Hotai Motor developed the Regulations Governing the Collection, Processing and Use of Personal Data as a guideline for relevant business units to follow. As required by the law, we publish our privacy policy for collecting personal information on our corporate website, which reiterates our commitment to protect customer privacy and clearly explains how customer data are being collected and used, as well as our data security policy to protect customer privacy.



Implementing Controls and Training

The Office of Personal Data conducts personal data training and data breach tabletop exercises regularly throughout the year with the aim of improving our personal data security. This two-hour training also uses quizzes to ensure that employees have a high level of data privacy awareness; all employees are required to complete the training.

In 2015, we formulated a set of data protection guidelines for subcontractors and require their full compliance. Since 2016, we have been reviewing the self-assessment reports submitted by subcontractors and conducting onsite audit once year. In 2018, we established a subcontractor's system of controls for recurring deficiencies by adopting the Data Protection Guidelines for Subcontractors. Subcontractors are rated based on their capabilities of data protection, which is one factor for relevant departments to consider when selecting subcontractors.



To ensure that the day-to-day operations and data privacy awareness of first-line employees across locations are in alignment with the Personal Data Protection Act and company policies, we send individuals qualified to conduct audit to TOYOTA service centers disguising themselves as car owners and make personal data requests. The purpose is to investigate whether first-line employees follow company policies in the day-to-day operations as well as their data privacy awareness. For employees who fail to meet the compliance requirements, a refresher training will be given through dealers and random audits will be conducted to follow up on the improvement of such employees. By implementing the above mechanism, we believe that we can ensure subcontractors and first-line employees to protect customer data from unauthorized access and prevent violations of the Personal Data Protection Act. As of the end of 2020, there were no violations of the Personal Data Protection Act or concerns reported involving losses of customer data or breaches of customer privacy.

Other Privacy Measures

The use of mobile devices (e.g., smartphones and iPads) and mobile apps in sales activities and aftersales service support by first-line employees have become increasingly prevalent in recent years. To accommodate this development and ensure security in using these mobile devices, and to mitigate the risks of corporate data leaks as a result of the use or loss of devices, we have introduced a new generation mobile device management system. The system effectively manages mobile devices that use iOS and Android operating systems and prevent IT devices from unauthorized access by external users or cyberattacks that result in data leaks, achieving corporate data privacy protection.

Data Privacy Training

| | 2018 | 2019 | 2020 | 2021 |
|--|------|------|------|------|
| Attendance | 474 | 497 | 473 | --- |
| Percentage of Employees Receiving Training (%) | 100 | 100 | 100 | 100 |

Note: This table shows the number of employees who are equipped with office computers/laptops and completed the training.

Breach of Customer Privacy and Customer Data Leaks Reported

| Year | Number of Data Leaks | Percentage of Personal Data Among Data Leaks | Number of Customers Affected Due to Data Leaks |
|------|----------------------|--|--|
| 2020 | 0 | 0% | 0 |

A New Generation of Mobile Device Management System

Main Protection Features



Strengthen Data Protection

Monitoring device status

Corporate apps downloads only



Improve Device Security

Mobile Device Management System



4.6 Financial Performance

| Year | 2020 | 2019 | 2018 | Units |
|--|-------------|-------------|-------------|---------------|
| Operating Revenue | 136,052,443 | 126,892,633 | 109,034,011 | NT\$ thousand |
| Gross Profit | 12,096,532 | 10,737,805 | 9,571,323 | NT\$ thousand |
| Operating Profit | 8,228,028 | 6,889,079 | 6,124,435 | NT\$ thousand |
| Non-Operating Income and Expenses | 7,973,590 | 6,848,237 | 5,808,161 | NT\$ thousand |
| Profit Before Income Tax | 16,201,618 | 13,737,316 | 11,932,596 | NT\$ thousand |
| Income Tax Expense (Profit) | 2,352,748 | 1,968,501 | 1,907,061 | NT\$ thousand |
| Total Assets | 83,719,774 | 76,469,958 | 66,132,309 | NT\$ thousand |
| Paid-in Capital | 5,461,792 | 5,461,792 | 5,461,792 | NT\$ thousand |
| Revenue Per Employee | 246,026 | 230,295 | 200,430 | NT\$ thousand |
| Total Number of Employees at End of Year | 553 | 551 | 544 | Persons |
| Market Price Per Share (Average) | 643 | 456.02 | 277.61 | NT\$ |
| Operating Expenses + Operating Costs | 127,907,621 | 119,890,558 | 102,927,933 | NT\$ thousand |
| Earnings Per Share | 25.36 | 21.55 | 18.36 | NT\$ |
| Total Payroll | 1,945,833 | 1,726,363 | 1,572,033 | NT\$ thousand |
| Employee Benefit Expenses (Deducted by Payroll Expenses and Pension) | 172,767 | 163,176 | 149,370 | NT\$ thousand |
| Total Pension | 28,401 | 27,704 | 27,189 | NT\$ thousand |
| Debt Ratio | 21.8 | 23.4 | 25.40 | % |

Note 1: The above data is taken from Hotai Motor's individual financial statements.

Note 2: Debt ratio means the debt to asset ratio



05 Environment



93.7%

Percentage of recycled parts used in power steering pumps



79.9%

Percentage of recycled parts used in AC compressors



44.7 metric tons

Carbon emissions reduced from using recycled packaging materials



Over 160,000 cubic meters

Cumulative water consumption reduced as of the end of 2020 from vehicle servicing without a car wash

5.1 Climate Change Management

5.1.1 Adopting TCFD Framework

TMC's short to long-term strategies and action plans (including the TOYOTA Environmental Challenge 2050 and TOYOTA Environmental Action Plans) state that material topics are identified through materiality assessment. In adopting the 2025 target, TMC also conducted a review on the material topics in the environmental aspect. Along with that, TMC and six of their business regions (North America, Europe, China, Asia, South America, and South Africa) embody these goals from a global and regional perspective in the process of integrative thinking. As a means to implement the TOYOTA Environmental Challenge 2050, TMC set a short-term reduction goal of 15% by 2025 (we challenge ourselves to achieve 18%) and medium-term reduction goal of 32% by 2030 (we challenge ourselves to achieve 33%).

As a global distributor of TMC, Hotai Motor is always continuing to monitor public opinion and market trends. We also look into different environmental issues and address them with innovative thinking and technologies as we work towards finding solutions to future challenges. Nonetheless, there

are many other environmental issues around the globe that require the investment of greater efforts and resources, including climate change, water shortage, resource depletion, and biodiversity loss. We came to recognize that the traditional automotive industry will face the challenges of slowing demand and to adapt against the backdrop of climate change. With various climate change measures in each country under way, the automotive industry and how the society perceives the industry could undergo major changes, such as more stringent policies, including banning of conventional vehicles, fuel economy regulations, implementation and increase of carbon pricing, development of low carbon products, all of which could dramatically impact the environmental and climate change awareness of customers. With a view to pass our legacy of environmental sustainability to the next generation and integrate it into every aspect of our business strategies, we have adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) framework developed by the Financial Stability Board (FSB) in our management of climate change risks.



Governance

- Hotai Motor established the Corporate Social Responsibility (CSR) Committee in 2018 followed by the approval of the Board. The CSR committee directly reports to the Board and consists of directors and independent directors of the company. The primary responsibilities of the CSR Committee are to adopt CSR development strategies and implement and oversee CSR practices.
- The CSR Committee has the Office of Environmental Affairs, Office of Social Affairs, and Office of Corporate Governance, and each of these business functions are charged with different responsibilities. The Office of Environmental Affairs takes the lead on planning environmental events and climate related topics. The offices meet twice a year through the CSR Committee and present relevant issues and projects within their functions to the committee members, which will then be reported to the Board. Based on the report, the Board of Directors will give their suggestions and opinions from an oversight perspective.
- Hotai Motor has an Environmental Management Committee led by the President of the company as the chair. The chiefs of each operations group have the advisory role in the committee and the chief of TOYOTA After Sales Service Group acts as the management representative; the administrative role is filled by the TOYOTA Training & Kaizen Division, and the lead office is the Environmental Facilities Office.



Strategy

- The short, medium, and long-term climate change risks and opportunities are measured by one year, one to three years, and three to five years respectively.
- Promote the effectiveness of environmental management within Hotai Motor's network (including dealers) and monitor and track the progress of the PDCA cycle and self-regulation/improvement in our environmental management practices.



Risk Management

- Based on the transition and physical risks identified, relevant departments associated with the three offices are charged with developing and implementing project guidelines, as well as reporting the progress and outcome to the CSR Committee. Through cross-functional communication and discussion, we combine company resources with the aim to reduce the negative environmental impacts from climate change risks.



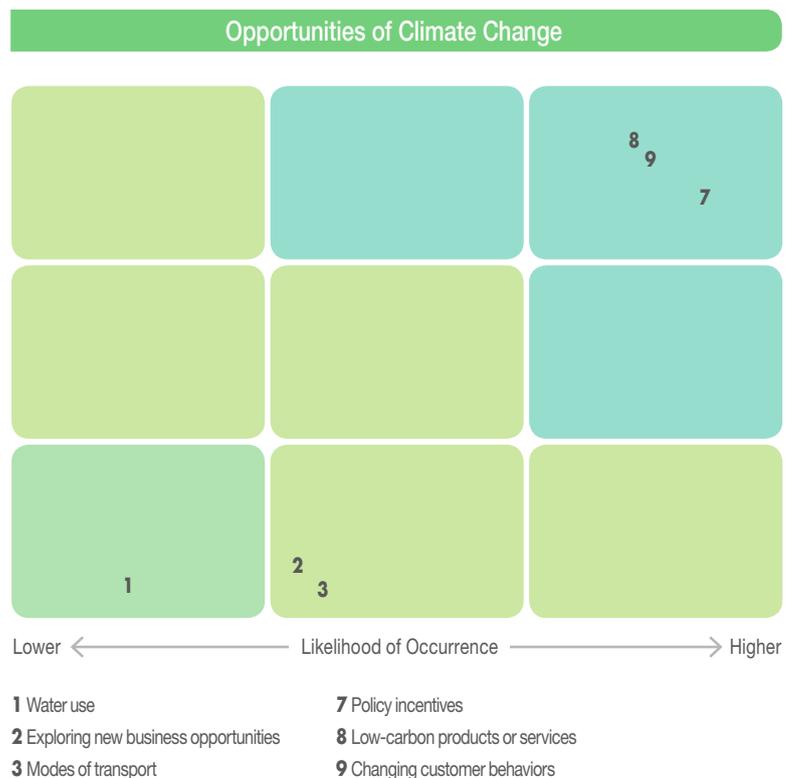
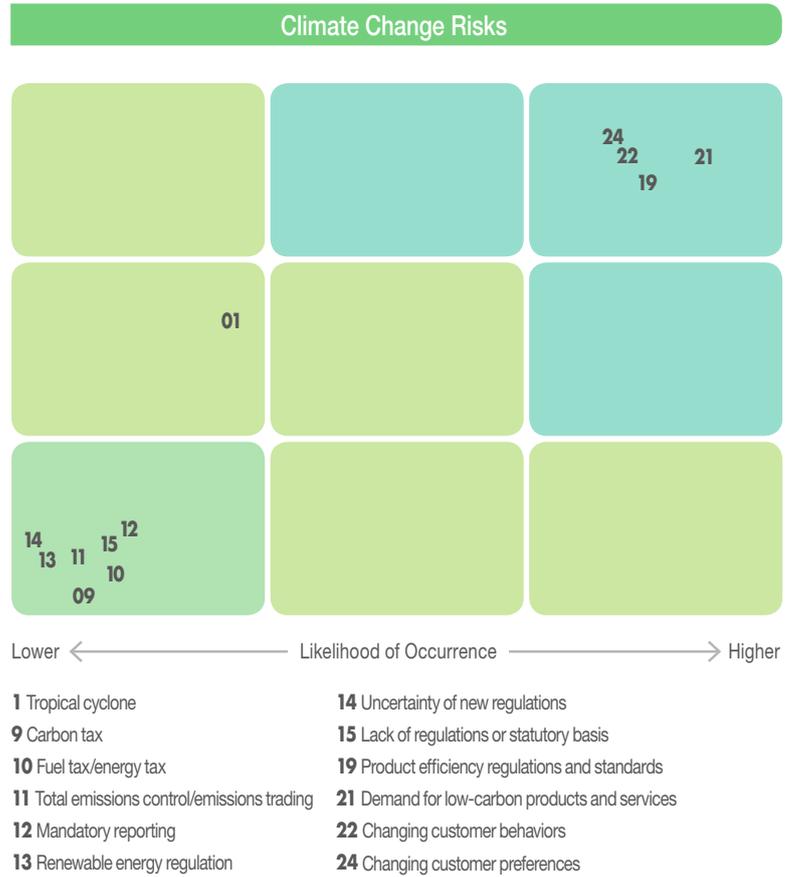
Indicators and Goals

- Hotai Motor is committed to achieving the six goals of Environmental Challenge 2050, which include:
 - (1) Zero CO2 emissions from new vehicles
 - (2) Zero CO2 emissions from vehicle life cycle
 - (3) Zero emissions from plant
 - (4) Minimizing and optimizing water usage
 - (5) Establishing a recycling-based society and system
 - (6) Establishing a future society in harmony with nature
- With the objective to meet these challenges, we have created the Environmental Assessment Statement (EAS) and eco dealerships to monitor and track the improvements and results of environmental management within Hotai Motor's network (including dealers).
- Reduce GHG emissions by 3% by 2020, 32% by 2030 against a 2019 baseline, and achieve zero emissions by 2050.

5.1.2 Identification of Material Risks and Response

As climate change presents both business risks and opportunities, it is important for us to map out material issues from the perspective of risks and opportunities when developing climate strategies. To identify potential risks and opportunities, Hotai Motor determines and assesses the threats of climate change from the standpoint of environmental relevancy and significance to our business. We are committed to identifying the various risks and opportunities brought by different environmental issues and take actions at every turn while verifying the effectiveness of our strategies to vigorously improve sustainability performance. From our efforts, we believe that each topic area requires reinforced measures and new technologies in order to counter climate change. As climate change progresses, it is expected that temperatures and sea levels will rise, and natural disasters such as typhoons, droughts and floods will occur on an increasing scale. These changes are likely to create various impacts on the automotive business. Despite the circumstances, what we know is that being able to adequately respond to the challenges will improve our competitive advantage and create new business opportunities for us. Based on this understanding, we must take constructive actions under these changes and make positive contributions to the sustainable development of the society.

The impact of conventional vehicles on production and purchasing is that under the development of global climate change legislation, the introduction and rising of carbon pricing and trading are expected to increase consumer costs and production costs for the company. At the same time, the low carbon business mode will accelerate the replacement of conventional vehicles due to the impact of climate change. Under this backdrop, we believe that selling low-carbon electric vehicles on the market could be tremendously beneficial to reducing CO2 emissions, which in turn creates more opportunities. In addition, without a proper response mechanism, physical risks such as more frequent and aggravated floods and other natural disasters could result in the interruptions of production and supply chain at any time.



Impact and Management of Climate Change Risks

| Risk Level | Description | Occurrence in the Supply Chain | Time Horizon | Impact | Management Approach |
|------------|--|------------------------------------|--------------|--|---|
| High | Demand for low-carbon products and services | Downstream customers | Medium-term | With rising environmental awareness, the older generation vehicles can no longer satisfy customers' needs when it comes to vehicle performance and environmental requirements. | We will closely monitor changing market needs, customer behaviors and preferences, and push for the introduction of more fuel-efficient, low-emission models from TMC. |
| | Changing customer preferences | | | With increased awareness of sustainability, customers are more inclined to consider fuel-efficient or low-emission options when purchasing vehicles. | |
| | Changing customer behaviors | | | With increased awareness of sustainability, we will begin to see customer resistance to gasoline-powered vehicles. | |
| | Product efficiency regulations and standards | Upstream suppliers | | If suppliers are unable to meet regulatory requirements, these vehicles cannot be accepted for distribution. | Continuous monitoring of regulatory development and communication with TMC as needed in order to launch products that meet the regulatory requirements. |
| Medium | Tropical cyclone (typhoon) | Upstream suppliers and the company | Short-term | Extreme weather and natural disasters could cause property damage and financial loss for the company, such as building collapse, vehicle damage and flooding. Additionally, they could increase the risk of injuries or prevent employees from reporting for duty and, in turn, affect workforce allocation. | <ol style="list-style-type: none"> 1. Closely monitor the typhoon and have adequate response plans in place to prepare for typhoon conditions. 2. Understand the potential impact of typhoon on product deliveries, our employees and property, and reach out to workers as needed and be prepared for post-disaster repair and rebuilding. 3. Follow regulatory authority's directions. |

Impact and Management of Climate Change Opportunities

| Opportunity Likelihood | Description | Occurrence in the Supply Chain | Time Horizon | Impact | Management Approach |
|------------------------|---------------------------------|--------------------------------|--------------|---|---|
| High | Low-carbon products or services | Downstream customers | Short-term | With increasingly stringent fuel economy standards, we need to offer more low-emission options such as fuel-efficient and alternative fuel vehicles. | We will push for the introduction of more low-emission options such as fuel-efficient and/or alternative fuel vehicles from TMC. |
| | Changing customer behaviors | | | With increased awareness of sustainability, customers are more inclined to consider fuel-efficient or alternative fuel vehicles. | We will closely monitor changing customer behaviors and preferences, and push for the introduction of more low-emission options such as fuel-efficient and/or alternative fuel vehicles from TMC. |
| | Policy incentives | The company | | Hybrid and all-electric vehicles meeting the requirements of the government's incentive program will qualify for excise tax deduction or exemption, which, in turn, will lower prices and increase product sales. | We will push for the introduction of more hybrid and/or all-electric models from TMC that qualify for excise tax deduction or exemption under the government's incentive program. |

5.2 Green Operations

5.2.1 Energy and Resource Management

Among Hotai Motor's energy and resource consumption, electricity consumption is the highest. While fuels like gasoline and diesel are mainly used in vehicles, including for official business and training, natural gas and LPG are for use in the kitchen and dorms. In 2020, our total energy consumption was 13,109 GJ, which include five main categories—gasoline (2,097 GJ), diesel (195 GJ), natural gas (666 GJ), LPG (112 GJ), and electricity (10,039 GJ).

We have been reducing our gasoline consumption over the years primarily due to growing use of hybrids. On the other hand, the consumption of natural gas and LPG depends on how many employees are staying in the dorm for training and how often the kitchen is used for cooking at

the complex each year, which are reasons for higher fluctuations. As the source of our water is from Taiwan Water Corporation, our water use doesn't create significant impact on any water sources; the wastewater we generate is equivalent to the total water used and is fully discharged to the government's underground wastewater system.

In terms of geographic distribution, the Xinzhuang Complex is the primary location where we conduct our training and conferences and has a dormitory and cafeteria reserved specifically for employees attending the training. In 2020, 23,000 people attended our events. Our Yangmei Complex is Hotai Motor's logistics center, and its main warehouse supplies the demand for parts in vehicle maintenance and repairs nationwide. In order to accommodate growing demand for parts services, personnel authorized to work at the facilities also include subcontractors. Further, the Yangmei Complex has an employee dormitory, which explains why electricity consumption and water use per capita are among the highest in our energy and resource intensity.

| Types of Energy | Energy Units | Location | 2018 | 2019 | 2020 |
|--|--------------|--------------|---------------|---------------|---------------|
|  Gasoline | Liters | Headquarters | 49,837 | 47,608 | 49,241 |
| | | Xinzhuang | 11,724 | 12,091 | 11,969 |
| | | Yangmei | 3,096 | 2,803 | 3,017 |
| | | Total | 64,657 | 62,502 | 64,227 |
| | GJ | Headquarters | 1,627 | 1,554 | 1,608 |
| | | Xinzhuang | 383 | 395 | 391 |
| | | Yangmei | 101 | 92 | 99 |
| Total | 2,111 | 2,041 | 2,098 | | |
|  Diesel | Liters | Headquarters | 0 | 0 | 0 |
| | | Xinzhuang | 60 | 60 | 60 |
| | | Yangmei | 5,238 | 5,450 | 5,499 |
| | | Total | 5,298 | 5,510 | 5,559 |
| | GJ | Headquarters | 0 | 0 | 0 |
| | | Xinzhuang | 2 | 2 | 2 |
| | | Yangmei | 184 | 192 | 193 |
| Total | 186 | 194 | 195 | | |
|  Natural Gas | Cubic Meters | Headquarters | 0 | 0 | 0 |
| | | Xinzhuang | 22,905 | 22,224 | 19,887 |
| | | Yangmei | 0 | 0 | 0 |
| | | Total | 22,905 | 22,224 | 19,887 |
| | GJ | Headquarters | 0 | 0 | 0 |
| | | Xinzhuang | 767 | 744 | 666 |
| | | Yangmei | 0 | 0 | 0 |
| Total | 767 | 744 | 666 | | |

| Types of Energy | Energy Units | Location | 2018 | 2019 | 2020 |
|--|--------------|--------------|-----------|-----------|-----------|
|  LPG | Liters | Headquarters | 0 | 0 | 0 |
| | | Xinzhuang | 0 | 0 | 0 |
| | | Yangmei | 2,590 | 3,011 | 4,023 |
| | Total | | 2,590 | 3,011 | 4,023 |
| | GJ | Headquarters | 0 | 0 | 0 |
| | | Xinzhuang | 0 | 0 | 0 |
| | | Yangmei | 64 | 84 | 112 |
| Total | | 64 | 84 | 112 | |
|  Purchased Electricity | kWh | Headquarters | 758,707 | 780,332 | 798,457 |
| | | Xinzhuang | 686,453 | 689,364 | 638,996 |
| | | Yangmei | 1,382,183 | 1,290,034 | 1,351,265 |
| | Total | | 2,827,343 | 2,759,730 | 2,788,718 |
| | GJ | Headquarters | 2,731 | 2,809 | 2,874 |
| | | Xinzhuang | 2,471 | 2,482 | 2,300 |
| | | Yangmei | 4,976 | 4,644 | 4,865 |
| Total | | 10,178 | 9,935 | 10,039 | |
|  Water | Megaliters | Headquarters | 6,115 | 7,225 | 6,825 |
| | | Xinzhuang | 4,701 | 4,764 | 5,340 |
| | | Yangmei | 16,017 | 10,358 | 7,582 |
| Total | | 26,833 | 22,347 | 19,747 | |

| Types of Energy | Intensity Units | Location | 2018 | | 2019 | | 2020 | |
|--|------------------------|--------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | | Headcount | Intensity | Headcount | Intensity | Headcount | Intensity |
|  Gasoline | Liters Per Capita | Headquarters | 379 | 131 | 381 | 125 | 385 | 128 |
| | | Xinzhuang | 90 | 130 | 93 | 130 | 91 | 132 |
| | | Yangmei | 75 | 41 | 77 | 36 | 77 | 39 |
| | Average | | 544 | 119 | 551 | 113 | 553 | 116 |
|  Electricity | kWh Per Capita | Headquarters | 379 | 2,002 | 381 | 2,048 | 385 | 2,074 |
| | | Xinzhuang | 90 | 7,627 | 93 | 7,413 | 91 | 7,022 |
| | | Yangmei | 75 | 18,429 | 77 | 16,754 | 77 | 17,549 |
| | Average | | 544 | 5,197 | 551 | 5,009 | 553 | 5,043 |
|  Water | Metric Tons Per Capita | Headquarters | 379 | 16 | 381 | 19 | 385 | 18 |
| | | Xinzhuang | 90 | 52 | 93 | 51 | 91 | 59 |
| | | Yangmei | 75 | 214 | 77 | 135 | 77 | 98 |
| | Average | | 544 | 49 | 551 | 41 | 553 | 36 |

As for our energy and resource conservation efforts, replacing gasoline-powered vehicles with hybrid models have helped us reduce fuel use significantly. Since 2013, we have been reducing approximately 15,900 liters (5.19x10⁵ MJ) of gasoline use every year, and we suspend the use of natural gas boilers on weekends to reduce overall usage, lowering approximately 5,160 cubic meters (1.73x10⁵ MJ) of natural gas use on average per year. Other energy conservation measures we implemented in 2020 include adding timer switches to water dispensers and replacing older

ACs at our training facilities, which are estimated to have saved 55,776 kWh (1.32x10⁵ MJ) of electricity every year.

Over the years, our headquarters and two complexes continually implement plans to lower electricity consumption and numerous water reduction projects. The decrease in energy costs is mainly attributed to our electricity conservation measures; in the last three years, we have saved NT\$473,021 in electricity bills.

| Types of Energy | Units | Location | 2018 | 2019 | 2020 |
|--|------------|--------------|--------|--------|--------|
|  Gasoline/Diesel | Liters | Headquarters | 9,000 | - | - |
| | | Xinzhuang | - | - | - |
| | | Yangmei | - | - | - |
| | Total | | 9,000 | | |
|  Electricity | kWh | Headquarters | - | 921 | 3,175 |
| | | Xinzhuang | 28,995 | 36,716 | 55,776 |
| | | Yangmei | 11,491 | - | - |
| | Total | | 40,486 | 37,637 | 58,951 |
|  Water | Megaliters | Headquarters | - | - | 400 |
| | | Xinzhuang | - | - | 31 |
| | | Yangmei | - | 4,045 | - |
| | Total | | | 4,045 | 431 |

| Types of Energy | Location | 2018 | | 2019 | | 2020 | |
|--|--------------|------------------------|---------------|------------------------|---------------|------------------------|---------------|
| | | Average Price Per Unit | Costs Reduced | Average Price Per Unit | Costs Reduced | Average Price Per Unit | Costs Reduced |
|  Electricity | Headquarters | - | - | 3.58 | 3,297 | 3.65 | 11,589 |
| | Xinzhuang | 3.55 | 102,932 | 3.54 | 129,975 | 3.42 | 190,754 |
| | Yangmei | 3.00 | 34,474 | - | - | - | - |
| | Total | | 3.28 | 137,406 | 3.54 | 133,272 | 3.54 |
|  Water | Headquarters | - | - | - | - | 14.62 | 5,848 |
| | Xinzhuang | - | - | - | - | - | - |
| | Yangmei | - | - | 12.9 | 52,180 | 13 | 403 |
| | Total | | | - | 12.9 | 52,180 | 13.81 |

Note 1: Energy consumption reduced is an estimate based on new energy conservation projects each year, not actual figures measured.

Note 2: "-" indicates that no energy conservation measures were implemented for the specified energy during that year.

5.2.2 Reduction of GHG Emissions

In 2020, 88% of Hotai Motor's total GHG emissions is associated with the use of electricity, which indicates that energy indirect (Scope 2) emissions are the main source of our GHG emissions. Direct (Scope 1) emissions, on the other hand, remain leveled in the last three years. Whether it's Scope 1 or Scope 2 emissions, the percentage change has remained around 6%. The reason being that while the volume of business increases, we also continue implementing various energy conservation plans so that our GHG emissions won't rise significantly from the growth of the company. From a downward trend of average emission intensity we've observed, Hotai Motor's energy efficiency is consistently improving, which aligns with our commitment to mitigating the effects of climate change.

GHG Emissions

| Scope | Emission Units | Location | Emissions | | |
|----------------------|------------------------------------|--------------|-----------|---------|---------|
| | | | 2018 | 2019 | 2020 |
| Scope 1 ¹ | Metric tons CO2 equivalent (tCO2e) | Headquarters | 112.8 | 107.7 | 111.4 |
| | | Xinzhuang | 69.7 | 69.3 | 64.6 |
| | | Yangmei | 24.7 | 25.8 | 28.2 |
| Total | | | 207.2 | 202.8 | 204.2 |
| Scope 2 ² | Metric tons CO2 equivalent (tCO2e) | Headquarters | 404.4 | 397.2 | 406.4 |
| | | Xinzhuang | 365.9 | 350.9 | 325.2 |
| | | Yangmei | 736.7 | 656.6 | 687.8 |
| Total | | | 1,507.0 | 1,404.7 | 1,419.4 |

Note 1: Emission boundary is identified using the operational control method, and calculation includes CO2, CH4 and N2O.

Note 2: Scope 1 emissions only calculate stationary sources of pollution but not mobile sources of pollution.

Note 3: Scope 2 emissions are emissions from electricity, the emission factors are 0.533 kg CO2e/kWh in 2018 and 0.509 kg CO2e/kWh from 2019 to 2020. Reporting of emission factors is based on the latest protocol published by the Bureau of Energy each year. Therefore, the data would be moderately different than the previous year.

Note 4: The source of emission factors is GHG Emission Factors Table version 6.0.4, and the global warming potential (GWP) rate uses IPCC's AR4 values.

| Scope | Intensity Unit | Location | 2018 | | 2019 | | 2020 | |
|---------------|---|--------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | | Headcount | Intensity | Headcount | Intensity | Headcount | Intensity |
| Scope 1 and 2 | Metric tons CO2 equivalent (tCO2e) per capita | Headquarters | 379 | 1.36 | 381 | 1.33 | 385 | 1.35 |
| | | Xinzhuang | 90 | 4.84 | 93 | 4.52 | 91 | 4.28 |
| | | Yangmei | 75 | 10.15 | 77 | 8.86 | 77 | 9.30 |
| Average | | | 544 | 3.15 | 551 | 2.92 | 553 | 2.94 |

Note 1: Emission boundary is identified using the operational control method, and calculation includes CO2, CH4 and N2O.

Note 2: The source of emission factors is GHG Emission Factors Table version 6.0.4, and the global warming potential (GWP) rate uses IPCC's AR4 values.

Note 3: Scope 1 emissions only calculate stationary sources of pollution but not mobile sources of pollution. Scope 2 emissions are emissions from electricity, the emission factors are 0.533 kg CO2e/kWh in 2018 and 0.509 kg CO2e/kWh from 2019 to 2020. Reporting of emission factors is based on the latest protocol published by the Bureau of Energy each year. Therefore, the data would be moderately different than the previous year.

Note 4: Intensity is calculated based on the number of contract employees and regular (full-time) employees, excluding subcontractors who regularly work at the facilities.

Note 5: Our Yangmei facilities operate as a parts warehouse, including subcontractors working on the site. Therefore, the total number of people working at the facilities exceeds the number of contract employees and regular employees.

Reduction Measures and Projected Effectiveness

| Location Implemented | 2018 | 2019 | 2020 |
|---|--|--|---|
| Headquarters | Replace all company cars under lease with hybrid models (9 metric tons/year) | Install motion sensor lighting in selected areas (0.4 metric ton/year) | <ul style="list-style-type: none"> Replace energy efficient LED bulbs (1.6 metric tons/year) Reduce water use at headquarters (0.4 metric ton) |
| Xinzhuang | <ul style="list-style-type: none"> Replace lighting with LED light tubes (5.82 metric tons/year) Replace older ACs (19.21 ton/year) Add timer switches to water dispensers (3.97 metric tons/year) | <ul style="list-style-type: none"> Control and maintain the cooling load of the AC system at 26 ° C (16.9 metric tons/year) Add two timer switches to water dispensers (2.6 metric tons/year) | <ul style="list-style-type: none"> Replace older ACs at training facilities (27 metric tons/year) Add two timer switches to water dispensers (1.2 metric tons/year) |
| Yangmei | <ul style="list-style-type: none"> Reduce backup vehicles used in logistics (7.2 metric tons from the Northern logistics network) Reduce backup vehicles used in logistics (3.0 metric tons from secondary warehouses) Promote recycling of packing materials (53.5 metric tons/year) | <ul style="list-style-type: none"> Reduce water use at the Yangmei Complex (0.4 metric ton) Reduce backup vehicles used in logistics (0.5 metric tons from secondary warehouses) Promote recycling of packing materials (53.2 metric tons/year) | <ul style="list-style-type: none"> Install smart thermostat to ACs in the dormitories (4.3 metric tons/year) Promote recycling of packing materials (44.7 metric tons/year) |
| Total GHG Reductions for the Year (Metric Tons) | 101.7 | 74 | 79.2 |

Note 1: Emission boundary is identified using the operational control method, and calculation includes CO₂, CH₄ and N₂O.

5.2.3 Pollutant Emissions and Waste Management

The operations of Hotai Motor do not involve any transboundary movement and disposal of hazardous wastes. Waste generated from our operations are disposed by either recycling or incineration where we appoint the building management or hire a qualified waste management provider to

handle the waste disposal. There are no emissions of ozone-depleting substances (ODS), nitrogen oxides (NOX), or sulfur oxides (SOX) in the operations of our headquarters and two facilities.

Waste Generated

| Waste Category | Location Generated | 2018 | 2019 | 2020 |
|---------------------|--------------------|------|------|------|
| General | Headquarters | 47.4 | 48.0 | 43.2 |
| | Xinzhuang | 6.5 | 4.6 | 4.6 |
| | Yangmei | 31.5 | 18.4 | 19.5 |
| Total (Metric Tons) | | 85.4 | 71 | 67.3 |

Waste Recycled

| Recycling Category | Location Recycled | 2018 | 2019 | 2020 |
|---|-------------------|-------|-------|-------|
| Paper, metal and aluminum containers, plastic | Headquarters | 15.6 | 16 | 15.5 |
| | Xinzhuang | 7.4 | 5.1 | 2.8 |
| Domestic packaging materials | Yangmei | 49 | 50.7 | 53.0 |
| Imported cardboard boxes | | 169.6 | 132.0 | |
| Total (Metric Tons) | | 244.0 | 241.4 | 203.3 |

Note 1: In 2018, there was a decline in parts import and export due to TMC's policy changes on sources of parts supply, which makes it less likely for imported cardboard boxes to be reused.

5.2.4 Vehicles and Parts Transportation

We closely manage and monitor the CO₂ emissions of semi-trailer trucks during transport and require trucking companies to provide monthly records, including trucking volume, mileage, fuel consumption, and CO₂ emissions. To effectively reduce the CO₂ emissions of semi-trailer trucks, Hotai Motor encourages trucking companies to conduct fuel-efficient driving training once a year for truck drivers. In 2020, 82 drivers completed the training and a total of 656 training hours was delivered. By ensuring that vehicle transportation maintains consistent fuel consumption and CO₂ emissions, we can reduce the CO₂ emissions of each new semi-trailer truck to under 35kg. Additionally, trucking companies are required to conduct regular servicing and repairs on the semi-trailer trucks so that

vehicles can remain in high-performance during transportation. To ensure freight transport performance, not only do we monitor completion rate (i.e., actual number of loads hauled/target number of loads hauled) to ensure that they are completed on schedule, but we also monitor the number of loads carried so that the truck can carry an average of at least seven loads per trip to maintain the efficiency of freight hauling.

In 2020, we completed the development of the Smart Trucking Dispatch System and upgraded from manual to computerized dispatch. The time to dispatch a semi-trailer truck has been reduced from 60 minutes to 20 minutes per route, improving logistics efficiency.



Reduction of Emissions from Vehicle Transport

| Item | Reduction Measures | 2018 | 2019 | 2020 | Target |
|---|---|-------|------|-------|--|
| Truck usage rate improves completion rate | Accurately predict number of semi-trailer trucks needed Improve the number of loads hauled per truck | 100% | 100% | 100% | 100% completion rate (actual number of loads hauled /target number of loads hauled) |
| GHG emissions from new vehicle hauling (kg CO ₂ e/new vehicle) | Regulate driver's driving speed Routine maintenance of semi-trailer trucks | 33.76 | 34.4 | 33.63 | Less than 35kg per vehicle |

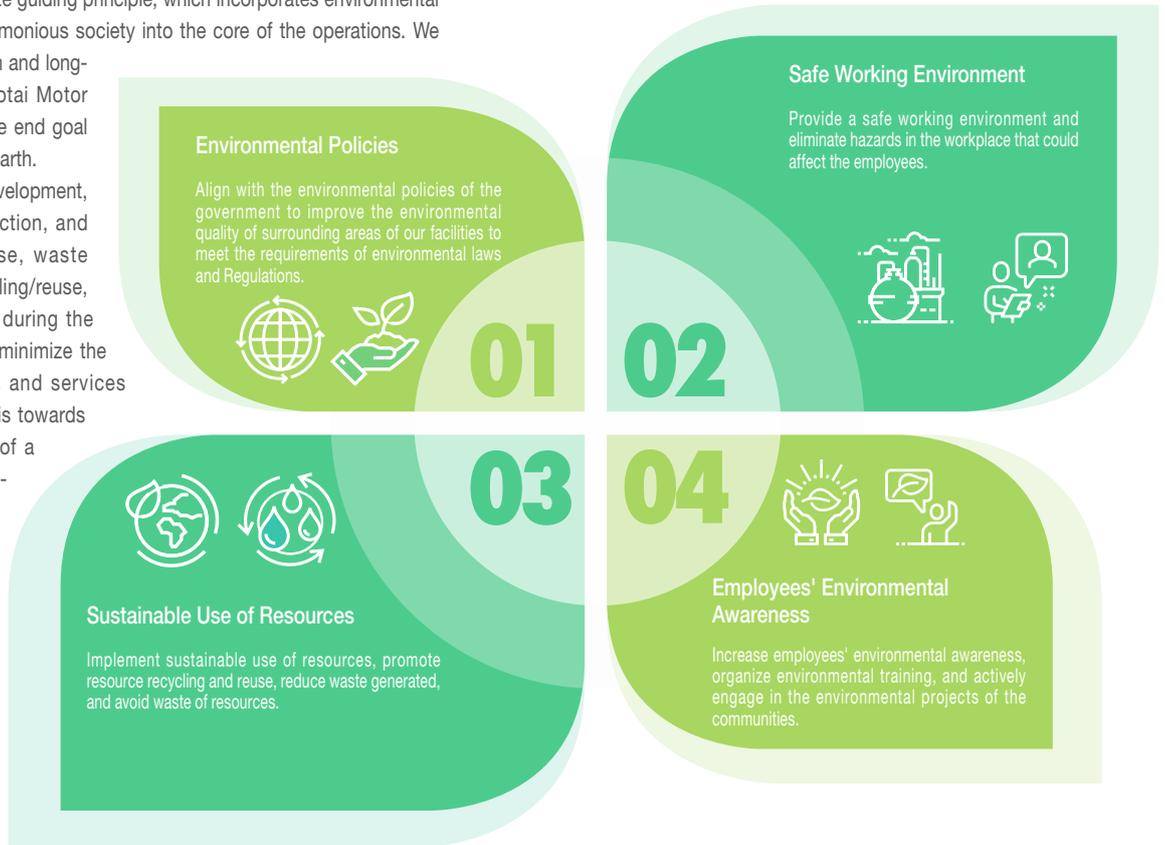
5.3 Environmental Sustainability Vision

5.3.1 Sustainability Policy

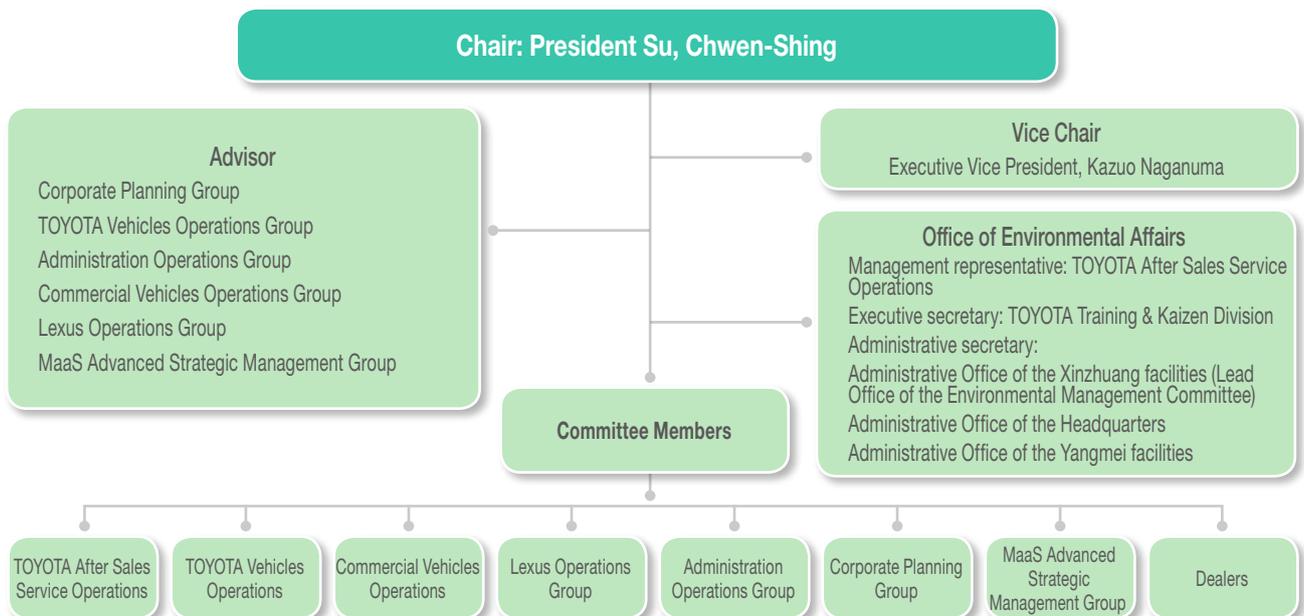
Our vision for environmental sustainability rests on TMC's Toyota Earth Charter as the ultimate guiding principle, which incorporates environmental protection and a harmonious society into the core of the operations. We also conduct medium and long-term planning as Hotai Motor moves to achieve the end goal of protecting planet Earth.

From design and development, procurement, production, and logistics, to car use, waste reduction and recycling/reuse, every step we take during the vehicle life cycle to minimize the impact of products and services on the environment is towards realizing our vision of a low-carbon, recycling-based society. At the same time, we have developed an environmental sustainability policy, which covers four key

aspects—government policy, sustainable use of resources, safe working environment, and increased environmental awareness, propelling us to move towards the sustainable development of our business.

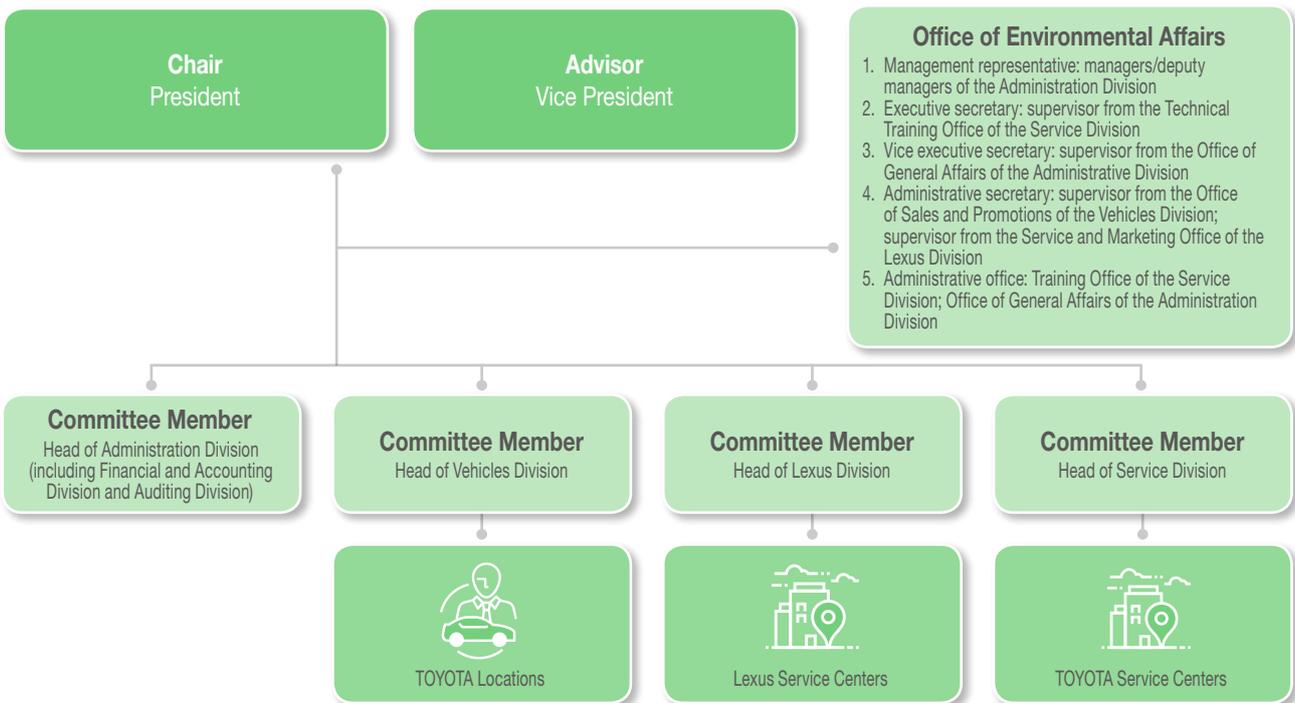


Hotai Motor's Environmental Management Organization Chart





Dealer's Environmental Management Structure (using Kuotu Motor as an example)



5.3.2 Environmental Management System

As part of the efforts to achieve our commitment and goal of environmental sustainability, we implement environmental protection projects and plans through the Environmental Management Committee and Environmental Facilities Office. To effectively manage the potential negative impacts from our sales and maintenance services on the environment, we expand this concept of environmental management to include our partners in the value chain and promote the full implementation of an environmental management system that conforms to the ISO 14001 international standards across

our dealership network. Through internal audits and external third-party reviews, we work to ensure that our environmental management process is functioning adequately and effectively.

We remain committed to supporting the environmental initiatives of our partners to ensure that each topic area is included for the considerations of environmental risks, and we also follow TMC's environmental sustainability requirements and integrate the environmental efforts of the Group in disclosing and communicating with external stakeholders.

5.3.3 Vision and History

TMC's global vision and Environmental Challenge 2050 TOYOTA consist of six goals that seek to implement environmental policy and contribute to the sustainable development of the industry. With net-zero CO2 emissions as the ultimate goal, Hotai Motor is taking steps towards achieving these six challenges by implementing various environmental management practices. Our aspiration to rank top in the environmental performance evaluations prompts our efforts to reinforce the environmental management structure and policy management, build an environmental information system, foster a culture of environmental sustainability, and commit to public disclosures of information. To achieve the 2050 goals (2019 baseline), TMC set a short-term reduction goal of 15% by 2025 (we challenge ourselves to achieve 18%) and medium-term reduction goal of 32% by 2030 (we challenge ourselves to achieve 33%).

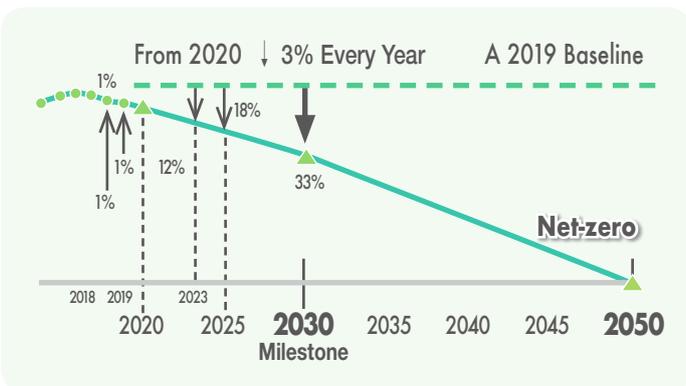


| Net-Zero Carbon Emissions Challenge 2050 | Asia-Pacific Target 2030 (8th Environmental Action Plan: 2026-30) | Asia-Pacific Target 2025 (7th environmental Action Plan: 2021-25) |
|---|---|--|
| 1.Reduce CO2 emissions from the next generation new vehicles by 90% | - | CO ₂ ↓ 30% |
| 2.A circular economy with zero carbon emissions from vehicle life cycle | ↓ 32% | CO ₂ ↓ 15% (↓ 3% annual reduction against a 2019 baseline) |
| 3.Zero emissions from vehicle manufacturing; increase of hydrogen fueling/renewable energy (RE) use | ↓ 61 % | CO ₂ ↓ 35% (31% RE) |

| Net Positive Impact by 2050 | |
|---|---|
| 4.Minimizing and optimizing water usage | The concept of water recycling |
| 5.Recycling-based society | 3R concept ^(Note 1) |
| 6.In harmony with nature | Eco mindset of employees, influence on stakeholders, and reduction of single-use plastics |

Note 1 : 3R stands for rebuilt (battery regeneration), reuse (distribution of regenerative batteries), and recycle (recycling of used batteries).

Carbon Reduction Pathways of Hotai Motor and Dealers

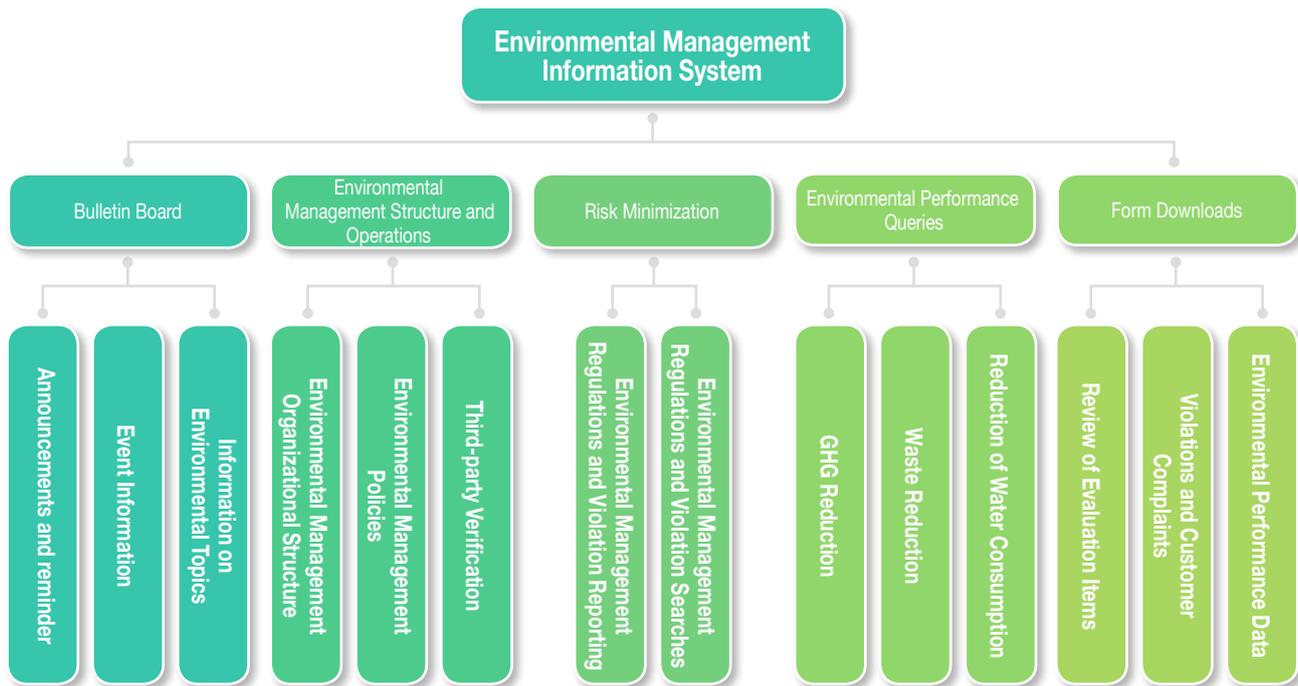


Our 2020 target is to reduce CO2 emissions by 3% and water consumption/general waste by 1% from a 2019 baseline. Over the last few years, we have been consistently making progress in reducing water used and the volume of waste we generate. In 2020, we recorded a 4% and 5% reduction respectively, which met our goal to reduce water used and waste generated by 1% every year. Although we reduced our CO2 emissions in 2019 by 5% compared to 2018, there was a 2% increase in 2020 compared to 2019, which is mainly attributable to increased electricity use in work areas as a result of separating employees into different workstations as part of the pandemic safety measures. In this context, we have been actively implementing reduction measures and investing in renewable energy to achieve our reduction target and contribute to carbon reduction for our environment. In 2020, our reduction measures reduced approximately 30 metric tons/year (1.7%) of carbon emissions and our four renewable energy facilities offset 2,851 metric tons/year (171%) of carbon emissions.



5.3.4 Projects and Initiatives

Through a holistic approach, we verify relevant environmental equipment's and facilities, campaigns, and environmental management talent training against environmental regulations and policies, including product planning, logistics, sales, use and repair, which serves as a foundation for implementing sustainability initiatives and projects. This approach enables us to maintain a record free from major environmental violations and create a net positive impact on the planet.



Our environmental management action plans are as follows: in 2018, we established the foundation for environmental management by building an information system that reviews and tracks environmental performance data and introducing campaigns to promote environmental awareness; from 2019 to 2020, we worked towards creating environmental values by completing the temperature control installation and renewable energy constructions at our service centers and introduce locations that model these practices; from 2021 to 2022, we will continue implementing these model practices at the rest of the locations and expanding our environmental management efforts.

We encourage partners in our value chain to support our environmental and sustainability initiatives. These initiatives are first implemented at dealers' service centers and logistics centers then optimized and improved before progressively being implemented company wide and by our partners and subcontractors. Some of our investment and expenses in environmental sustainability include regularly conducting environmental training, choosing environmental and energy-efficient options when purchasing equipment, introducing environmental management system that is third-party verified annually, and engaging highly rated vendors to provide waste management services. In the last three years, we have invested over NT\$20 million in environmental management.

Performance and Results of Environmental Sustainability Practices

| Topic | Action Plans Implemented | 2020 Performance | New Goals in 2021 |
|---|--|---|--|
| Moving towards the goal of zero emissions | GHG (CO2) reduction activities: 1. Vehicle logistics 2. Parts logistics 3. Reduce packaging and packaging materials | 1. Vehicle logistics: reduced 45.37 metric tons (43%) of carbon emissions 2. Parts logistics: reduced 19.1 metric tons of carbon emissions from vehicles 3. Packaging materials of parts: reduced 185 metric tons in weight | Continue promoting activities under "Toyota's Six Environmental Challenges" |
| Creating a low-carbon society | Promote eco-driving | Hosted 16 sessions | Ongoing |
| | Collect vehicle recycling information | - | - |
| | Implement HV battery recycling system | Recycled 100% of HV batteries | Recycle 100% of HV batteries |
| | Promote tree planting activities and green activities to expand biodiversity | Planted more than 20 tree species and created over 27 acres of green space | Continue to promote tree planting activities |
| Promoting the Toyota Environmental Action Plans | Strengthen partnerships with non-governmental organizations (NGOs) | Partnered with toy libraries to organize toy sharing activities | Continue our partnerships with non-governmental organizations |
| | Environmental management information disclosure (internal and external) | Issued 17 ECO Newsletters to disclose environmental management information | Continue to disclose environmental management information and establish an environmental management information system |
| | Promote internal and external "environmental continuing development and training" | Conducted three employee training and one TOP environmental training | Continue to conduct environmental training |
| Reinforcing the implementation of environmental management system | Improve and ensure zero anomalies and complaints | No concerns were reported | Achieve no concerns reported |
| | Continue to improve environmental management performance | Reduced 30 metric tons of CO2 emissions through reduction measures | Continue to promote low-carbon/carbon reduction activities |
| | Continue to promote the use of solar power | Reduced 2,992 metric tons of Taiwan Power Company's CO2 emissions through a grid-connected system | Continue to promote the use of solar power |
| | Issue ECO Newsletters | Issued ECO Newsletters monthly | Continue to issue ECO Newsletters |
| | Obtain third-party verification (ISO 14001) for all facilities | All TOYOTA, Lexus and HINO locations were third-party verified | Obtain third-party verification for all facilities |
| | Work with our dealers to promote environmental sustainability activities | Organized eight rounds of environmental month activities | Continue to organize environmental month activities |
| | Dealers must pass the eco-dealership evaluation | All TOYOTA and Lexus locations passed the evaluation | All dealers must pass the eco-dealership evaluation |
| | Conduct employee training and regularly share environmental news | Environmental training: 151 employees of Hotai Motor completed the training; 119 completed the TOP training (including dealers) | Continue to conduct employee training and share environmental news |
| | Publicly disclose the effectiveness of our environmental management practices and improve brand image | Regularly post event information on our "Team Eco" Facebook page | Continue to share and promote event information |

5.4 Eco-Friendly Product Design

5.4.1 Compliance and Certification

All of our vehicle models meet the exhaust emissions, vehicle noise, CO₂ emissions, and fuel economy regulations and standards and have been properly certified. As of the end of 2020, we have 39 TOYOTA models with valid energy labels, and 31 TOYOTA models and 8 Lexus models with a valid Green Mark. In 2020, 92% of the Toyota new vehicles sold have the Green Mark and 96% have energy labels.

At Hotai Motor, we follow the fundamental principle of creating vehicles that are beneficial to both the environment and mankind. We comply with

international environmental standards and expect our suppliers and dealers to do the same. Currently, the percentage of vehicle models by energy rating are as follows: 51% has one-star energy rating, 16% has two-star energy rating, 22% has three-star energy rating, and 11% has four-star rating; we dedicate our efforts to meet the Green Vehicle Models Ranking published by the Environmental Protection Administration. In 2020, a total of 14 engine families were selected, including seven engine families sold under the TOYOTA and Lexus brands, which accounted for 50% of the nominations.

100% of Vehicle Models are Compliant and Certified

| Regulations | Competent Authority | Standards | Hotai Motor's Method |
|-------------------|---|--------------|--|
| Exhaust Emissions | Environmental Protection Administration | Class 6 | We mainly use components in the vehicle exhaust system, such as engine control unit (ECU), catalytic converter, activated carbon canister, exhaust gas recirculation system, and various sensors for subsequent purification to provide environmentally friendly products. |
| Vehicle Noise | Environmental Protection Administration | Class 6 | Use high-efficiency muffler and various sound insulation cotton and panels to reduce noise and the impact on the environment. |
| Fuel Economy | Ministry of Economic Affairs | 2020 version | Actively introduce vehicles equipped with advanced technology, such as hybrids, vehicles with high-efficiency drive system, and lightweight bodies, to improve fuel economy and reduce CO ₂ emissions. |
| Vehicle Safety | Ministry of Transportation | 2020 version | Actively coordinate with TMC to introduce vehicles that comply with laws and regulations in Taiwan. |

Models with Energy Rating Label of Grade 2 or Higher

| Brand | Model | Rating |
|--------|--|--------|
| TOYOTA | 86 AT, PRIUS, PRIUS C, PRIUS α, RAV4 2.0, RAV4 2.5 HYBRID, RAV4 2.5 4WD HYBRID, CAMRY 2.5G HYBRID, CAMRY 2.0, ALTIS 1.8, VIOS 1.5, SIENNA 1.5, SIENNA 1.8(5-seater), PRIUS PHV, AURIS, CAMRY2.5, CAMRY 2.5 HV, ALPHARD, Supra, GRANVIA, COROLLA CROSS HV | 1 |
| | RAV4 2.5, LAND CRUISER PRADO, ALPHARD, SIENNA 1.8 (7-seater), SIENNA (SE, Limited, LE), and COROLLA CROSS | 2 |
| Lexus | CT200h、ES200、ES300h、GS300h、GS450h、IS300h、NX300h 4WD、NX300h 2WD、RX450h、RC F、RC300h、LC500h、LS500h、NX200、UX200、UX250h | 1 |
| | GS350、GS F、RC350、NX300 2WD | 2 |

The energy label is valid for two years.

The Green Mark is valid for three years.

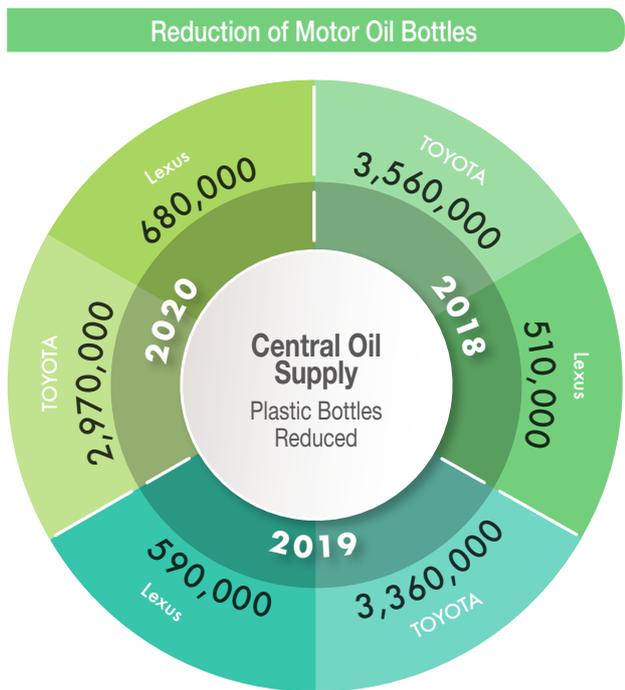
5.4.2 Minimizing Environmental Impact

In parallel with continual improvement of vehicle carbon emissions per unit, we vigorously introduce pollution control equipment and process to minimize the environmental impact of our products during sales, distribution, and repair activities. Currently, we have implemented measures to recycle and reuse the central oil supply system, volatile organic compounds (VOC), recycled parts, and hazardous substances, and these measures will be progressively implemented by our dealers and suppliers.

● **Central Oil Supply**

Since 2003, we have been working with dealers to install central oil supply system at dealerships, which is aimed to reduce waste motor oil bottles as part of our ongoing effort to promote waste reduction measures. As of

2011, we completed the installation of central oil supply system across our dealer network, in which we have invested NT\$140 million. On average, we reduce millions of motor oil bottles a year; an accumulative 36.26 million motor oil bottles have been reduced as of the end of 2020, which amounts to a total of 2.48 million kg in weight. The central oil supply system also significantly reduces the impact of oil evaporation and emissions of environmental pollutants. Furthermore, we hire qualified providers for the treatment of used motor oil from performing oil change.



● **Waterborne Paint**

In 2008, Hotai Motor introduced the use of environmentally friendly waterborne paint as the first paint shop in Taiwan to use eco-friendly waterborne coating. Currently, all service centers use environmentally friendly waterborne paint which reduces 34% of emissions per year. In 2020, we reduced an estimated of 76 metric tons of VOC emissions.

● **Recycled Parts**

An important part of Hotai Motor's vision is to build a circular economy. During vehicle repairs and maintenance, we remove the OEM parts and repair the damaged components or replace them with OEM components, and we encourage the use of recycled parts by offering customers a discounted price. At present, we offer the following recycled parts: transmissions, AC compressors, steering gears, steering pumps, and HV batteries.

Reduction of VOC Emissions from Using Eco-Friendly Waterborne Paint

| 2018 | |
|----------------------------|-------------------------------------|
| Number of Vehicles Painted | VOC Emissions Reduced (Metric Tons) |
| 208,238 | 57 |
| 2019 | |
| Number of Vehicles Painted | VOC Emissions Reduced (Metric Tons) |
| 206,299 | 56 |
| 2020 | |
| Number of Vehicles Painted | VOC Emissions Reduced (Metric Tons) |
| 277,475 | 76 |

Note: VOC refers to volatile organic compound.

| | OEM Parts | Recycled Parts |
|------------------------------------|------------------------|---|
| Definition | Parts certified by TMC | We remove the OEM parts from the vehicle and repair the damaged components or replace them with OEM components |
| Discount | None | Approximately 30 to 70% off from the OEM price |
| Warranty | One year/20,000 km | One year/20,000 km (warranty varies depending on parts) |
| Products | All | <ul style="list-style-type: none"> • Transmissions • AC compressors • Steering gears • Steering pumps • HV batteries |
| Percentage of Recycled Parts Used* | - | <ul style="list-style-type: none"> • Transmissions (54.3%) • AC compressors (79.9%) • Steering gears (47.5%) • Steering pumps (93.7%) • HV batteries (48.1%) |

*Percentage of Recycled Parts Used: the proportion of the recycled parts in total sales of the same parts



● Refrigerant Recovery

Every Hotai Motor location around the island is equipped with R134a refrigerant recovery machines. In 2020, our dealerships recovered a total of 28 metric tons of R134a refrigerant, when calculated using the global warming potential (GWP) rate of 1,300, it is equivalent to the reduction of 36,400 metric tons of CO₂ emissions. Aside from that, the procurement of refrigerant and similar products is handled by dedicated personnel and is logged in an inventory chart for the purpose of inventory control.

● Recycling of Packaging Materials

Cardboard boxes, cardboards and plastic wrappers used in the process of parts packing have been determined to not have created significant impact on the environment. Nevertheless, we are constantly striving to do better. We define which packing materials can be reused and require all dealers to collect and send the packaging materials to the logistics centers for

reuse. The total packaging materials recycled within each of the last three years was 221 metric tons, 220 metric tons, and 185 metric tons, while the carbon emissions reduced was 52.5 metric tons, 52.3 metric tons, and 44.7 metric tons respectively.

● Green Energy

Hotai Motor has installed PV modules with the capacity of 3,400 kW at our Yangmei Logistics Center since 2018. In 2019, we added four solar projects at the Xinzhuang Complex, Taichung and Kaohsiung secondary warehouses, and Chang Yuan Motor's Douliu facilities. In 2020, we contributed to 2,992 metric tons of GHG offsets in total. Not only do we deliver products that align with the global trend to go green, we also publicly support the development of green energy industry.

Hotai Motor Solar Projects

| | Xinzhuang Complex | Yangmei Complex | Taichung Secondary Warehouse | Kaohsiung Secondary Warehouse | Chang Yuan Motor Douliu Facilities |
|---|-------------------|-----------------|------------------------------|-------------------------------|------------------------------------|
| Installation Capacity (kW) | 10 | 3,400 | 500 | 875 | 210 |
| Electricity Generated in 2020 (kWh) | 8,054 | 3,706,600 | 787,712 | 1,098,816 | 276,880 |
| Carbon Offsets in 2020 (tCO ₂ e) | 4.1 | 1,887 | 401 | 559 | 141 |

Note 1: Electricity emission factor used in the calculation is 0.509 kg CO₂e/kWh.

We lead by example and mentor our dealers on how to efficiently utilize natural resources and take a proactive approach in developing renewable energy to achieve zero emissions throughout vehicle life cycle. Our medium-term target is to reduce CO₂ emissions by 30% by 2030, which requires that we reduce 3% carbon emissions each year from 2020. In 2020, our dealers kick-started 16 solar projects around Taiwan, offsetting a total of 1,764 metric tons of GHG emissions as we make progress towards achieving the six goals of the Toyota Environmental Challenge 2050.

Dealers Solar Projects

| Dealers | Kuotu Motor | Taipei Toyota Motor | Tau Miau Motor | Central Motor | Nan Du Motor | Kau Du Automobile | Eastern Motor |
|---|------------------------------------|---------------------|---------------------------------------|-------------------------|-----------------|-----------------------|----------------|
| 2020 Locations | Shilin, Danfeng, Shilin L, Zhonghe | Neihu, Donghu PDS | Main office, Nankan, Hsinchu L, Taoda | Main office, Changhua L | Minxiong | Minzu L, Pingtung PDS | Main office |
| Electricity Generated in 2020 (kWh) | 429,630 | 24,714 | 944,453 | 813,952 | 758,512 | 379,539 | 114,396 |
| Carbon Offsets in 2020 (tCO ₂ e) | 219 metric tons | 13 metric tons | 481 metric tons | 414 metric tons | 386 metric tons | 193 metric tons | 58 metric tons |

Note 1: Electricity emission factor used in the calculation is 0.509 kg CO₂e/kWh.

Note 2: L refers to Lexus service centers and PDS refers to vehicle delivery center.



Hotai Yangmei Complex



Tau Miau Main Office



Nandu Minxiong Facilities

No-Wash Campaign

Hotal Motor has been working with dealerships since October 2018 in launching a promotional campaign that offers free loyalty points for any vehicle servicing without a car wash. Owners who voluntarily do not need car wash services will earn 100 loyalty points as a reward for supporting our environmental campaign. As of 2020, a total of 1,125,000 car owners have participated, which conserved over 160,000 cubic meters of water (on average, a car wash uses 0.15 cubic meters of water per vehicle).



2018

| Vehicles Participated | Water Use Reduced (Cubic Meters) |
|-----------------------|----------------------------------|
| 36,549 | 5,482 |

2019

| Vehicles Participated | Water Use Reduced (Cubic Meters) |
|-----------------------|----------------------------------|
| 388,138 | 58,221 |

2020

| Vehicles Participated | Water Use Reduced (Cubic Meters) |
|-----------------------|----------------------------------|
| 700,285 | 105,043 |

Note: 1 cubic meter = 1,000 liters



06 Employee Care



3% average
Annual merit increase



27.9 hours
Average employee training hours



1,337 people
Participation in health and wellness activities



758 people
Participation in workplace safety promotion activities

6.1 Career Development and Training

6.1.1 Increasing Value and Boosting Morale

At Hotai Motor, we firmly believe that satisfied employees lead to satisfied customers. We are committed to creating a positive work environment and increasing employee identification with the organization to facilitate an enjoyable working experience which, in turn, enhance team engagement and build passionate teams, and ultimately achieves a boosting effect on employee productivity and brand value.

In Q2 2018, we expanded the scope of activities to connect people with common interests as part of the efforts to facilitate employee bonding. As at the end of 2020, we have 15 social clubs, including clubs with the focus of sports, academic and research, and networking. These clubs are aimed to build employees' skills and talents, provide physical and mental relaxation, and increase work productivity. We also set up an internal club information platform where employees can learn about all the club activities and what they've accomplished to attract other employees with the same interests to join in on the journey to improve wellness.



- 1 Cycling Club
- 2 Wine Tasting Club
- 3 Running Club
- 4 Movie Club
- 5 Coffee Club
- 6 Basketball Club
- 7 Softball Club



Each year, we host a variety of employee engagement activities within the corporate group to facilitate interactions between companies across our network and encourage teamwork and mutual support within the company (e.g., Group-wide team building activities, softball and badminton friendlies).



6.1.2 A Multidisciplinary Talent Development Policy

Talent development and training is one of the top priorities for Hotai Motor. To empower employees to fulfill their potentials, we design annual training programs each year that offer courses specific to building the competencies, technical skills, and soft skills for different job grades, which are aimed to help employees grow and thrive with the company through improving workforce capability and quality.

In pursuit of sustainable growth, Hotai Motor established a multidisciplinary talent development policy with the goal to consistently train talent that demonstrates professionalism, innovation, and excellence. There are three key aspects that make up the multidisciplinary talent development policy, including on-the-job training (OJT), off-the-job training (OFF-JT), and self-development.

On-the-job Training

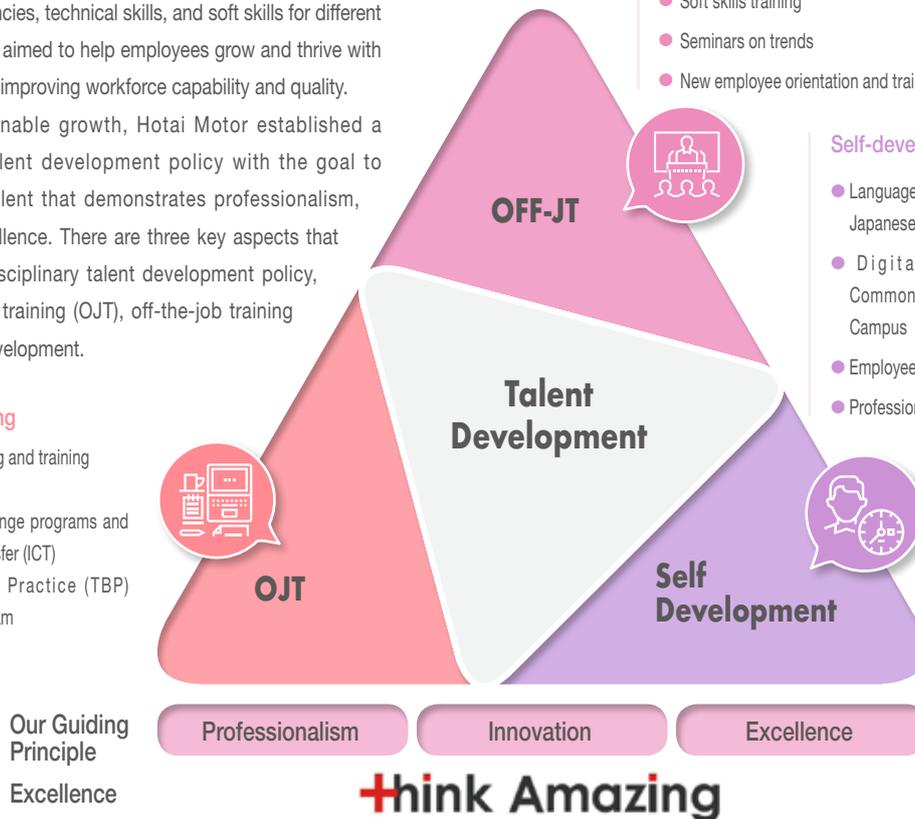
- On-the-job coaching and training
- Job rotation
- Global talent exchange programs and intra-company transfer (ICT)
- Toyota Business Practice (TBP) development program

Off-the-job Training

- TMC's planning capability training (see Note 1)
- Staggered development training
- Technical skills training
- Soft skills training
- Seminars on trends
- New employee orientation and training

Self-development

- Language course funding (English and Japanese)
- Digital learning platform: Commonwealth Magazine's Leader Campus
- Employee focus groups
- Professional capability training



Our Guiding Principle

Excellence

Note 1: TMC's planning capability training includes The Toyota Way, PDCA, A3, TBP, and JKK Kaizen.

To help new employees ease into TOYOTA's culture, we implement systematic training and apprenticeship program that are designed to assist new hires get accustomed to our working environment, corporate culture, and future business direction. Through a comprehensive training program, our intention is to make it easier for new employees to plug in and become familiarized with the organization, thereby enhancing their identification with the company.

New Employee Training

- Introduction of company organization and functions: an orientation on different business lines of the company to help new employees acquire a basic understanding of the overall business operations of the company
- Video/audio instructions/pre-class videos: provide an overview of our new employee training policy and an online pre-class introductory video of The Toyota Way.
- TMC planning capabilities training: The Toyota Way, PDCA, A3, JKK, and TBP courses are designed to build positive corporate culture and logical reasoning; as part of the training, employees are scheduled to get tested and attend a refresher course one month after the training to measure the effectiveness of learning.
- Site visits: arrange visits to the Xinzhuang Complex, Yangmei Logistics Center, Kuozui manufacturing facilities, and new vehicle launch events.

First-Line OJT: An 8-Week Apprenticeship

- One month after reporting to work, new employees will be sent to dealerships as sales representative apprentices for eight weeks to learn about vehicle sales/service market on the job.
- Through the apprenticeship program, employees can gain hands-on experience on how the business operates and the procedures for aftersales service management so that subsequent business planning can be carried out with more precision.

Employee Training

2020 Training Hours

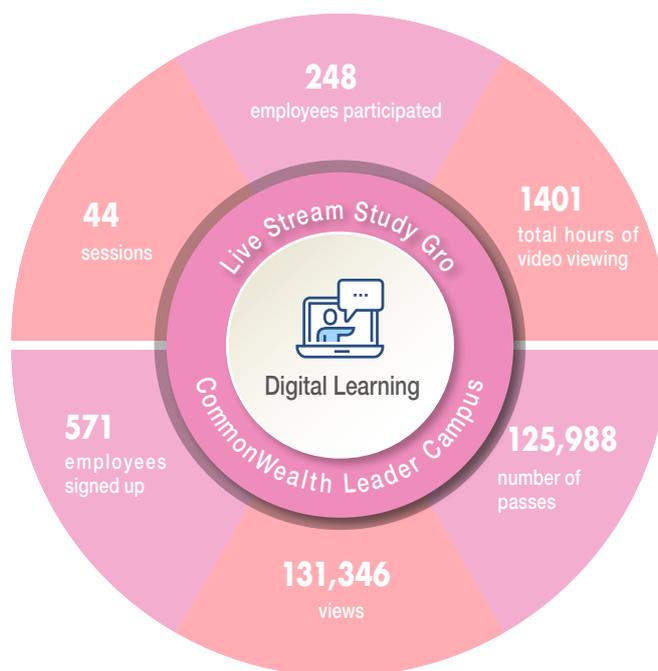
| Male Average | Female Average | | Total Average |
|---|--------------------|----------------------|------------------|
| 24.8 | 32.7 | | 27.9 |
| Management Level | Average Hours-Male | Average Hours-Female | Category Average |
| Executive management | 10.6 | — | 10.6 |
| Mid-level management | 20.6 | 15.7 | 20.0 |
| Junior management | 65.5 | 70.3 | 67.1 |
| Total | 41.9 | 63.2 | 47.0 |
| Nonmanagement Level | Average Hours-Male | Average Hours-Female | Category Average |
| Manager/assistant manager/senior supervisor/supervisor | 39.4 | 53.7 | 45.1 |
| Senior specialist/group leader | 15.2 | 23.7 | 18.6 |
| Specialist/team leader /clerk/trainee/ driver/guard/registered nurse/ dispatched worker | 15.5 | 23.4 | 19.4 |
| Total | 20.0 | 28.9 | 23.7 |

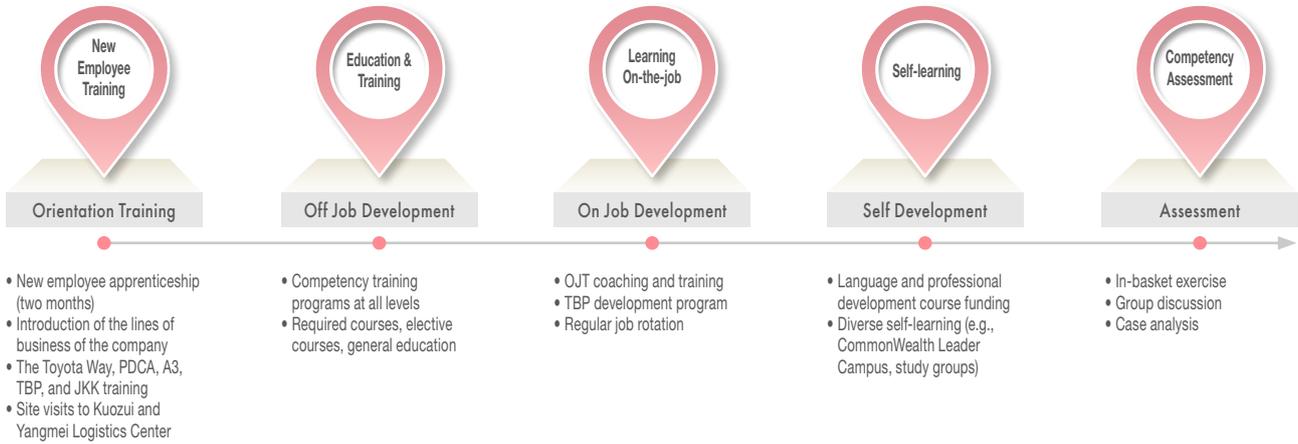
- Training hours include physical and online live streaming classes
- The ratio of men to women in the company is approximately 3:2
- Management positions: executive management—director level and above; mid-level management—manager level; junior management—department leader level
- Nonmanagement positions: 1. Manager/assistant manager, senior supervisor/supervisor; 2. senior specialist (including group leader); 3. specialist (and other job grades below)

In a digital era, mobile learning has become the latest learning trend. As such, we work to provide employees a friendly learning environment by hosting online study groups and launching an e-reading resource, "CommonWealth Leader Campus", so that these learning materials are easily accessible to employees at any time.

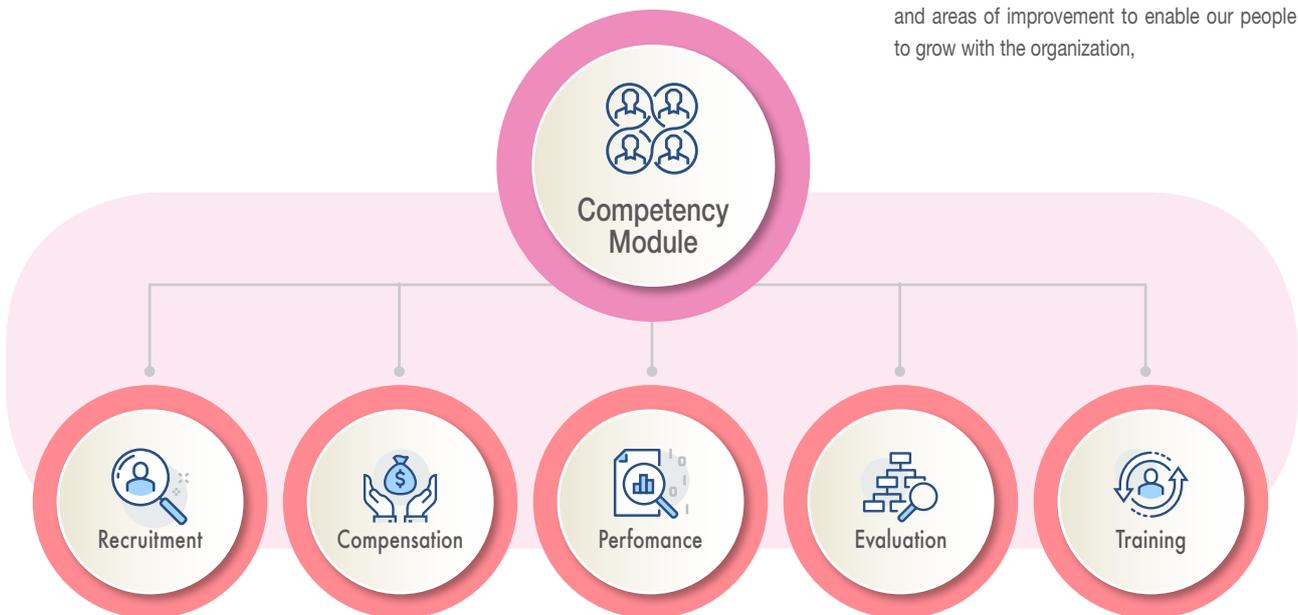
6.1.3 Career Development Programs

The Career Development Center follows Hotai Motor's multidisciplinary talent development policy in defining the competencies required for each function so that employees understand the competencies and skills required for their positions. Through various courses that involve on-the-job training, off-the-job training, and self-development, employees are provided opportunities to improve their competencies. Employees will subsequently return to the Career Development Center where their competency development progress will be evaluated and continue to work on the areas identified for improvement.





The training unit is also responsible for coordinating and planning every year, inviting executives and managers from within the organization and external professional consultants as appraisers and conduct competency assessment annually for top-performing employees. Our Leadership Elite Program is specifically designed for talent development at every level. The Career Development Center's evaluation provides employee and their supervisors with insight into the competency level required for a promotion and areas of improvement to enable our people to grow with the organization,



6.1.4 Performance Review and Competency Assessment

Each employee of Hotai Motor is regularly assessed for their performance and competency every year. The assessment establishes key behaviors and indicators for each job grade, which helps us discover competent talent with potentials through performance and competency assessment and allow employees to reach their full potential. For employees who underperform, the Human Resources Department will work with their direct supervisors to arrange a counseling and coaching program. We also have

an employee personal data system where employees can fill out a career development interest form online, which helps us match employees with their desired positions. We believe that this practice is beneficial for the employees as well as for the company. Our current review system not only considers employee's work performance in the department, but we also have teamwork evaluation which enables us to align employees to their strengths.

Review and Assessment Guidelines

| Category | Timing | Methods | Areas Reviewed |
|-------------|-----------------------|--|---|
| Performance | Rotation/ Year-end | Through the performance development information system, department supervisors should promptly review the tasks completed by the employees (which are logged regularly by the employees) and give a rating based on the cumulative scores of each task completed, and carry out performance feedback interviews accordingly. | <ul style="list-style-type: none"> ● Performance rating is given based on cumulative scores received from performing employees' duties and responsibilities. |
| Competency | Rotation/ Year-end | By using the performance development information system, supervisors of department leader level and above assess employee's abilities against the capabilities required for their grade level and recommend a rating of each capability being assessed. | <ul style="list-style-type: none"> ● The scores are given based on the competencies required for the grade level of the employee being assessed. ● Ranked and rated according to the weighted scores of their peers from the same department in the same grade level. |



6.2 Benefits and Employee Well-being

6.2.1 Talent Recruitment and Retention

In 2020, we had a total of 553 employees and the average male to female ratio is 1.6:1, all of which are full time employees. Over the years, we have been able to maintain the ratio of women employees in the company, reflecting diversity in the workplace. In terms of age distribution, 55.52% of our workforce is in the age group of 30-50, the highest among all age groups. As for position distribution, 20.43% of the employees are at management level.

| Contract Type | | Male | Percentage of Total in the Category (%) | Female | Percentage of Total in the Category (%) | Headquarters | Xinzhuang | Yangmei |
|-----------------------|--|------|---|--------|---|--------------|-----------|---------|
| Contract Type | Regular Employee | 341 | 61.7% | 212 | 38.3% | 385 | 91 | 77 |
| | Contract Employee | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Employment Type | Full Time | 341 | 61.7% | 212 | 38.3% | 385 | 91 | 77 |
| Employee Distribution | | Male | Percentage of Total in the Category (%) | Female | Percentage of Total in the Category (%) | Under 30 | 30-50 | Over 50 |
| Management Level | Executive management (director level and above) | 17 | 100% | 0 | 0% | 0 | 3 | 14 |
| | Mid-level management (manager level) | 22 | 88.0% | 3 | 12.0% | 0 | 12 | 13 |
| | Junior management (department leader level; deputy general manager) | 51 | 71.8% | 20 | 28.2% | 0 | 54 | 17 |
| Nonmanagement Level | Manager and assistant manager (including senior supervisor and supervisor) | 55 | 61.1% | 35 | 38.9% | 1 | 63 | 26 |
| | Senior specialist (including group leader) | 147 | 58.8% | 103 | 41.2% | 43 | 140 | 67 |
| | Specialist (and below) | 49 | 49.0% | 51 | 51.0% | 13 | 37 | 50 |
| Total | | 341 | 61.7% | 212 | 38.3% | 57 | 309 | 187 |

In 2020, we hired a total of 30 new employees which accounted for 5.4% of our entire workforce. At Hotai Motor, we are committed to creating an inclusive work environment and building on employees' strengths to help them reach their full potential. Through a variety of channels, we continuously attract and recruit talent in relevant fields to join and grow with the organization.

New Employee Statistics

| | | 2018 | | 2019 | | 2020 | |
|-------------|--------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | Number of New Employees | Percentage of Total (%) | Number of New Employees | Percentage of Total (%) | Number of New Employees | Percentage of Total (%) |
| By Gender | Male | 21 | 3.9 | 12 | 2.2 | 14 | 2.5% |
| | Female | 8 | 1.5 | 11 | 2.0 | 16 | 2.9% |
| By Location | Headquarters | 21 | 3.9 | 20 | 3.6 | 26 | 4.7% |
| | Xinzhuang | 6 | 1.1 | 2 | 0.4 | 4 | 0.7% |
| | Yangmei | 2 | 0.4 | 1 | 0.2 | 0 | 0 |
| By Age | Under 30 | 25 | 4.6 | 14 | 2.5 | 18 | 3.3% |
| | 30-50 | 2 | 0.4 | 8 | 1.5 | 12 | 2.2% |
| | Over 50 | 2 | 0.4 | 1 | 0.2 | 0 | 0% |

Statistics of Executives from Local Hires



| | | 2018 | | 2019 | | 2020 | |
|-------------|--------------|-----------------|-------------------------|-----------------|-------------------------|-----------------|-------------------------|
| | | Number of Hires | Percentage of Total (%) | Number of Hires | Percentage of Total (%) | Number of Hires | Percentage of Total (%) |
| By Gender | Male | 36 | 90.0 | 36 | 90.0 | 36 | 85.7 |
| | Female | 2 | 5.0 | 5 | 5.0 | 3 | 7.1 |
| By Location | Headquarters | 33 | 94.3 | 33 | 94.3 | 31 | 91.2 |
| | Xinzhuang | 4 | 100 | 4 | 100 | 7 | 100 |
| | Yangmei | 1 | 100 | 1 | 100 | 1 | 100 |

Note: Mid-level and executive management refers to manager level positions and above.

Our average attrition rate in the last three years is 2.6%. Employee attrition has been decreasing every year primarily due to our efforts in prioritizing employee development, stellar financial performance, as well as regular merit increase (an average of 3% raise), which are all factors that increase retention rate. As part of the measures to revitalize the organization and develop multidisciplinary talent, the company implements a rotation program that allows employees who have been working in their current department for over three years and have received outstanding performance

reviews to apply to become a candidate for the program. Aside from that, we also evaluate the necessity of personnel rotation when a new business demand pops up or when essential positions become vacant. In seasons where there are rotation needs or major operational changes, we will notify the candidates and their supervisors two weeks prior to sending out the memo of transfer so that employees are given reasonable time to prepare for the transition.

Attrition Data



| | | 2018 | | 2019 | | 2020 | |
|-------------|-------------|------------------------|---|------------------------|---|------------------------|---|
| | | Number of Resignations | Percentage of Total Nonmanagement Employees (%) | Number of Resignations | Percentage of Total Nonmanagement Employees (%) | Number of Resignations | Percentage of Total Nonmanagement Employees (%) |
| By Gender | Male | 12 | 2.2 | 17 | 3.1 | 16 | 2.9 |
| | Female | 11 | 2.0 | 4 | 0.7 | 6 | 1.1 |
| By Location | Headquarter | 18 | 3.3 | 15 | 2.7 | 16 | 2.9 |
| | Xinzhuang | 4 | 0.7 | 4 | 0.7 | 3 | 0.5 |
| | Yangmei | 1 | 0.2 | 2 | 0.4 | 3 | 0.5 |
| By Age | Under 30 | 9 | 1.7 | 4 | 0.7 | 6 | 1.1 |
| | 30-50 | 10 | 1.8 | 11 | 2.0 | 4 | 0.7 |
| | Over 50 | 4 | 0.7 | 6 | 1.1 | 12 | 2.2 |

Note: The above statistics include old-age retirees.

6.2.2 Upholding Human Rights

To ensure that employees' voices are heard, we have multiple communication platforms that are aimed to build the foundational values of mutual trust and shared responsibility between employees and the organization by facilitating conversations through these channels, including labor-management meetings, employee suggestion box, and Hotai newsletters. Most importantly, we anchor respect and harmony as the guiding principles for our relationship with employees and provide platforms where voices and concerns can be heard and addressed through quarterly labor-management meetings and various feedback channels. This comprehensive system and humane management have enabled us to operate our business without major labor-management conflicts,

complaints, and disputes since the company was founded. Further, as a result of the implementation of the Employee Code of Conduct and anti-harassment policy, there have not been any incidents involving harassment or discrimination within the last five years.

In supporting gender equality in the workplace, we have established Hotai Motor's Anti-Harassment Employee Complaint Center run by the general manager of the Administration Division. Employees can file a complaint with the general manager by calling his extension number or via email. We also set up a designated webpage on our intranet that provides details on the company's anti-harassment measures, incident reporting and disciplinary guidelines, and committee related information with the goal to educate employees on the topic and promote the concept of gender equality.

Every two years, we conduct employee satisfaction surveys to better understand our employees' preferences and needs. The surveys are conducted both online and in paper format, and the respondents are all the full-time employees of the company. In our most recent employee satisfaction survey in 2019, the response rate was 75.3% and the overall satisfaction score was 3.88 (on a 5-point scale). To a large extent, the points we received were below the score in 2017. As a result, we have prioritized the three areas with the lowest scores (performance review, promotion, training and development) for a follow-up process. The next employee satisfaction survey will be conducted in 2021.



By holding regular conversations through various communication channels, we have built the foundational values of mutual trust and shared responsibility between employees and the organization. Most importantly, we anchor respect and harmony as the guiding principles for our relationship with employees.



6.2.3 Remuneration and Benefits Policy

At Hotai Motor, employees are paid according to the Employee Remuneration and Benefits Policy. The remuneration of executives that are director level and above is reviewed and recommended by the Remuneration Committee and approved by the Board. Our pay standards also take into consideration external salary survey reports as we work towards becoming the most attractive employer to work for in the industry. As for our promotion policy, each grade level has a median salary and maximum/minimum values based on market value and the company's remuneration policy to ensure that the pay structure is both reasonable and fair, which also acts as an incentive for employees to improve their performance. Other than department leader positions and above, the average remuneration of male employees is higher than most female

employees, mainly because male employees on average have higher seniority. We are committed to fair and equitable pay practices and do not factor gender into compensation decisions for the same position; our pay standards are based solely on education, experience, and seniority.

Employees in nonmanagement positions are paid equitably regardless of their genders at 1.43 times the local minimum wage. In 2009, we paid a lump sum to employees who were under the old pension system and closed out the pension accounts pursuant to the Labor Standards Act. In the same year, we began allocating 6% of employee's salary and deposited it into their individual pension account; the participation rate was 100%.

In 2020, the average number of full-time employees at nonmanagement level was 529 and their average salary was NT\$2,336,000.

| Year | 2019 | 2020 | Percentage Change (%) |
|--|-------|-------|-----------------------|
| Number of full-time employees at nonmanagement positions | 519 | 529 | ↑ 2% |
| Average salary (NT\$ thousand) | 2,110 | 2,336 | ↑ 11% |
| Median salary (NT\$ thousand) | 1,743 | 1,871 | ↑ 7% |

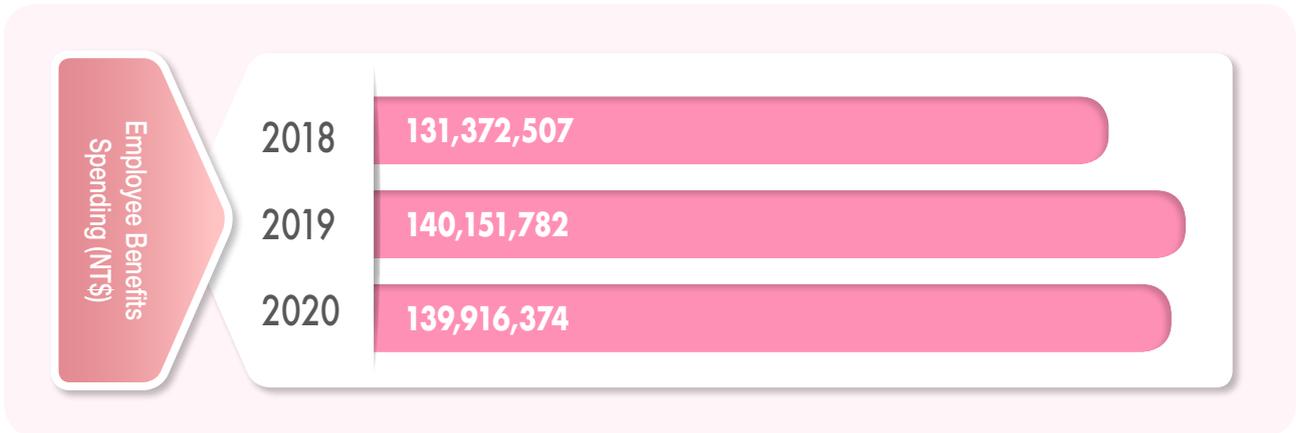
Note: (1) The difference between average salary in 2019 and 2020 is mainly due to the increase in the company's operating profits
(2) Nonmanagement positions do not include general managers

Gender Pay Ratio

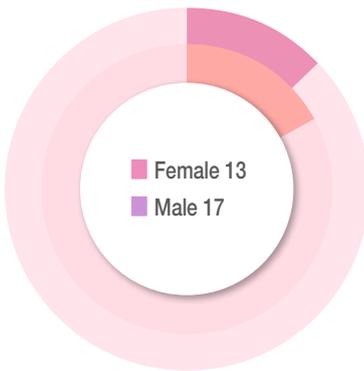
| Position/Pay Ratio | | Male to Female Ratio of Fixed Pay | | Male to Female Ratio of Variable Pay | |
|---------------------|--|-----------------------------------|------|--------------------------------------|------|
| | | 2019 | 2020 | 2019 | 2020 |
| Management Level | Executive management (director) | - | - | - | - |
| | Mid-level management (general manager) | 1.0 | 1.07 | 0.98 | 1.13 |
| | Junior management (department leader) | 1.02 | 1.04 | 0.97 | 1.00 |
| Nonmanagement Level | Manager and assistant manager (including senior supervisor and supervisor) | 1.17 | 1.12 | 1.09 | 1.11 |
| | Senior specialist (including group leader) | 1.03 | 1.06 | 1.02 | 1.11 |
| | Specialist (and below) | 1.00 | 0.97 | 1.03 | 0.95 |

Note: Fixed pay refers to monthly salary; remuneration refers to fixed plus variable pay (bonus).

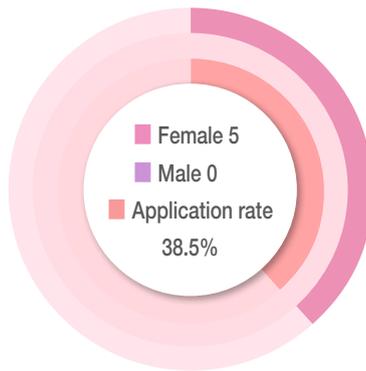
Hotai Motor offers a comprehensive benefits package to employees, including wedding and childbirth cash awards, bereavement and emergency/hardship consolation payments, scholarships and financial aids, holiday gifts, emergency loans, consolation payments and financial support for hospitalized employees, retirement gifts. In addition, we also have an Employee Assistance Program in place to help employees who are in need. Every year, we offer paid annual physical exams and host a wide variety of activities to promote employee health and wellness. We also fund employees' language courses as part of the preparation to grow our business overseas.



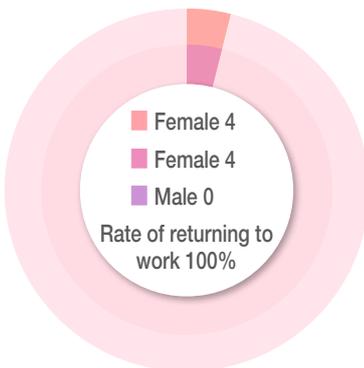
We strive to create a safe and non-discriminatory work environment for our employees. In 2020, the rate of employees returning to work from unpaid parental leave as well as the retention rate were 100%, which shows that employees are willing to rejoin the workforce as we work towards the company's mission and vision. In order to make returning to work easier for birth mothers, we also partner with daycares nearby to offer registration, school supply discounts and/or flexible drop-off/pickup times to help employees alleviate some of the stress of childcare.



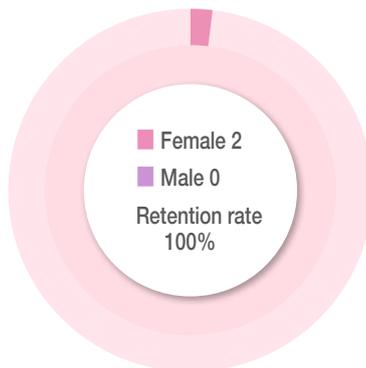
Number of employees eligible for parental leave in the current year



Number of employees applying for parental leave in the current year



- Number of employees expected to return from unpaid parental leave in the current year
- Number of employees returning from unpaid parental leave in the current year



Number of employees who remain on the job for another year after returning from unpaid parental leave in the previous year



Formula for calculating the application rate of unpaid the parental leave (%):
 Number of employees applying for unpaid parental leave in the current year/
 Number of employees eligible for unpaid parental leave in the current year
 Formula for calculating the rate of returning to work from unpaid parental leave (%):
 Number of people returning from unpaid parental stay in the current year/
 Number of people who are expected to return from unpaid parental leave in the current year
 Formula for calculating retention rate of employees returning from unpaid parental leave (%):
 Number of employees who remain on the job for 12 months after returning from unpaid parental leave/
 number of employees returning to work after being on unpaid parental leave in the previous year

6.3 Occupational Health and Safety Management

In implementing occupational health and safety management, we have identified various hazards in our work environment, analyzed potential risks and opportunities, and come up with response strategies. We've also formulated short, medium, and long-term occupational health and safety development plans, which adopt enhanced control measures for high-risk exposures while continually using the PDCA cycle in our management approach to mitigate risks.

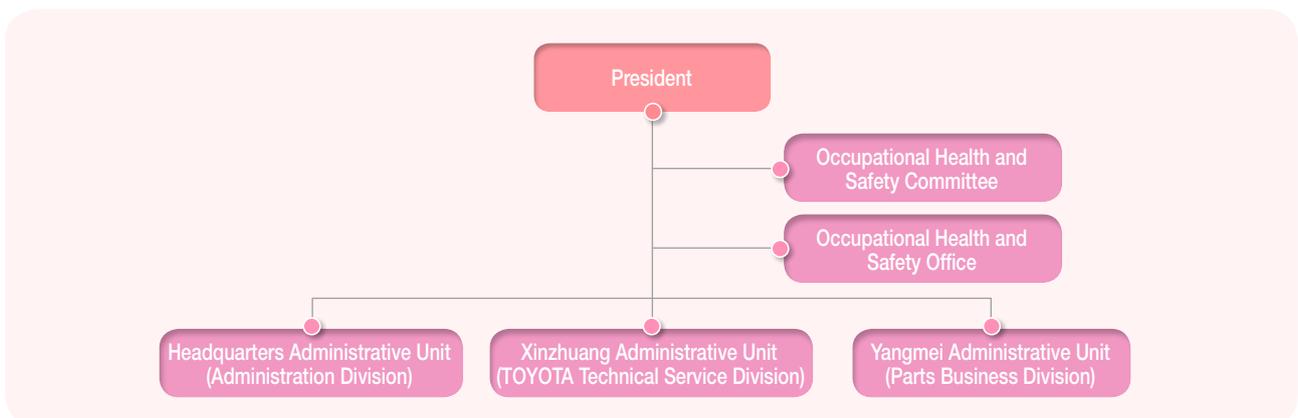
6.3.1 Promoting Safety Management

Our occupational health and safety policy is developed with the main objectives to create a safe, healthy and comfortable working environment

and provide employee care with a personal touch, which in turn improves the effectiveness of occupational health and safety management. Since 2019, we have obtained the ISO 45001 certification for the occupational health and safety management systems in five of our facilities, including our headquarters, Xinzhuang Complex, Yangmei Logistics Center, Taichung secondary warehouse and Kaohsiung Renwu secondary warehouse. The management system covers all the employees working at these five facilities, including contractors and subcontractors. We use a systemic management approach to promote the management practices of occupational health and safety while improving health and safety performance in the workplace to achieve our vision of sustainable operations and premium service.



Hotai Motor's Occupational Health and Safety Committee is led by the president as the chair, and the heads of each facility and their employee representatives are members of the committee. The Committee consists of 11 members, three of which represent the employer (president, vice president, and director) while eight represent the employees. The committee meets once a quarter, and every individual who is part of the organization (including employees, contractors, and subcontractors) can share their concerns through the occupational health and safety suggestion box or their employee representatives; these concerns raised will be discussed in the committee meeting. Members of the committee also make recommendations on the proposed workplace health and safety policies, review, coordinate, advise on health and safety related topics in the meeting, as well as devise, oversee, and promote health and safety management practices. The Occupational Health and Safety Office has a dedicated email address and a hotline that are designed for employees to report potential workplace health and safety issues at any time. From there, the Occupational Health and Safety Office will address and respond to the concerns and/or suggestions.



6.3.2 Shaping a Safe Workplace

At Hotai Motor, the health and wellbeing of our employees and workers have always been our top priority. Through comprehensive physical exams, we discovered that, in recent years, metabolic syndrome is a primary health concern for our employees and workers. As part of our ongoing efforts to address this concern, we've designed health and wellness promotion activities and talks on relevant topics, launched the Wellness Station which allows employees to upload data to their phone apps by tapping the employee IDs after getting their blood pressure taken and weighing themselves at the station, helping employees monitor their health. The Wellness Station also provides expert consultation on workplace health and wellness, offering personalized healthcare services.

In addition to wellness activities, we conduct environmental monitoring in our facilities each year to ensure that health and safety standards are being met. In 2020, we hosted four wellness and safety talks to raise health

and safety awareness of our employees and workers. At the beginning of 2020, the COVID-19 pandemic hit the globe. Hotai Motor responded swiftly by working with the Information System Division to develop a pandemic reporting system, collecting employees' exposure history and traces in order to monitor the health of our employees and workers and implement stringent quarantine measures. The Occupational Health and Safety Office sends out wellness newsletters and messages periodically to remind employees and workers to maintain a healthy, balanced lifestyle. Apart from that, the office also hosts immune-boosting nutrition and wellness talks to help employees and workers to stay healthy. Once a year, we offer paid physical exams for our employees so that they can be more aware of their health status. The various packages we offer include tests that exceed regulatory requirements, and family members of the employees, employees of the Group companies and their family members can also participate by paying out-of-pocket.

Hotai Motor's Wellness Activities in 2020

| Activity | Description | Sessions | Number of Employees Participated |
|---|---|----------|----------------------------------|
| Onsite Health Clinic | Once a month, we invite the Chief of Family Medicine from Taiwan Adventist Hospital to our onsite health clinic to provide health consultation to employees. The clinic offers one-on-one consultation and is completely confidential. | 14 | 230 |
| Wellness Station | We have several blood pressure monitors (with a fixed arm cuff) and scales set up at each of our facilities which allow employees to easily upload health data to their phone apps by tapping their employee IDs. With these useful devices, we encourage employees to form a habit of monitoring their own health on a regular basis. As a way to provide incentives for employees, those who visit the Wellness Stations for a certain number of times are entered into a sweepstake. | 12 | 322 |
| Health and Wellness Seminar | Based on employees' physical exam outcomes and epidemic trends, we organize health and wellness Seminar on relevant topics and invite family members, contractors, affiliates, and dealers to join the events. | 4 | 147 |
| Water Quality Testing | Microbiological testing of water | 12 | 24 |
| Four Key Programs—Consultation Clinic | For employees that are considered high-risk under the four key programs or those with pre-existing health conditions, we offer one-on-one consultation with a physician and ongoing follow-up. | 3 | 18 |
| Occupational Health and Safety Committee Training | We offer health talks on sleep and wellness for members of the Occupational Health and Safety Committee to remind them that taking care of their own health is just as important as looking after our people's health. | 1 | 14 |
| CPR/AED | To ensure that employees can work in a safe environment, we've arranged a 90-minute CPR/AED lecture and hands-on training for all employees. | 12 | 554 |
| Emergency First Response Team Refresher Training | We design this refresher course to help emergency first response team receive regular and updated emergency first response knowledge and refresh their skills. | 1 | 10 |
| Group Emergency First Response Team Beginner Training | We invite first responders from hospitals to provide emergency response training tailored to the nature of our business so that in the event of medical or trauma emergencies, our emergency first response team can promptly provide first aid care. | 1 | 18 |
| Annual participation | | | 1,337 |

Hotai Motor's Workplace Safety Promotion Activities

| Activity | Description | Sessions | Number of Employees Participated |
|---|---|----------|----------------------------------|
| Workplace Safety Inspection | We hire occupational health physicians and doctors specialized in occupational medicine to visit the facilities where work is performed and inspect the work environment. | 14 | 56 |
| Indoor Air Quality Monitoring | Once every six months, the safety officers and registered nurses from the Occupational Health and Safety Office meet with employees from the dedicated unit charged with occupational health and safety matters to audit the CO2 levels in the workplace. | 6 | 24 |
| Workplace Environmental Monitoring | Conduct voluntary monitoring and testing of the work environment in our facilities once every six months, including VOC, dust particles, noise and lighting, and PM2.5. | 2 | 9 |
| ISO 45001 Training | Design regulatory and system related training programs for employees who are in charge of implementing ISO 45001 from each business unit (e.g., internal audit training, identification of legal requirements, hazard identification, risk assessment) | 6 | 97 |
| Three Hours of Training Every Three Years | In addition to meeting regulatory requirements, we also offer other appropriate trainings for workers at each facility that are specific to their work environment. | 13 | 572 |
| Annual participation | | | 758 |

6.3.3 Risk Management and Prevention

At Hotai Motor, we are committed to safety in everything we do and aspire to achieve our goal of zero workplace incidents by creating a safe working environment. By developing and implementing relevant safety prevention measures and through effective management, we haven't had any fatal incidents in recent years.

Establish Safety Standards



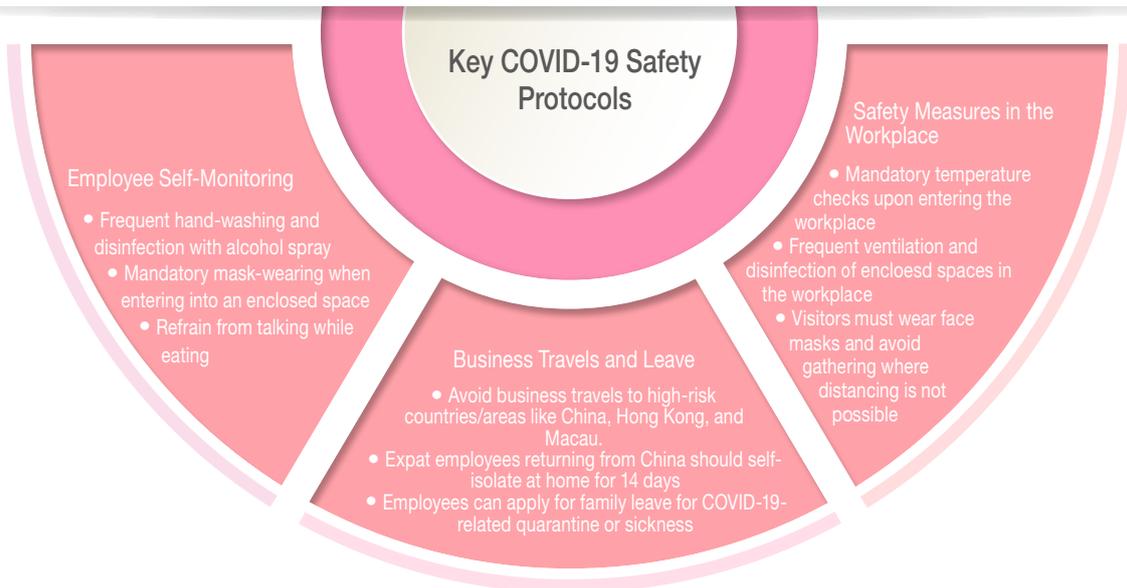
Conduct risk assessment, establish standards for the use of personal protective equipment in different areas in the warehouse, and standards for the use of various equipment and tools in the warehouse.

Implement Safety Measures

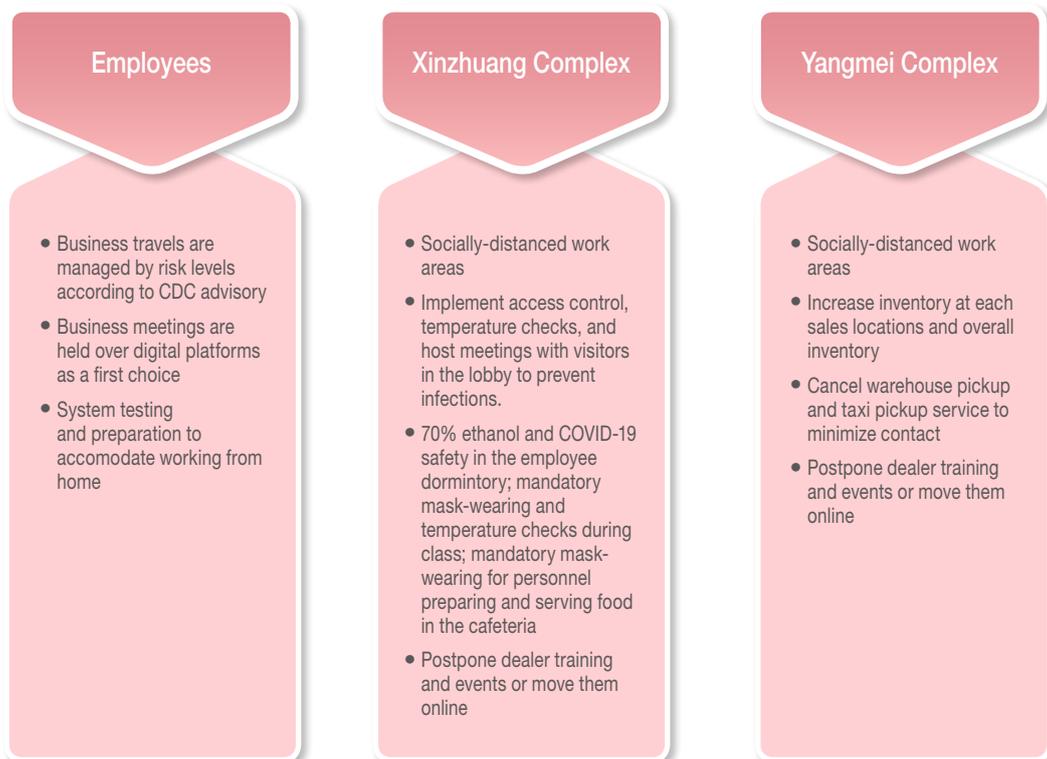


- Conduct safety inspection at all levels, provide safety training, and install safety displays.
- Establish traffic direction and mark stop lines on the floor to reduce clashing from opposite directions when operating forklifts.
- Ensure the operation of equipment and machinery is in an isolated area to ensure the safety of workers operating the equipment and machinery.
- Mark the direction of travel and stop lines on the floor to ensure workers' safety in the warehouse when on foot.
- Improve storage racking to reduce risks of falling from height.

Since the beginning of 2020, we have implemented pandemic safety measures in response to the COVID-19 outbreak. These measures include staggered work shifts, self-monitoring, and relevant pandemic management measures, as well as detailed regulations specific to different work areas to prevent the outbreak from affecting our operations and to continuously monitor employees' health.



COVID-19 Safety Measures by Facilities



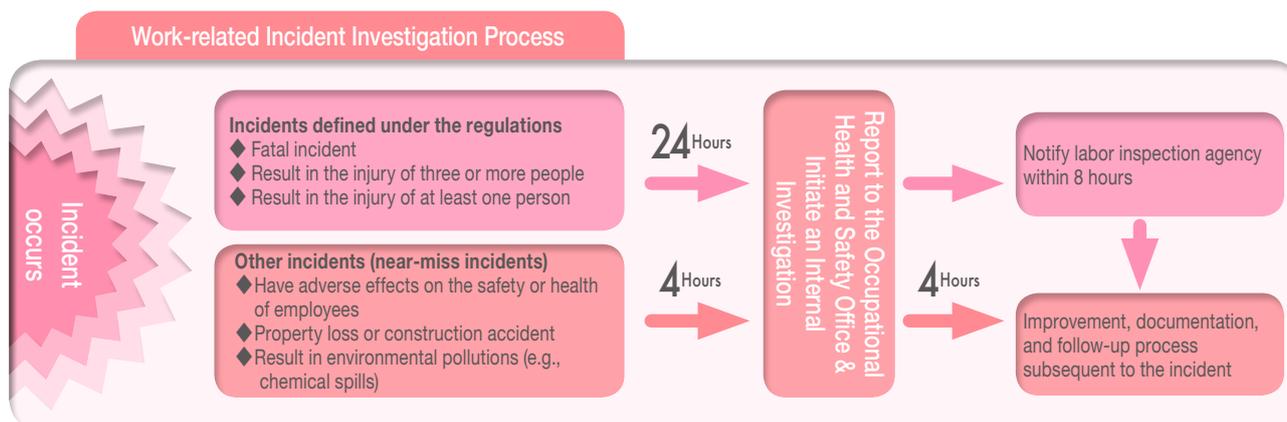
6.3.4 Preventing Work-Related Incidents

To ensure employees' health and safety in the workplace, an occupational health and safety task team is formed by employees representing each department to regularly examine (and whenever regulatory changes occur) whether the occupational health and safety regulations apply to the operations of each department, the operating procedures of the facilities and equipment, and identification of environmental hazards and risk assessment. The risks are rated and managed on a five-point scale; if the risk score is above three, immediate measures will be implemented to improve the risk area and subsequent progress will be tracked.

We believe that everyone has the responsibility to ensure health and safety in the workplace. Therefore, when a worker discovers known or potential hazards, they can report safety concerns to the Occupational Health and Safety Office through the occupational health and safety hotline,

email, or an employee representative, which can be done anonymously. The Occupational Health and Safety Office will review the reports and discuss with relevant departments to determine corrective actions and improvements needed.

We also hire occupational health physicians to inspect the work environment in our facilities and conduct on-site assessment to verify that there are no health and safety hazards in our work environment. We proactively promote workplace safety awareness and educate employees on how to prevent accidents and incidents from happening at work. Once an incident occurs, the operations will be suspended immediately and the supervisor of the unit within which the incident occurred must fill out the incident report form within the prescribed period and file an investigation report based on the results of investigation so that future incidents can be prevented.



Employee Work-related Incident Statistics

| Item | By Gender | 2018 | 2019 | 2020 |
|--|---------------|------|------|------|
| Recordable work-related incidents | Male/Female | 0/0 | 0/0 | 0/0 |
| Recordable work-related incidents in percentage | Male/Female | 0/0 | 0/0 | 0/0 |
| Incidence rate of work-related injuries | All employees | 0 | 0 | 0 |
| Incidence rate of work-related illnesses | All employees | 0 | 0 | 0 |
| Fatality | All employees | 0 | 0 | 0 |
| Incidence rate of contractor's work-related injuries | All employees | 0 | 0 | 0 |

- Absence Rate (AR) = Total Number of Days Absent (Work-related Injury/Illness Leave, Sick Leave, Menstrual Leave) / Number of Employees x Number of Working Days per Year x 100%
- Incidence Rate (IR) = Number of Injuries and Illnesses (Number of Incident) x 200,000 / Total Days Away from Work
- Lost Day Rate (LDR) = Total Number of Lost Days x 200,000 / Total Days Away from Work

Our Work-Related Incident Investigation and Processing Protocol provides a guideline on how work-related incidents and near-miss incidents should be managed. When an incident occurs, we follow the Protocol in subsequently processing and tracking the incident. Every year, we conduct trainings for supervisors charged with occupational health and safety responsibilities and the emergency response team on how to prevent work-related incidents, and how to properly handle the incidents when they do happen. After reviewing and examining the current work environment of the company, we have not identified any operations that are at high risk of work-related injury or illness.

In addition, we implement driver management which includes medical exams and assessment, accident insurance coverage, and promoting freight transportation safety. Before every trip, drivers are required to receive alcohol testing and assess their own fitness to drive so that we can ensure zero crashes and zero injuries in our day-to-day operations.



07

Community Service



600 teams

Nearly 600 teams of young adults have entered the Hotai Public Welfare Dreamer contest as of 2020



11 bloodmobiles

A cumulative of 11 bloodmobiles have been donated as of 2020



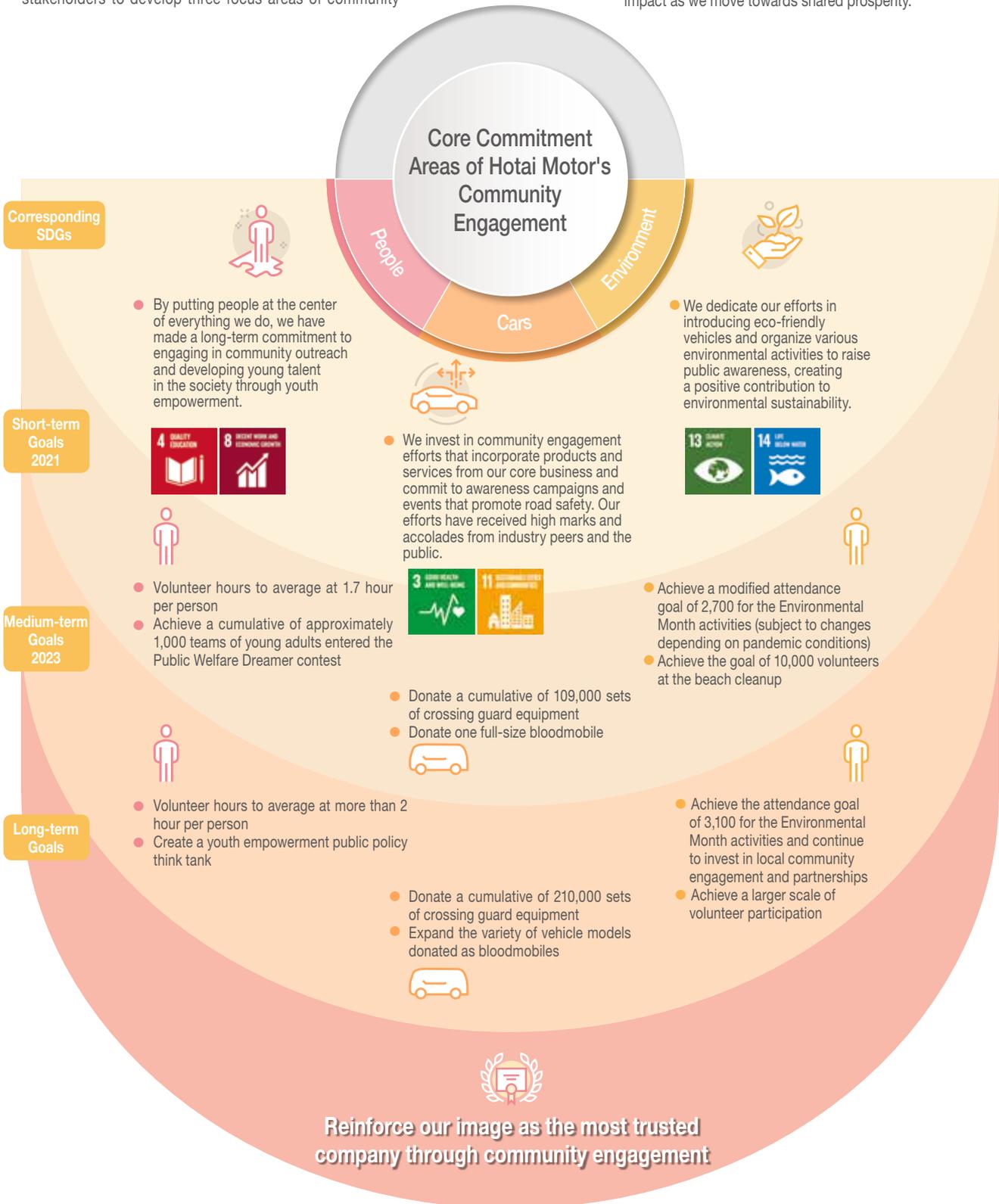
420,000 trees

Over 420,000 trees have been planted along the coastline as of the end of 2020

At Hotai Motor, we have made a long-term investment in the communities as we understand the importance and value of giving back. We combined resources from within and outside the Group and worked with stakeholders to develop three focus areas of community

engagement and volunteer programs involving people, cars, and the environment, and actively host events that benefit the welfare of the public.

Our aspiration is to drive continual human progress by creating positive impact as we move towards shared prosperity.



Hotai Motor encourages employees to give back through volunteering outside of work. We offer one day of paid volunteering leave a year since 2017 and implemented the policy across the Group starting in 2019 (including a total of 19 affiliated companies). Each year, we host several volunteering events and encourage employees to roll up their sleeves and help improve our local communities. In 2020, we delivered a total of 24,701 volunteering hours group-wide.

In promoting community engagement events and activities, we've started a Facebook fan page, "Love Start by Hotai Group", and created an account on Instagram to share our community engagement efforts since 2017. Through likes, comments, and shares by our followers, we are sending positive vibes to the communities around us. As of the end of 2020, we have over 650,000 superfans that are following our accounts.



Love Start
Hotai Group's corporate
philanthropy platform

7.1 Core Commitment Area **People**



600 teams

Nearly 600 teams of young adults have entered the Hotai Public Welfare Dreamer contest as of 2020



NT\$530,000

The TOYOTA Dream Car Art Contest received a total of over 533,000 submissions as of 2020



NT\$51.83 million

The cumulative value of high-tech teaching devices and materials donated has exceeded NT\$51.83 million



NT\$40 million

Our sales locations around Taiwan purchased over NT\$40 million baked goods from the Children Are Us Foundation bakery as of 2020

Hotai Motor understands the importance and value of giving back and has long been committed to serving and advocating for marginalized groups. Every TOYOTA sales location purchases baked goods from the Children Are Us Foundation. And since 1991, we have been donating vehicle teaching materials and parts to help vocational students develop their skills. Over the last few years, we improved our efforts in the areas of social contribution and talent development by hosting public interest project proposal contest for young adults and offering training courses for corporations to inspire creativity and independent thinking in young adults and students, thereby discovering and developing young talent for the benefit of society.

7.1.1 Public Welfare Dreamer

Public Welfare Dreamer

In 2020, we sponsored the second annual Hotai Public Welfare Dreamer—CSR x USR public interest project proposal contest, an event that invites young adults to join us in making positive contributions to the society. The theme for the contest consists of four aspects—social care, environmental protection, sustainable resources, and community revitalization, coupled with some of the community engagement programs Hotai has been investing in over the years to encourage students to engage in social issues through their actions and bring positive changes to the society. This year, we work together with non-profit organization, City Wanderer, and invited the Youth Development Administration under the Ministry of Education to be our advisor, combining resources from the industry, government,



and academia to inspire high school, vocational high school, and college students around Taiwan to share their public interest solutions and take bold actions. Our judges include several renown outside experts that specialize in the area of CSR, Deputy Director General of the Youth Development Administration, Wang Yu-Chun, Director of Commonwealth Magazine,

Xiong Yi-Xi, CEO of Social Enterprise Insights, Lin Yi-Han, founder of City Wanderer, Zhang Xi-Ci, and member of Hotai's CSR Committee, Huang Wen-Jui. A total of nearly 300 teams entered the contest, and ten teams were selected to proceed to the final round. This year, we received several impressive and innovative proposals, including topics such as immigrant care, career exploration for students, beach/mountain cleanup social platforms, the design of two-in-one cigarette case, and the development and revitalization of old communities in the north coast of Taiwan. We also offered a NT\$150,000 grant to each of the team as public interest funds and added a professional consultation program during the implementation stage where experts from the industries/NGO can provide insights and help young adults realize their dreams, thereby enhancing the collaboration of CSR x USR and creating a positive impact.



Industry Experts/NGO Mentoring

To amplify the impact of the public interest projects implemented by these students, we offer design thinking workshops and presentation skills training workshops as part of the competition, and we match these ten teams with industry/NGO experts to provide mentoring and coaching during the implementation stage on top of the grants offered. Under the guidance of these industry/NGO experts (including One-Forty, RE-THINK, Against Wind Theater, Skidschool, Formosa County Beauty, and FlyingCrazyer), the projects are swiftly executed to expand the reach of our influence on the society.

7.1.2 Caring for Children with Intellectual Disabilities

In 2015, we partnered with Children Are US Foundation to launch the sheltered workshop program. By purchasing baked goods from Children Are US Foundation under a long-term contract through all of TOYOTA's sales locations nationwide, our goal is to support these children and provide

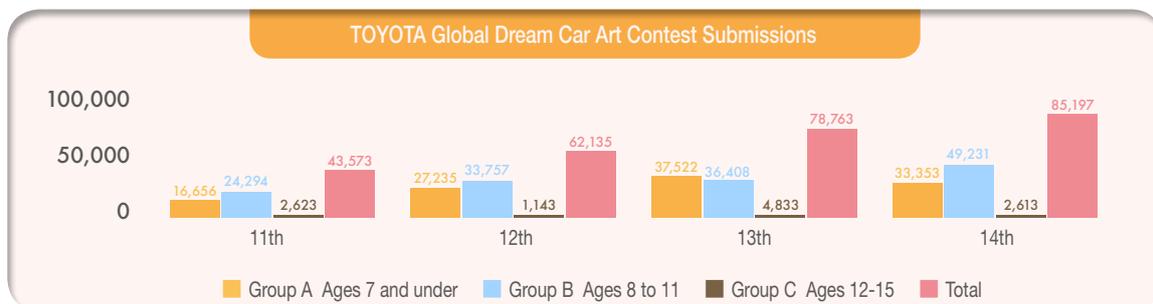
them the opportunity to stand on their own and work independently. As of 2020, we have made over NT\$40 million purchases from the Children Are US Foundation bakery.

7.1.3 TOYOTA Global Dream Car Art Contest

Our desire to inspire children's imagination and elevate the quality of art contests led us to organize the Toyota Dream Car Art Contest. In 2020, we entered into the 14th year hosting this contest and received more than 533,000 submissions over the years. The Toyota Dream Car Contest is by far the only children's drawing contest in Taiwan that is held on a global scale. Last year, we collaborated with internet sensation and sketch artist, Chu Chu Mei, in order to encourage more children to participate and be creative; we also added the Taiwan Culture Award, connecting to local communities and making social impact through art. In 2020, the contest received a record-high 85,197 submissions as children around the island showed great enthusiasm for taking part in the event. Without a doubt, the Dream Car event is the most celebrated international art contest in Taiwan.



▲ Submission by a contestant, "Exclusive 'Baby Ride'"



7.1.4 Donating High-Tech TOYOTA Teaching Materials

As part of our efforts to develop students' vocational skills, Hotai Motor introduced the TOYOTA Technical Education Program, T-TEP, in 1991 with the aim to help technical and vocational schools to develop talent specializing in automotive repair and maintenance. We have partnered with 30 technical and vocational schools to date and donated various Toyota high-tech teaching aids and materials for teachers and students to practice on. The cumulative value of teaching materials and vehicles donated for practice is now over NT\$ 51.83 million, a reflection of our commitment to develop skilled technicians for the automotive industry.



Signing and equipment donation ceremony for the industry-academia collaboration between Hotai Motor and Tun-Hsu Technical High School (Taipei City Mayor, Ko Wen-Je, attended the ceremony and presented the certificate of appreciation to Vice President, Wu Jia-Yan, of Hotai Motor's TOYOTA After Sales Service Group)

Equipment Donated to Schools under T-TEP

| | 2018 | 2019 | 2020 |
|--------------|--|---|---|
| Equipment | Suspension System Simulator, Valvematic Simulator, Variable Capacity Type A/C Compressor Cutaway Parts, and ALTIS /YARIS/ WISH /PREVIA study vehicles, one of each | Four wheel drive(4WD) simulator and 28 pieces of Continuously Variable Transaxle(CVT) | One ALTIS and RAV4 study vehicles and equipment including EM tool carts and oscilloscopes |
| Value (NT\$) | 1,519,503 | 23,472,276 | 887,354 |

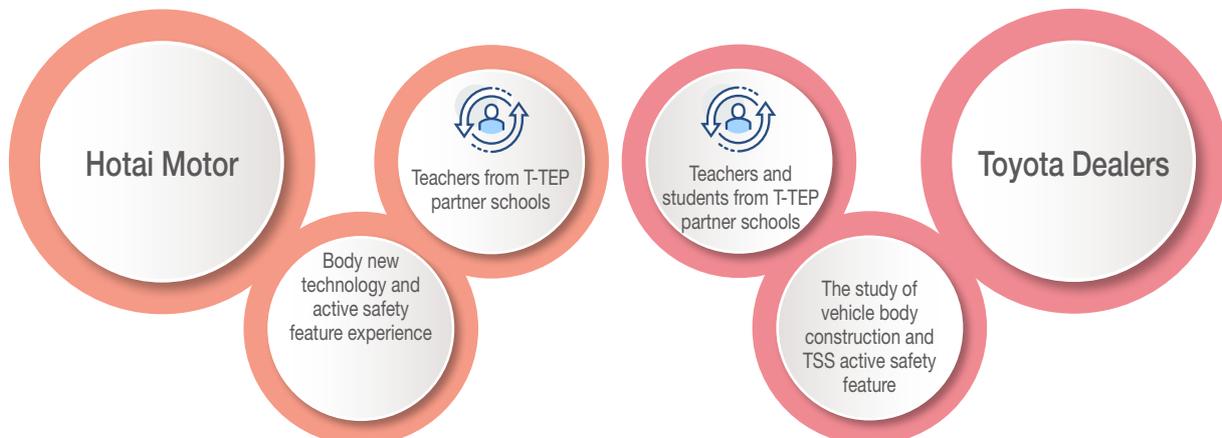
7.1.5 Technical Exchange and Sharing Between Industry and Academia

Twice a year, we work with dealers to organize training and development conferences on various topics and share the latest automotive technologies and practices in the industry with members of academia. We invite teachers from 30 schools that are enrolled in the T-TEP program to the events to increase the exchange of information and experience between industry and academia. Our dealers also provide venues, equipment and have seasoned technicians share their experience in the field as well as the latest vehicle technology and information to help teachers and students learn about industry practices and trends. It is also a great opportunity for

students to gain insight into the job market and employment environment early on and work on improving their competencies, which leads to making suitable career choices and helps them transition seamlessly from school to the workplace, supporting career readiness.

★T-TEP Facebook Group

In June 2020, we created a T-TEP Facebook group as a platform to facilitate the exchange of vocational information between schools. Currently, there are 2,330 students and teachers from 30 schools who joined the group and an average of five to seven posts per month.



7.1.6 Arts and Culture Development and Events

Short Film Contest—Lexus My Film

Lexus has long been dedicated to promoting the cultural industries to discover and cultivate young film talents and encouraging young creative artists to pursue their dreams. After five years, the Lexus Film Awards was reintroduced on September 9, 2020 as Lexus My Film, a short film contest. Last year, the theme was "My Own Rendition of Amazing", which encourages the younger generation to boldly create and express themselves. Contestants are given the opportunity to show their creativity in a 60-second clip to convey their own rendition of "Amazing" to the world. The contest received a total of 2,206 submissions.

Lexus DESIGN AWARD

Lexus Design Awards was first launched in 2013. It is a global design competition aimed at cultivating a new generation of creative designers and has become the best stage for up-and-coming designers to show their creativity. In 2020, we received over 2,000 project submissions. A total of 79 countries' cutting-edge designers joined to compete for the perfect opportunity to shine on the world stage. Lexus also organized workshops, invited well-known designers to provide consultation and assisted the contestants to improve the quality of their works, putting Taiwan on the map with our outstanding and innovative designs.

Lexus's Micro Movie, 40 cm

Lexus produced a micro movie, 40 cm, starring actors Hsieh Chiun-Hsuan, Mathilde Lin and Hans Chung. The plot of the movie is about a woman in agony after losing her sight and how she overcomes the darkest hours of her life with the company and care of her mother and the male lead, which perfectly captures the emotions of life's experiences. The movie reached one million views within five days after its release and was widely received by the public.



7.1.7 Sponsoring Sports/Art and Cultural Events

To promote the development of various sports, music, exhibitions, and events in Taiwan and bring a richer life experience to car owners, the two brands distributed by Hotai Motor—TOYOTA and Lexus—actively promote sports, art and cultural events every year through sponsorship and co-organization to offer the public quality and diverse art and cultural experience. TOYOTA supports the development of new industries and continues to work with "Garena Legend Dual" in the 2020 GCS Spring Professional League, setting a new benchmark for cross-industry collaboration between the automotive and gaming and entertainment industry. Lexus on the other hand has sponsored fashion events, "Taipei Fashion Week x VOUGE Fashion's Night Out" and "GQ City Camping Carnival 2020", and sporting events, "Swinging Skirt LPGA Taiwan Tour" and "IRONMAN 70.3 Taiwan" in 2020. It is our aspiration to fully integrate our brands into the lives of car owners for the ultimate "Experience Amazing".



7.2 Core Commitment Area **Cars**

| | | | |
|--|---|---|--|
|  |  |  |  |
| 97,000 sets | 11 bloodmobiles | 1,409 shows | 830,000 people |
| <p>Completed the second round of donation of crossing guard equipment to elementary schools nationwide in 2020</p> | <p>Donated a total of 11 HINO full-size bloodmobiles as of 2020 as the enterprise with the highest number of bloodmobile donation in Taiwan</p> | <p>A total of 1,409 shows from the road safety storytelling tours have been held around the island as of 2020</p> | <p>As of 2020, over 830,000 contestants entered the National Road Safety Children's Drawing Contest in the 20 years of its history</p> |

Hotai Motor has made a long-term commitment to invest in community engagement events related to our core business. We incorporate the products and services from our core business and develop philanthropic programs such as road safety campaigns and bloodmobile donations. By promoting a series of campaigns and events to increase awareness of road safety, including donating crossing guard equipment, organizing road safety storytelling tours and road safety drawing contest, and donating bloodmobiles, we are making a difference for the healthcare industry in the country. The positive impact we have created can be seen all around Taiwan.

7.2.1 Donating Crossing Guard Equipment

Hotai Motor has been donating crossing guard equipment to public elementary schools in Taiwan since 2011, including police-grade public safety vests and handheld flags. In 2015, we completed the first round of donation throughout Taiwan. In light of the fact that older equipment will need to be replaced, we began our second round of donation in 2016. In addition to our scheduled rounds of donations, we've also opened up the application online for individual schools. We recognized that junior high schools also have the needs for crossing guard equipment and opened up the program to junior high schools for the first time in 2020, growing

our impact in maintaining road safety for more local students in the country. To date, we have donated a total of 100,000 sets of crossing guard equipment and benefited over tens of thousands of crossing guard volunteers, improving road safety for school children in Taiwan.



7.2.2 Crossing Guard Volunteers Nonprofit Video

In recognition and support of the efforts of crossing guard volunteers who consistently show up rain or shine, we released a 10-year-anniversary limited edition online video. The theme of the video revolves around these traditional guardian figures who go around elementary schools in Taiwan as crossing guards, watching over the safety of school children. Based on this theme, we created a song that tells the passion of these crossing guard volunteers and how they find joy in helping others, and we also compiled footages of equipment donated over the last ten years being used and worn by the volunteers as a gesture of appreciation for their long-term efforts. The video hit one million views within three months after its release and received tremendous response from the public. Our appreciation not only goes to these crossing guard volunteers but also everyone who has worked hard to keep the roads safe for us.

7.2.3 Road Safety Storytelling Tours

Hotai Motor has been hosting the Road Safety Storytelling Tours for 15 consecutive years. Since 2014, we've worked with children's theater groups to promote a correct view of road safety to elementary school students by bringing vibrant story theaters to the campus, providing a fun learning experience for school children while equipping them with road safety knowledge and encouraging them to put it into practice. As of 2020, we have held 1,409 shows with the attendance of over 350,000 students. The event is widely celebrated by elementary school teachers and students around Taiwan, highlighting the importance and promoting awareness of road safety.

| Year | 2018 | 2019 | 2020 |
|--------------------|---|--|---|
| Topics | <ul style="list-style-type: none"> • Safe road crossing • Don't drink and drive | <ul style="list-style-type: none"> • Crossing streets safely • Drivers should stop and wait for passengers to cross and be aware of the difference between the turning radius measured by the inside and outside wheel paths and blind spots | <ul style="list-style-type: none"> • Road safety for students • Safety tips for driving through intersections |
| Number of Shows | 120 | 120 | 120 |
| Student Attendance | 33,911 | 36,022 | 36,022 |

7.2.4 National Road Safety Children's Drawing Contest

Since 2001, we've partnered with Chun Ching Social Welfare Foundation to sponsor the National Road Safety Children's Drawing Contest. Every year, we design themes that are centered on "Road Safety" related topics for the contest. It is our hope that through drawing, "Road Safety" will be instilled in children's minds to bring profound influence over time. Each contestant is asked to pay NT\$2 per drawing paper, and we double the amount of fees charged and donate to school-age children who come from disadvantaged families and remote communities. We have been sponsoring the contest for 20 years now, and over 830,000 children participated. Millions of dollars have been donated and continued to benefit the causes of road safety and the interest of the public.





7.2.5 Vehicle Safety Experience Camps

With increased safety awareness of customers, vehicles equipped with TSS (Toyota Safety Sense) currently account for 68.2% of our new vehicle sales. To adapt to this new development, Hotai Motor specifically designed a vehicle safety experiential learning program that covers a variety of topics, including tire traction and braking performance, performance testing of brake fluid water absorbing/boiling point, pre-collision system (PCS) sensors of pedestrians and other vehicles, lane tracing assist (LTA), and all-speed adaptive cruise control (ACC) road tests. The program receives a 98.9 score in our course evaluation survey from student participants, which effectively help employees who are in the first line of engagement with customers understand the safety features of our vehicles and deliver an accurate message on safe driving to car owners.

7.2.6 Bloodmobile Donation

Hotai Bloodmobiles

Starting in 2011, Hotai has been donating bloodmobiles—full size Hino vehicles that are equipped with the latest blood donation equipment—to numerous blood centers each year with the goal to encourage blood donation among citizens and to provide a comfortable and quality donation environment. To date, Hotai has donated 11 full-size bloodmobiles, which served over 750,000 blood donors and collected nearly one million bags of blood. As the enterprise that has donated the most mobile blood buses, our bloodmobiles currently account for 16% of all the available mobile blood buses in the country.

National Blood Donor Month

In addition to donating bloodmobiles, we have been hosting Hotai National Blood Donor Month every year during the summer since 2012. The event is joined by our employees, affiliated companies, and blood donation centers nationwide. Despite the limited number of blood donors in 2020 due to the COVID-19 pandemic, over 3.5 million c.c. of blood was collected. Since the inception of National Blood Donor Month, it has attracted the participation of over 70,000 people to answer the call for blood donation during summer blood shortage, and over 27 million c.c. of blood supply has been collected from donors to help those who are in need.



National Blood Donor Month

| Year | 2018 | 2019 | 2020 |
|----------------------|-----------|-----------|-----------|
| Number of Donors | 14,431 | 14,283 | 9,380 |
| Blood Collected (ml) | 5,271,000 | 5,433,000 | 3,577,500 |

P.S. Due to the impact of COVID-19 in 2020, the number of participants will decrease compared with previous years.

Blood Donation on Campus

In an effort to increase Taiwan's blood supply and encourage the young population to give blood, we use micro movies and short films to attract their attention and continue to bring bloodmobiles onto the campus in 2020 to boost blood donation rate among young people through actions. Our campus blood drives offer surprise activities, and we encourage first-time donors to give blood by offering them giftbags. In 2020, nearly 3,500 gave blood through our campus blood drives, up to 17% of which were first-time donors, and over 4,000 bags of blood supply were collected. Moving

forward, we will actively develop the young blood doner population with the goal to contribute to a consistent supply for Taiwan's blood banks.

Blood Donor Awareness Music Video—Roll Up Your Sleeves, Help Save Lives

To raise blood donor awareness among young people and encourage them to give blood on a regular basis, we invite popular news anchor, Wu-Yu Shu, to be our blood donor ambassador and created an original pop-rock song in the hope that it will inspire and motivate the young generation to give blood. The music video has accumulated 500,000 views to date.

7.3 Core Commitment Area **Environment**



21.8 metric tons

A total of 21.8 metric tons of trash was removed during our beach cleanup events over a two-year period with the participation of our employees and the public



207 metric tons

Over 200 metric tons of used toys were collected, recycled, and given new life as of the end of 2020



420,000 trees

Over 420,000 trees have been planted along the coast as of the end of 2020

At Hotai Motor, our goal has always been to achieve TMC's environmental vision to bring harmony between people, cars, and the planet and create a better and more comfortable living environment. To that end, we dedicate significant efforts in the recycling and reuse of resources and environmental sustainability practices to build a sustainable future for our beautiful planet.

7.3.1 TOYOTA Environmental Month

Every year in June, Hotai Motor partner with dealers in joining in on TOYOTA's Global Environmental Month to promote community green redevelopment projects. We also give back through local sourcing to increase engagement with the local communities and raise environmental awareness to create a greener environment.

Since the Environment Month initiative launched in 2005, participation

continues to grow, including our top eight dealers from around Taiwan who joined in on the cause in 2009. Since 2013, we have come together to promote the community green redevelopment projects. Through the Toyota Environment Month initiative, we hope to inspire local communities to support the government's policy of revitalizing abandoned urban space and improve quality of life. In 2018, we began working with non-government organizations and government agencies. For a period of three years, we are committed to making use of local resources to build a low-carbon, plastic free, and fun living. As of 2020, we've hosted 97 rounds of Toyota Environment Month activities and 117 sessions of environmental education with the help of 36,000 volunteers, sprawling over 241,000 square meters, the equivalent of 574 standard basketball courts, and nearly 22,000 plants were planted. Based on the survey responses we collected, we scored 9.8 in both activities offered and brand preference.

| Year | 2009-2012 | 2013-2017 | 2018-2020 | 2021-2023 |
|--------------------|--|------------------------------------|------------------|----------------------|
| Event Theme | Community mobilization to clean up the environment | Community mobilization to go green | Local engagement | Local engagement + a |
| Number of Sessions | 32 | 36 | 25 | 8 |
| Event Outcome | 36,000 volunteers participated in activities sprawling over 241,000 square meters, and 22,000 plants were planted; participants include government agencies, non-government organizations, employees, car owners, and the general public; 117 sessions of environmental education were held. | | | |



In 2020, we partnered with eight dealers and local businesses in hosting the TOYOTA Environmental Month activities. Each event has a different theme with the goal to give the local community a green makeover; a total of 1,429 volunteers participated.



7.3.2 Group-wide Beach Cleanups

We tackle environmental issues by delivering eco-friendly, energy-efficient products and services, and reducing plastic use from the source. Since 2019, all the TOYOTA, Lexus, and HINO locations no longer offer bottled water, which is estimated to reduce 2.5 million plastic bottles a year. Since 2019, we join forces with our affiliates and local dealers in organizing beach cleanups across different locations in Taiwan. We also invite local government agencies and non-government organizations and people around the island to be part of our event. For every plastic bottle collected during the beach cleanup, Hotai Motor donates NT\$10 to non-government organizations, promoting environmental sustainability and encouraging people to treasure the beaches we have here on the island.

From 2019 to 2020, we've hosted a total of 33 beach cleanups around the island and nearly 20,000 people volunteered; a total of 94,160 waste plastic bottles and 21.8 metric tons of trash were collected. Over a span of

two years, we donated NT\$941,600 to Taiwan Environmental Information Association and Loo Koo Association to fund environmental education, teaching children to reduce plastic use from a young age to create a sustainable cycle. Loo Koo Association has arranged 35 sessions of "The Ocean Classroom" in elementary schools across 13 cities and counties in Taiwan from December 2020 to May 2021, with an estimate of 3,500 student attendance.



| Year | Beach Cleanup Locations | Volunteer Participation | Cumulative Trash Removed | Money Donation | Organization | Uses of Donation |
|------|-------------------------|---------------------------------|--------------------------------|---------------------------|--|---|
| 2019 | 16 | Approximately 9,000 volunteers | Approximately 10.4 metric tons | Approximately NT\$440,000 | Taiwan Environmental Information Association | Landfill survey, environmental education on plastic reduction, information and communication |
| 2020 | 17 | Approximately 12,000 volunteers | Approximately 11.4 metric tons | Approximately NT\$500,000 | Taiwan Loo Koo Association | Funding environmental education for elementary schools around the island: a total of 35 sessions of "The Ocean Classroom" were held with the attendance of 3,494 students |

7.3.3 TOYOTA Toy Sharing

In 2016, we launched the TOYOTA Toy Sharing program to accept old toys at 122 of our service locations around the island. Our aspiration is to promote environmental sustainability through the recycling and regeneration of used toys. Towards the end of 2017, TOYOTA donated an INNOVA compact MPV to the Taiwan Toy Library Association as campaign vehicle, which goes around the cities to deliver used toys to those who are in need. As of the end of 2020, an accumulated total of 207 metric tons of toys were

recycled through the program, the equivalent of the carbon absorption of 53,264 trees in one year. Over 130,000 people have participated in our events since the program launched, including toy recycling, toy Easter, little technician (career exploration activity), and "Love in a Backpack". A total of NT\$910,000 registration fees collected from our events through 2018 to 2020 has been entirely donated to Eden Social Welfare Foundation, which continues to inspire positive changes to the society.

(Data from the Recycling Management Foundation of the Environmental Protection Administration shows that each kilogram of waste reduced is equivalent to the reduction of 2.06 kg carbon emissions. According to the Council of Agriculture, each tree can absorb 5 to 10 kg of CO2 in one year; our figures are calculated using the median value, 8.5 kg.)



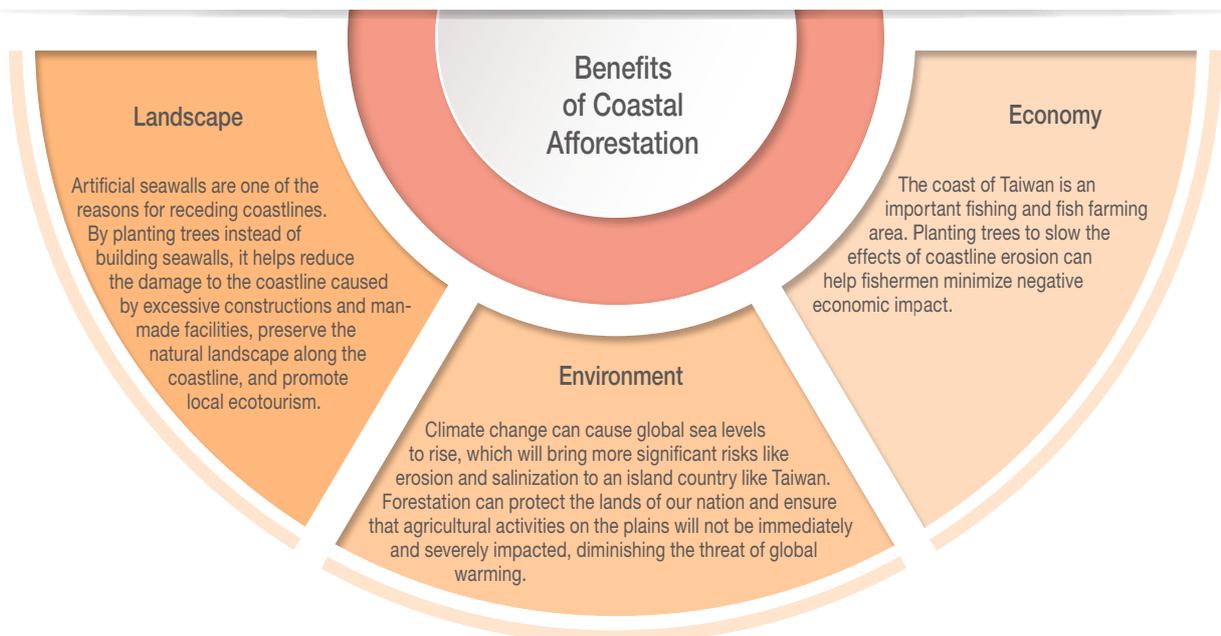
7.3.4 One Tree for Every Toyota

Hotai is committed to safeguarding the coastline of Taiwan by planting trees and making good on the promise to protect our island. Through working with specialists, the survival rate of these trees along the coastline is as high as 90%. As of the end of 2020, we have planted over 420,000 trees spanning over 150 acres and 12 cities and counties along the coast, reducing approximately 7,988 metric tons of carbon emissions



- ▲ Tree planting event held for owners in 2020 along the Jinshan coastline
- ◀ Partnering with TKstory to produce a short film on tree planting in 2020

We continually convey this message through different channels with the aim to expand our influence and gain public support. In 2020, we partnered with TKstory and produced a short film on tree planting that was shot along the coastline near Taoyuan, increasing public awareness of the coastal erosion crisis through actions. Apart from that, we utilize social media to regularly host the "One Tree for Every Toyota" campaign to reach the younger demographics, to amplify the conversation and raise public awareness of this issue. Since 2019, we've been organizing tree planting events every year which allows car owners and the public to volunteer to plant trees. Each volunteer can experience the joy of personally planting a tree and have a deeper understanding of the challenges of coastal tree-planting and the significance behind it.



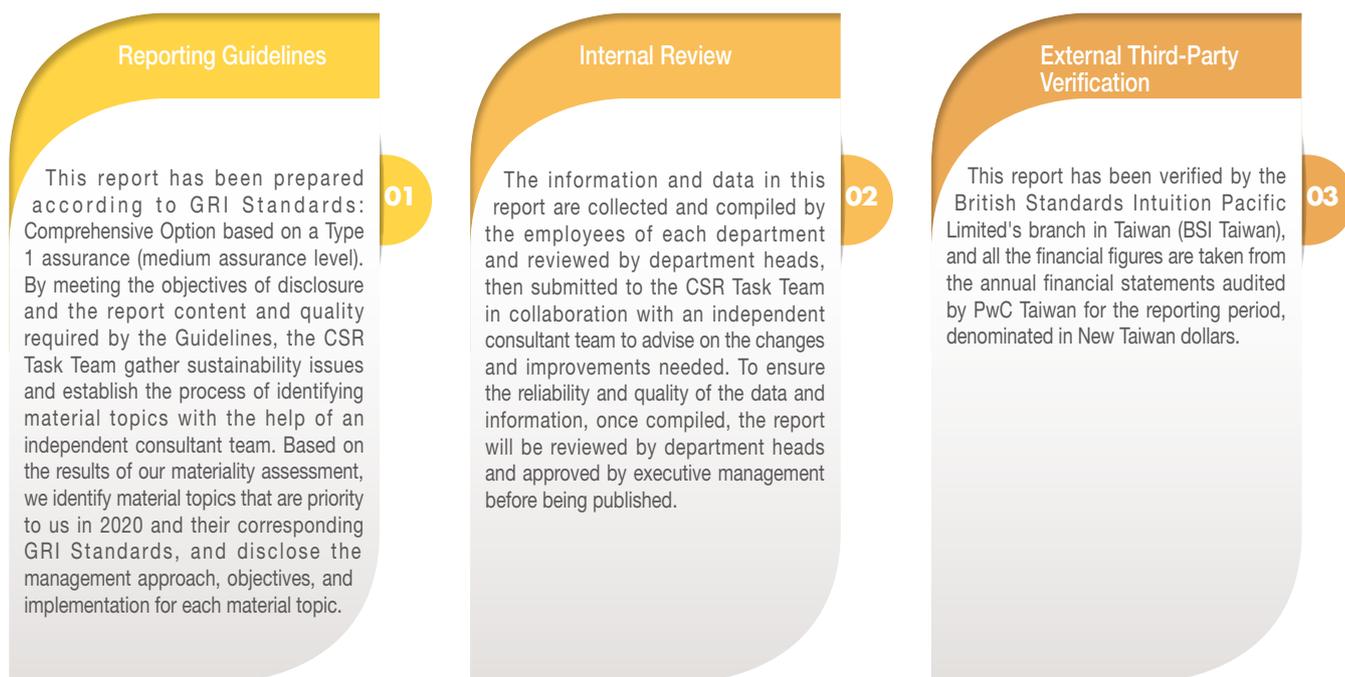
About This Report

In June 2021, Hotai Motor published the 2020 Corporate Social Responsibility Report, our 9th year of sustainability reporting. This report places great emphasis on the identification of the impact, risks and opportunities of sustainable development and addresses the high-priority areas, expectations, and requirements of our stakeholders on the topic. Our last report was published in June 2020. By implementing management approaches and working with our partners, we are moving towards the goal of integrating our operational strategies with the UNSDGs and realize our vision of sustainable operations.

Reporting Scope, Boundary, and Data

This report contains information disclosure of Hotai Motor's operations for the reporting period from January 1, 2020 to December 31, 2020, which includes corporate governance, business performance, supply chain management, environmental sustainability, human capital, and community engagement practices and performance data. Impacts that occur in Hotai Motor's subsidiaries and entities in the value chain are mainly reflected through the description of Hotai Motor's management approaches, strategies, and future plans. While there have been no significant changes to our material topics and boundaries, the number of sustainability topics increased from the previous year primarily because some topics are broken down into subtopics so that we can develop a more defined management approach. Where relevant, changes of boundaries, measurement techniques, and results of previously reported data are included as footnotes in the paragraphs or noted at the bottom of the diagrams and charts.

Reporting Process



Reporting Guidelines

This report has been prepared according to GRI Standards: Comprehensive Option based on a Type 1 assurance (medium assurance level). By meeting the objectives of disclosure and the report content and quality required by the Guidelines, the CSR Task Team gather sustainability issues and establish the process of identifying material topics with the help of an independent consultant team. Based on the results of our materiality assessment, we identify material topics that are priority to us in 2020 and their corresponding GRI Standards, and disclose the management approach, objectives, and implementation for each material topic.

01

Internal Review

The information and data in this report are collected and compiled by the employees of each department and reviewed by department heads, then submitted to the CSR Task Team in collaboration with an independent consultant team to advise on the changes and improvements needed. To ensure the reliability and quality of the data and information, once compiled, the report will be reviewed by department heads and approved by executive management before being published.

02

External Third-Party Verification

This report has been verified by the British Standards Intuition Pacific Limited's branch in Taiwan (BSI Taiwan), and all the financial figures are taken from the annual financial statements audited by PwC Taiwan for the reporting period, denominated in New Taiwan dollars.

03

Publication

Hotai Motor publishes corporate social responsibility reports annually, and the electronic version of which are available for download on our Corporate Social Responsibility website <http://pressroom.hotaimotor.com.tw/csr/article/EMIOlumvx>.



Contact Information

We welcome your feedback and questions regarding this report or the sustainability practices of Hotai Motor. Please get in touch with us using the following contact information.

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| GRI STANDARD NUMBER | GRI STANDARD TITLE | DISCLOSURE NUMBER | DISCLOSURE TITLE | CHAPTER | CHAPTER TITLE | PAGE NUMBER |
|---------------------|---------------------|-------------------|---|---------|--|-------------|
| GRI 102 | GENERAL DISCLOSURES | 102-1* | Name of the organization | | About Us | 5 |
| | | 102-2* | Activities, brands, products, and services | | About Us | 5 |
| | | 102-3* | Location of headquarters | | About Us | 5 |
| | | 102-4* | Location of operations | | About Us | 5 |
| | | 102-5* | Ownership and legal form | | About Us | 5 |
| | | 102-6* | Markets served | | About Us | 5 |
| | | 102-7* | Scale of the organization | | About Us | 5 |
| | | 102-8* | Information on employees and other workers | 6.2 | Benefits and Employee Well-being | 94 |
| | | 102-9* | Supply chain | | Group Operations | 6 |
| | | 102-10* | Significant changes to the organization and its supply chain | | There were no significant changes | - |
| | | 102-11* | Precautionary Principle or approach | 4.4 | Risk Management | 61 |
| | | 102-12* | External initiatives | 1.5 | External Engagement | 24 |
| | | 102-13* | Membership of associations | 1.5 | External Engagement | 24 |
| | | 102-14* | Statement from senior decision-maker | | Leadership Message | 3 |
| | | 102-15 | Key impacts, risks, and opportunities | 4.4 | Risk Management | 61 |
| | | 102-16* | Values, principles, standards, and norms of behavior | 4.2 | Compliance | 57 |
| | | 102-17 | Mechanisms for advice and concerns about ethics | 4.2 | Compliance | 57 |
| | | 102-18* | Governance structure | 4.1 | Board Structure and Functions | 56 |
| | | 102-19 | Delegating authority | 1.2 | Corporate Social Responsibility Committee | 15 |
| | | 102-20 | Executive-level responsibility for economic, environmental, and social topics | 1.2 | Corporate Social Responsibility Committee | 15 |
| | | 102-21 | Consulting stakeholders on economic, environmental, and social topics | 1.2 | Corporate Social Responsibility Committee | 15 |
| | | 102-22 | Composition of the highest governance body and its committees | 4.1 | Board Structure and Functions | 56 |
| | | 102-23 | Chair of the highest governance body | 4.1 | Board Structure and Functions | 56 |
| | | 102-24 | Nominating and selecting the highest governance body | 4.1 | Board Structure and Functions | 56 |
| | | 102-25 | Conflicts of interest | 4.2 | Compliance p. 81 of the 2020 Annual Report | 57 |
| | | 102-26 | Role of highest governance body in setting purpose, values, and strategy | 1.2 | Corporate Social Responsibility Committee | 15 |
| | | 102-27 | Collective knowledge of highest governance body | 4.1 | Board Structure and Functions p. 61-62 of the 2020 Annual Report | 56 |
| | | 102-28 | Evaluating the highest governance body's performance | 4.1 | Board Structure and Functions | 56 |
| | | 102-29 | Identifying and managing economic, environmental, and social impacts | 1.2 | Corporate Social Responsibility Committee | 15 |
| | | 102-30 | Effectiveness of risk management processes | 1.2 | Corporate Social Responsibility Committee | 15 |
| | | 102-31 | Review of economic, environmental, and social topics | 1.2 | Corporate Social Responsibility Committee | 15 |
| | | 102-32 | Highest governance body's role in sustainability reporting | 1.2 | Corporate Social Responsibility Committee | 15 |
| | | 102-33 | Communicating critical concerns | 1.2 | Corporate Social Responsibility Committee | 15 |
| | | 102-34 | Nature and total number of critical concerns | 4.1 | Board Structure and Functions | 56 |
| | | 102-35 | Remuneration policies | 4.1 | Board Structure and Functions | 56 |
| | | 102-36 | Process for determining remuneration | 4.1 | Board Structure and Functions | 56 |
| | | 102-37 | Stakeholders' involvement in remuneration | 4.1 | Board Structure and Functions | 56 |
| | | 102-38 | Annual total compensation ratio | | p. 41-42 of the 2020 Annual Report 6.2 Benefits and Employee Well-being | 94 |

| GRI STANDARD NUMBER | GRI STANDARD TITLE | DISCLOSURE NUMBER | DISCLOSURE TITLE | CHAPTER | CHAPTER TITLE | PAGE NUMBER | |
|---------------------|-----------------------------|-------------------|---|---|--|-------------|--|
| GRI 102 | GENERAL DISCLOSURES | 102-39 | Percentage increase in annual total compensation ratio | P.46-47 of the 2019 Annual Report and P.41-42 of the 2020 Annual Report 6.2 Benefits and Employee Well-being | | 94 | |
| | | 102-40* | List of stakeholder groups | 1.4 | Materiality Assessment | 17 | |
| | | 102-41* | Collective bargaining agreements | We did not enter into any collective bargaining agreement with our employees | | | |
| | | 102-42* | Identifying and selecting stakeholders | 1.4 | Materiality Assessment | 17 | |
| | | 102-43* | Approach to stakeholder engagement | 1.4 | Materiality Assessment | 17 | |
| | | 102-44* | Key topics and concerns raised | 1.4 | Materiality Assessment | 17 | |
| | | 102-45* | Entities included in the consolidated financial statements | 1.4 | Materiality Assessment | 17 | |
| | | 102-46* | Defining report content and topic Boundaries | 1.4 | Materiality Assessment | 17 | |
| | | 102-47* | List of material topics | 1.4 | Materiality Assessment | 17 | |
| | | 102-48* | Restatements of information | Appendix | About This Report | 117 | |
| | | 102-49* | Changes in reporting | Appendix | About This Report | 117 | |
| | | 102-50* | Reporting period | Appendix | About This Report | 117 | |
| | | 102-51* | Date of most recent report | Appendix | About This Report | 117 | |
| | | 102-52* | Reporting cycle | Appendix | About This Report | 117 | |
| | | 102-53* | Contact point for questions regarding the report | Appendix | About This Report | 117 | |
| | | 102-54* | Claims of reporting in accordance with the GRI Standards | Appendix | About This Report | 117 | |
| 102-55* | GRI content index | Appendix | GRI Content Index | 118 | | | |
| 102-56* | External assurance | Appendix | Independent Assurance Statement | 123 | | | |
| GRI 103 | MANAGEMENT APPROACH | 103-1 | Explanation of the material topic and its Boundary | 1.4 | Materiality Assessment | 17 | |
| GRI 103 | MANAGEMENT APPROACH | 103-2 | The management approach and its components | 1.4 | Materiality Assessment | 17 | |
| GRI 103 | MANAGEMENT APPROACH | 103-3 | Evaluation of the management approach | 1.4 | Materiality Assessment | 17 | |
| GRI 201 | ECONOMIC PERFORMANCE** | 201-1 | Direct economic value generated and distributed | 4.6 | Financial Performance | 68 | |
| | | 201-2 | Financial implications and other risks and opportunities due to climate change | 5.1 | Climate Change Management Partial data will be available in the second half of 2021 | | |
| | | 201-3 | Defined benefit plan obligations and other retirement plans | 6.2 | Benefits and Employee Well-being | 94 | |
| | | 201-4 | Financial assistance received from government | None occurred | | - | |
| GRI 202 | MARKET PRESENCE | 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | 6.2 | Benefits and Employee Well-being | 94 | |
| | | 202-2 | Proportion of senior management hired from the local community | 6.2 | Benefits and Employee Well-being | 94 | |
| GRI 203 | INDIRECT ECONOMIC IMPACTS | 203-1 | Infrastructure investments and services supported | 7 | Community Engagement | 105 | |
| GRI 204 | PROCUREMENT PRACTICES** | 204-1 | Proportion of spending on local suppliers | 3.2 | Hotai Motor's Supplier Management System | 52 | |
| GRI 205 | ANTI-CORRUPTION** | 205-1 | Operations assessed for risks related to corruption | 4.2 | Compliance | 57 | |
| | | 205-2 | Communication and training about anti-corruption policies and procedures | 4.2 | Compliance | 57 | |
| | | 205-3 | Confirmed incidents of corruption and actions taken | 4.2 | Compliance | 57 | |
| GRI 206 | ANTI-COMPETITIVE BEHAVIOR** | 206-1 | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | None occurred | | | |
| GRI 301 | MATERIALS | 301-2 | Recycled input materials used | 5.4 | Eco-Friendly Product Design | 84 | |

| GRI STANDARD NUMBER | GRI STANDARD TITLE | DISCLOSURE NUMBER | DISCLOSURE TITLE | CHAPTER | CHAPTER TITLE | PAGE NUMBER |
|---------------------|-------------------------------------|-------------------|---|---|---|-------------|
| GRI 302 | ENERGY** | 302-1 | Energy consumption within the organization | 5.2 | Green Operations | 73 |
| | | 302-2 | Energy consumption outside of the organization | 3.1 | Dealer Management | 42 |
| | | 302-3 | Energy intensity | 5.2 | Green Operations | 73 |
| | | 302-4 | Reduction of energy consumption | 5.2 | Green Operations | 73 |
| | | 302-5 | Reductions in energy requirements of products and services | 5.4 | Eco-Friendly Product Design | 84 |
| GRI 303 | WATER | 303-3 | Water withdrawal | 5.2 | Green Operations | 73 |
| | | 303-4 | Water discharge | 5.2 | Green Operations | 73 |
| | | 303-5 | Water consumption | 5.2 | Green Operations | 73 |
| GRI 305 | EMISSIONS** | 305-1 | Direct (Scope 1) GHG emissions | 5.2 | Green Operations | 73 |
| | | 305-2 | Energy indirect (Scope 2) GHG emissions | 5.2 | Green Operations | 73 |
| | | 305-3 | Other indirect (Scope 3) GHG emissions | 3.1 | Dealer Management | 42 |
| | | 305-4 | GHG emissions intensity | 5.2 | Green Operations | 73 |
| | | 305-5 | Reduction of GHG emissions | 5.2 | Green Operations | 73 |
| | | 305-6 | Emissions of ozone-depleting substances (ODS) | There were no ODS emissions from our facilities | | |
| | | 305-7 | Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions | 3.1 | Dealer Management | 42 |
| GRI 306 | WASTE | 306-1 | Water discharge by quality and destination | 5.2 | Green Operations | 73 |
| | | 306-2 | Waste by type and disposal method | 3.1 | Dealer Management | 42 |
| GRI 307 | ENVIRONMENTAL COMPLIANCE** | 307-1 | Non-compliance with environmental laws and regulations | None occurred | | |
| GRI 308 | SUPPLIER ENVIRONMENTAL ASSESSMENT** | 308-1 | New suppliers that were screened using environmental criteria | 3.2 | Hotai Motor's Supplier Management System | 52 |
| | | 308-2 | Negative environmental impacts in the supply chain and actions taken | Our main supplier is TMC, and there were no significant environmental impacts. Where relevant, the information will be disclosed on the Market Observation Post System. | | |
| GRI 401 | EMPLOYMENT | 401-1 | New employee hires and employee turnover | 6.2 | Benefits and Employee Well-being | 94 |
| | | 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 6.2 | Benefits and Employee Well-being | 94 |
| | | 401-3 | Parental leave | 6.2 | Benefits and Employee Well-being | 94 |
| GRI 402 | LABOR/MANAGEMENT RELATIONS | 402-1 | Minimum notice periods regarding operational changes | 6.2 | Benefits and Employee Well-being | 94 |
| GRI 403 | OCCUPATIONAL HEALTH AND SAFETY** | 403-1 | Workers representation in formal joint management-worker health and safety committees | 6.3 | Occupational Health and Safety Management | 100 |
| | | 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | 6.3 | Occupational Health and Safety Management | 100 |
| | | 403-3 | Workers with high incidence or high risk of diseases related to their occupation | 6.3 | Occupational Health and Safety Management | 100 |
| | | 403-4 | Worker participation, consultation, and communication on occupational health and safety | 6.3 | Occupational Health and Safety Management | 100 |
| | | 403-5 | Worker training on occupational health and safety | 6.3 | Occupational Health and Safety Management | 100 |
| | | 403-6 | Promotion of worker health | 6.3 | Occupational Health and Safety Management | 100 |
| | | 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 6.3 | Occupational Health and Safety Management | 100 |
| | | 403-8 | Workers covered by an occupational health and safety management system | 6.3 | Occupational Health and Safety Management | 100 |
| | | 403-9 | Work-related injuries | 6.3 | Occupational Health and Safety Management | 100 |
| | | 403-10 | Work-related ill health | 6.3 | Occupational Health and Safety Management | 100 |

| GRI STANDARD NUMBER | GRI STANDARD TITLE | DISCLOSURE NUMBER | DISCLOSURE TITLE | CHAPTER | CHAPTER TITLE | PAGE NUMBER |
|---------------------|---------------------------------|-------------------|--|--|---|-------------|
| GRI 404 | TRAINING AND EDUCATION | 404-1 | Average hours of training per year per employee | 6.1 | Career Development and Training | 90 |
| | | 404-2 | Programs for upgrading employee skills and transition assistance programs | 6.1 | Career Development and Training | 90 |
| | | 404-3 | Percentage of employees receiving regular performance and career development reviews | 6.1 | Career Development and Training | 90 |
| GRI 405 | DIVERSITY AND EQUAL OPPORTUNITY | 405-1 | Diversity of governance bodies and employees | 4.1 | Board Structure and Functions | 56 |
| | | | | 6.2 | Benefits and Employee Well-being | 94 |
| | | 405-2 | Ratio of basic salary and remuneration of women to men | 6.2 | Benefits and Employee Well-being | 94 |
| GRI 406 | NON-DISCRIMINATION | 406-1 | Incidents of discrimination and corrective actions taken | 6.2 | Benefits and Employee Well-being | 94 |
| GRI 409 | FORCED OR COMPULSORY LABOR | 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | None occurred | | |
| GRI 412 | HUMAN RIGHTS ASSESSMENT | 412-3 | Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening | There were no significant investments | | |
| GRI 413 | LOCAL COMMUNITIES | 413-1 | Operations with local community engagement, impact assessments, and development programs | 7.4 | Core Commitment Area—Environment | 114 |
| GRI 414 | SUPPLIER SOCIAL ASSESSMENT** | 414-1 | New suppliers that were screened using social criteria | 3.2 | Hotai Motor's Supplier Management System | 52 |
| | | 414-2 | Negative social impacts in the supply chain and actions taken | Our main supplier is TMC, and there were no significant human rights impacts. Where relevant, the information will be disclosed on the Market Observation Post System. | | |
| GRI 415 | PUBLIC POLICY | 415-1 | Political contributions | None occurred | | |
| GRI 416 | CUSTOMER HEALTH AND SAFETY** | 416-1 | Assessment of the health and safety impacts of product and service categories | 2.3 | Product Design and Manufacturing | 37 |
| | | | | 4.5 | Information Security and Customer Data Protection | 64 |
| | | 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | None occurred | | |
| GRI 417 | MARKETING AND LABELING** | 417-1 | Requirements for product and service information and labeling | Our main supplier is TMC. 2.3 Product Design and Manufacturing 5.2 Green Operations | | |
| | | 417-2 | Incidents of non-compliance concerning product and service information and labeling | None occurred | | |
| | | 417-3 | Incidents of non-compliance concerning marketing communications | None occurred | | |
| GRI 418 | CUSTOMER PRIVACY** | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | 4.5 | Information Security and Customer Data Protection | 64 |
| GRI 419 | SOCIOECONOMIC COMPLIANCE** | 419-1 | Non-compliance with laws and regulations in the social and economic area | None occurred | | |

*: Core options ** Material topics

GRI 303 and 403 are based on the 2018 GRI Standards; other indicators are based on the 2016 GRI Standards.

| TOPIC | CODE | METRIC | REFERENCE | PAGE NUMBER |
|--|--|--|--|-------------|
| Energy Management in Retail & Distribution | CG-MR-130a.1 | Total energy consumed | 5.2.1 Energy and Resource Management | 73 |
| | | | 3.1.4 Environmental Performance of Dealers | 48 |
| Data Security | CG-MR-230a.1 | Description of approach to identifying and addressing data security risks | 4.5.1 Information Security Management System | 64 |
| | CG-MR-230a.2 | (1) Number of data breaches | | |
| | | (2) percentage involving personally identifiable information (PII) (3) number of customers affected | | |
| Workforce Diversity & Inclusion | CG-MR-330a.1 | Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees | None of the employees or workers currently hired by Hotai Motor are from a different racial group, and there are no legal proceedings against the company associated with hiring discrimination. | |
| | CG-MR-330a.2 | Total amount of monetary losses as a result of legal proceedings associated with employment discrimination | | |
| Product Sourcing, Packaging & Marketing | CG-MR-410a.1 | Revenue from products third-party certified to environmental and/or social sustainability standards | 5.4.1 Compliance and Certification | 84 |
| | CG-MR-410a.2 | Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products | 5.4.2 Minimizing Environmental Impact | 85 |
| | CG-MR-410a.3 | Discussion of strategies to reduce the environmental impact of packaging | 5.4.2 Minimizing Environmental Impact | 85 |
| CODE | ACTIVITY METRIC | | REFERENCE | PAGE NUMBER |
| CG-MR-000.A | Number of: (1) retail locations and (2) distribution centers | | Sales Network and Services | 11 |
| CG-MR-000.B | Total area of: (1) retail space and (2) distribution centers | | | 11 |

INDEPENDENT ASSURANCE OPINION STATEMENT

Hotai Motor Co., Ltd. 2020 Corporate Social Responsibility Report

The British Standards Institution is independent to Hotai Motor Co., Ltd. (hereafter referred to as Hotai Motor in this statement) and has no financial interest in the operation of Hotai Motor other than for the assessment and verification of the sustainability statements contained in this report.

This independent assurance opinion statement has been prepared for the stakeholders of Hotai Motor only for the purposes of assuring its statements relating to its corporate social responsibility (CSR), more particularly described in the Scope below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be read.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by Hotai Motor. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to Hotai Motor only.

Scope

The scope of engagement agreed upon with Hotai Motor includes the followings:

1. The assurance scope is consistent with the description of Hotai Motor Co., Ltd. 2020 Corporate Social Responsibility Report.
2. The evaluation of the nature and extent of the Hotai Motor's adherence to AA1000 AccountAbility Principles (2018) in this report as conducted in accordance with type 1 of AA1000AS v3 sustainability assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

This statement was prepared in English and translated into Chinese for reference only.

Opinion Statement

We conclude that the Hotai Motor Co., Ltd. 2020 Corporate Social Responsibility Report provides a fair view of the Hotai Motor CSR programmes and performances during 2020. The CSR report subject to assurance is free from material misstatement based upon testing within the limitations of the scope of the assurance, the information and data provided by the Hotai Motor and the sample taken. We believe that the 2020 economic, social and environmental performance information are fairly represented. The CSR performance information disclosed in the report demonstrate Hotai Motor's efforts recognized by its stakeholders.

Our work was carried out by a team of CSR report assurers in accordance with the AA1000AS v3. We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that Hotai Motor's description of their approach to AA1000AS v3 and their self-declaration in accordance with GRI Standards: Comprehensive option were fairly stated..

Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- a review of issues raised by external parties that could be relevant to Hotai Motor's policies to provide a check on the appropriateness of statements made in the report.
- discussion with managers on approach to stakeholder engagement. However, we had no direct contact with external stakeholders.
- 8 interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out.
- review of key organizational developments.
- review of the findings of internal audits.
- review of supporting evidence for claims made in the reports.
- an assessment of the organization's reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality, Responsiveness and Impact as described in the AA1000AP (2018).

Conclusions

A detailed review against the Inclusivity, Materiality, Responsiveness and Impact of AA1000AP (2018) and GRI Standards is set out below:

Inclusivity

This report has reflected a fact that Hotai Motor has continually sought the engagement of its stakeholders and established material sustainability topics, as the participation of stakeholders has been conducted in developing and achieving an accountable and strategic response to sustainability. There are fair reporting and disclosures for economic, social and environmental information in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the Hotai Motor's inclusivity issues.

Materiality

Hotai Motor has established relative procedure in organization level, as the issues which were identified by all departments have been prioritized according to the extent of impact and applicable criterion for sustainable development of organization. Therefore, material issues were completely analyzed and the relative information of sustainable development was disclosed to enable its stakeholders to make informed judgments about the organization's management and performance. In our professional opinion the report covers the Hotai Motor's material issues.

Responsiveness

Hotai Motor has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for Hotai Motor is developed and continually provides the opportunity to further enhance Hotai Motor's responsiveness to stakeholder concerns. Topics that stakeholder concern about have been responded timely. In our professional opinion the report covers the Hotai Motor's responsiveness issues.

Impact

Hotai Motor has identified and fairly represented impacts that were measured and disclosed in probably balanced and effective way. Hotai Motor has established processes to monitor, measure, evaluate and manage impacts that lead to more effective decision-making and results-based management within the organization. In our professional opinion the report covers the Hotai Motor's impact issues.

GRI Sustainability Reporting Standards (GRI Standards)

Hotai Motor provided us with their self-declaration of in accordance with GRI Standards: Comprehensive option (For each material topic covered by a topic-specific GRI Standard, comply with all reporting requirements for all topic-specific disclosures). Based on our review, we confirm that social responsibility and sustainable development disclosures with reference to GRI Standards' disclosures are reported, partially reported or omitted. In our professional opinion the self-declaration covers the Hotai Motor's social responsibility and sustainability topics.

Assurance level

The moderate level assurance provided is in accordance with AA1000AS v3 in our review, as defined by the scope and methodology described in this statement.

Responsibility

The CSR report is the responsibility of the Hotai Motor's chairman as declared in his responsibility letter. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

Competency and Independence

The assurance team was composed of Lead auditors experienced in relevant sectors, and trained in a range of sustainability, environmental and social standards including AA1000AS, ISO 14001, ISO 45001, ISO 14064 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:



Peter Pu, Managing Director BSI Taiwan



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2021-05-27



Hotai Motor Co., Ltd.

www.hotaimotor.com.tw