

# Universal Scientific Industrial (Shanghai) Co., Ltd.

## ESG Best Practice Principles

### Chapter I General Rules

- Article 1** Universal Scientific Industrial (Shanghai) Co., Ltd. (hereafter referred to as "USI" or "we") establishes these ESG Best Practice Principles ("Principles") according to relevant laws and regulations to implement our Sustainability Policy, promote the improvement of the environment, society, and governance, and "Realize IDEAS Together", thereby achieving the goal of sustainable development.
- Article 2** These Principles apply to USI and its subsidiaries. USI follows international sustainable trends and actively contributes to local economic development, improving the quality of life of employees, the community, and society by promoting relevant issues as responsible corporate citizens to enhance the competitive edge built on sustainable development.
- Article 3** USI values corporate governance, environmental protection, and social participation and includes them in strategic decisions and business operations. We consider the rights and interests of stakeholders and promote sustainable development in the pursuit of sustainable profits. Following the materiality principle, USI conducts risk assessments of corporate governance and environmental and social issues concerning operations and establishes relevant risk management policies or strategies.
- Article 4** To implement sustainable development initiatives, USI complies with the following principles:
- (1) Exercise corporate governance.
  - (2) Develop a sustainable environment.
  - (3) Preserve public welfare.
  - (4) Enhance sustainable development information disclosure.
- Article 5** USI provides suitable platforms and adopts appropriate methods to communicate with stakeholders. We consider the correlation between sustainable development, our core business operations, and our impact on stakeholders when setting our Sustainability Policy, relevant management guidelines, or concrete promotion plans.

## Chapter II Exercise Corporate Governance

**Article 6** USI establishes an effective governance structure and relevant ethical standards according to applicable laws and regulations to achieve sound corporate governance.

**Article 7** USI Board of Directors shall exercise the due care of good administrators to urge us to realize sustainable development initiatives, examine the performance results from time to time, and continually make adjustments to ensure the thorough implementation of sustainable development policies. In addition, the interests of stakeholders shall be considered adequately, including the following matters:

(1) Identifying USI's sustainable development mission or vision and declaring our Sustainability Policy, management systems, or relevant guidelines.

(2) Making sustainable development the guiding principle of USI's operations and development and ratifying concrete promotional plans for sustainable development initiatives.

(3) Enhancing the timeliness and accuracy of disclosing sustainable development information.

To manage the environmental, social, and governance issues in USI's operations, USI's Board of Directors authorizes the USI Sustainability Committee to supervise and report to the Board of Directors. The procedures and relevant responsible persons are explicitly established.

**Article 8** USI organizes occasional training and meetings for sustainable development, including promoting the matters prescribed in Paragraph 2 of the preceding article.

**Article 9** For sound sustainable development management, USI has established the Sustainability Committee formed by the senior management level to be responsible for establishing, executing, and supervising sustainable development policies, relevant management systems, guidelines, and concrete promotional plans, periodically reporting to the board of directors.

USI sets reasonable remuneration policies to ensure that remuneration arrangements support the company's strategic aims and align with stakeholders' interests. The employee performance evaluation system is advised to be integrated with sustainable development policies, with a clear incentive and discipline systems.

**Article 10** Respecting stakeholders' rights and interests, USI identifies and establishes a designated section for them on the USI website. We also recognize stakeholders' reasonable expectations and demands

through proper communications and adequately respond to the critical sustainable development issues of concern.

We provide a complaint and whistleblowing mailbox. Whistleblowing can be anonymous or named, and the personal safety of the whistleblower is protected, such that their rights and interests are not subject to threats or damages, and their privacy rights are respected. Personal information provided by the stakeholder is also protected.

**Article 11** USI evaluates and manages all types of risks that may cause operation interruption to reduce their impact.

**Article 12** USI assesses the impact of purchasing actions and supply sources on the community environment and society and partners with suppliers to implement sustainable development. We encourage suppliers to adopt the same standards as their upstream suppliers to promote the influence of the USI value chain.

Before engaging in business transactions, we assess whether suppliers have any records of harming the environment and society to prevent transacting with counterparties that act in contradiction against our sustainability policy. When signing the contract with critical suppliers, the contract's content outlines the sustainability policy that shall be complied with by both parties. In addition, USI may terminate or rescind our contract at any time if suppliers engage in any conduct violating the policy or significantly affecting the community environment and society of the supply source.

### **Chapter III Develop Sustainable Environment**

**Article 13** USI follows relevant environmental laws, regulations, and international standards to protect the environment. We uphold the principles of "Pollution Prevention & Continuous Improvement" and "Effective Reduction & Circular Reuse" during operations and internal management to achieve our commitment to environmental sustainability.

**Article 14** USI upholds the green design philosophy and operation management to provide customers with highly efficient and reliable solutions. USI and all subsidiaries are committed to increasing energy consumption efficiency and reducing the use of materials having a high impact on the environment to achieve sustainable use of natural resources.

**Article 15** Each subsidiary of USI shall establish a proper environmental management system according to industrial characteristics, and it shall include the following items:  
(1) Collecting sufficient and up-to-date information to evaluate the

impact of operating activities on the natural environment.

(2) Establishing measurable goals for environmental sustainability and periodically examining the continuity and correlation of their development.

(3) Establishing execution measures of specific programs or action plans and periodically examining the outcome of their operation.

**Article 16** Each subsidiary of USI shall establish an environmental management responsible unit to plan, promote, and maintain relevant environment management systems and concrete action plans. They shall also provide environmental education training for managerial officers and employees.

**Article 17** Each subsidiary of USI shall consider its operational impact on the environment and perform operations such as research and development, purchasing, production, packaging, logistics, and services according to the following principle. In addition, they shall assess present and future potential risks and opportunities associated with climate change and adopt response measures for climate-related issues to reduce the impact of the operation on the natural environment, ecology, and humanity:

(1) Comply with green product ecological design strategy, integrate and establish "Green Product Specification", and control hazardous substances in electronic parts and products. Continue to introduce clean technology concepts, and focus on various environmental indicator requirements (such as material use, energy saving, carbon reduction, water resource utilization, pollution emissions, waste of resources, and recyclability) to reduce the negative impact of the product life cycle on the environment and ecosystem.

(2) Analyze the total weight of water consumption and waste, establish policies for reducing water consumption and managing waste, and commit to increasing energy and resource use efficiency, maximizing renewable resource utilization, and sustainable use.

(3) Strengthen relevant environmental protection treatment facilities to prevent water, air, and earth pollution, and reduce the adverse impact on human health and the environment, adopt the most feasible pollution prevention and control technologies, and establish relevant management measures to control resource consumption, pollutants emissions, toxic substances, and waste.

(4) Reduce toxic hazards to the environment and ecosystem, properly dispose of waste, reduce the use of hazardous substances, and seek alternative eco-friendly materials.

(5) USI monitors the impact of climate change on operating activities. We adopt internationally accepted standards to inventory our greenhouse gas emissions and annually disclose our results. According to our operational status and greenhouse gas inventory results, we establish strategies for energy saving, carbon reduction,

and greenhouse gas emissions. The emissions scope shall include direct greenhouse gas emissions, indirect greenhouse gas emissions, and other indirect emissions. Obtaining carbon credits is incorporated into USI's carbon reduction strategy planning to promote and minimize the impact of our operating activities on climate change.

## Chapter IV Preserve Public Welfare

**Article 18** USI shall comply with relevant labor laws and regulations and the International Bill of Human Rights concerning rights such as gender equality, the right to work, and the prohibition of discrimination. To fulfill the responsibility for protecting human rights, we establish relevant management policies and processes, including:

- (1) Publishing corporate policies or statements on human rights.
- (2) Evaluating the impact of our business operations and internal management on human rights and setting corresponding processes.
- (3) Reviewing the effectiveness of corporate policies or statements on human rights periodically.
- (4) Providing effective, appropriate, simple, and convenient channels for matters adversely affecting the rights and interests of employees to ensure the equality and transparency of the complaint filing process and perform due diligence on the complaints filed by employees provides appropriate response and handling.

USI complies with internationally recognized labor rights, including the freedom of association, the right to collective bargaining, the care for vulnerable groups, the abolition of child labor, the elimination of all forms of forced or compulsory labor, and the elimination of discrimination in respect of employment and occupation. We ensure that human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.

**Article 19** USI provides information to employees, so they understand the labor laws and their rights in the location where the business operates.

**Article 20** USI provides employees with a safe and healthy working environment, including necessary health and first-aid facilities, and is committed to reducing hazardous factors to the employees' safety and health. We also conduct periodic safety and health education and training for employees.

**Article 21** USI establishes a proper education and training environment, an employee career and talent development system, and an effective

occupational competence training program. In addition, we also provide reasonable employee welfare measures (including remuneration, leave, and other benefits), such that the corporate business performance or outcome is appropriately reflected in the employee remuneration policy, thereby ensuring the recruitment, retention, and encouragement of human capital, and achieving the objective of sustainable operations.

**Article 22** USI establishes a platform to facilitate regular two-way communication between the management and employees so they can obtain relevant information and express their opinions on USI operations management and decisions. USI respects employee representatives' rights to negotiate working conditions. We provide employees with the necessary knowledge and equipment to improve the negotiation and cooperation among employers, employees, and representatives. In addition, a reasonable method is adopted to inform operational changes that may significantly impact employees.

**Article 23** USI and all subsidiaries ensure the health and safety of customers, customer privacy, marketing, and labels according to local laws and regulations and relevant standards adopted in the industry. All applicable laws and regulations and international standards are complied with without deception, fraud, or behaviors that may cause damages to customer trust, rights, or interests.

**Article 24** USI assesses the impact of our operations on the community. We shall appropriately employ a local workforce at USI's business locations to increase community recognition. In addition, through equity investment, business activities, donations, corporate volunteer services, or other welfare services, USI invests resources in organizations solving social or environmental issues via business models, participates in public community development and community education organizations, relevant local charity and welfare activities to promote community development.

## **Chapter V Enhance Sustainable Development Information Disclosure**

**Article 25** To improve information transparency, USI discloses relevant and reliable information related to sustainable development according to applicable laws and regulations. Relevant information on sustainable development we disclose to the public is as follows:

(1) Policies, relevant management systems or guidelines, and concrete sustainability promotion plans, as resolved by the board of

directors.

(2) Risks and opportunities we face financially and operationally due to implementing corporate governance, developing a sustainable environment, and preserving public social welfare.

(3) Sustainable development goals, measures, and performance outcomes.

(4) Major stakeholders and their issues of concern.

(5) Disclosure of critical suppliers' management and performance concerning material environmental and social issues.

(6) Other information related to sustainable development.

**Article 26** USI adopts widely recognized international standards, guidelines, and relevant requirements of the Shanghai Stock Exchange to prepare our sustainability report and disclose our sustainable development promotion status. The report is assured or verified by a third party to enhance the reliability of the report's information. The report content includes:

(1) Our Sustainability Policy, management system, relevant guidelines, and concrete promotion plans.

(2) Major stakeholders and their issues of concern.

(3) Annual outcomes and deficiencies in implementing corporate governance, sustainable environment development, social welfare protection and promotion of economic development, and future improvement directions and goals.

## Chapter VI Supplemental Provisions

**Article 27** USI constantly monitors domestic and international sustainable development standards and changes in the industry to examine and improve the sustainable development system we established and our performance outcomes. If these Principles conflict with any laws, regulations, regulatory documents, or the "Articles of Incorporation" amended according to legal process, these Principles shall be amended to comply with relevant national laws, regulations, regulatory documents, or "Articles of Incorporation" when necessary.

**Article 28** These Principles are to be approved by USI's board of directors, and the exact requirements shall also be applied to amendments to these Principles.

USI

March 23, 2022