

In terms of product and R&D strategy, Everlight produces high-quality and environmentally friendly chemicals. Starting from the selection of raw materials, we implement various process management and establish compliant Safety Data Sheets (SDS) and labeling in accordance with the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) requirements. Additionally, we adhere to the 12 principles of green chemistry, to maximize the resources utility of each raw material through raw material reduction and process optimization (whether it's waterless dyeing technology or reducing solvent usage and saving water). We design products with the goal of creating user phase efficiency (UPE) and integrate this into our R&D strategy to minimize negative environmental impacts.

Material Topic #5	Product Strategy and R&D Innovation
Impact Assessment	<p>Positive: Possessing the design and innovation capabilities to develop high-quality chemicals and service, a rigorous health and safety management mechanism for products and services, gaining customer trust and demonstrates environmental friendliness.</p> <p>Negative: During product research and development, may lead to overwork for R&D and department personnel, resulting in increased product prices and economic burden on customers. Additionally, challenges in finding suitable R&D talent may hinder the development of competitive products.</p>
Management Policies and Commitment (GRI 2-23) (GRI 2-24) (RT-CH530a.1)	<ul style="list-style-type: none"> Providing high-quality chemicals and services is an important principle for Everlight. We uphold a spirit of progress and innovation, tailoring innovative products and technologies to meet the diverse needs of various industries. By doing so, we create more user phase efficiency and enhance the Company's economic performance. Everlight places great importance on the health and safety issues arising throughout the lifecycle of its products or services. We adhere to relevant health and safety regulations and voluntary agreements concerning our products and services
Governance Structure	The Group Research and Development Center, as well as the research and technical units of various business divisions
Management Actions	<ul style="list-style-type: none"> "Industry Upgrading and Innovation Platform Guidance Program" (e.g., Development project for ultra-fine diamond powder for silicon carbide wafer grinding and polishing) Connecting upstream material suppliers and downstream application end-users, fostering collaboration among industry, academia, and research institutes. Implementing product development operations based on the "Seven Sustainable Product Indicators" to create value.
Resource Allocation	Investing in research and development funds and manpower, collaborating with external research institutions.
Indicators and Targets	<p>Indicators</p> <ul style="list-style-type: none"> Sales revenue of sustainable products (%) Contribution of new products (%) ^[Note 1] <p>2024 Targets</p> <ul style="list-style-type: none"> Sales revenue of sustainable products (%) ≥ 73% Contribution of new products (%) ≥ 10%
Assessment Mechanisms	Product design and review are conducted through the product development process
Ensuring Effective Actions	"Sales revenue of sustainable products" and "contribution of new products" are included as key performance indicators under major material topic management. They are reported to the management team regularly on an annual basis.
Implementation Results in 2023	<ul style="list-style-type: none"> Sales revenue of sustainable products is 70% The contribution of new products is 15%.
Stakeholder Engagement	The proportion of sustainable products is regularly disclosed through channels such as sustainability reports and the official website.

Note 1: The definition of "New Product Contribution Rate (%)" is (Revenue from New Products / Total Revenue) x 100%.

I. Implementation of Product Stewardship Management (GRI 416-1, 416-2, SASB RT-CH-410b.1)

Everlight places great emphasis on the management of each stage of product production process.

In addition to strengthening process safety, we have established a Product Stewardship Division to manage each product for compliance and ensure compliance with regulatory requirements for product labeling. The implementation results of Product Stewardship management in 2023 are as follows:

Management Strategy	Results of Implementation in 2023
Not using raw materials tested on animals	Complying with international regulatory requirements, not using raw materials tested on animals, and ensuring that neither the raw materials nor the resulting chemicals contain components derived from animal slaughter.
Not using conflict minerals	Materials are sourced in full compliance with international regulations and no conflict minerals are used.
Establishing a process for managing hazardous substances	Follow the IECQ QC 080000 Hazardous Substance Process Management (HSPM) system. This involves establishing operating processes for hazardous substances management at each stage, such as conducting hazardous substance identification during the R&D phase, procuring compliant raw materials to implement green supply chain management, investing in high-precision chemical analysis equipment, and establishing capabilities for hazardous substance and product quality inspection. Together with supply chain partners, we are committed to realizing the vision and goal of "zero emissions of hazardous chemicals" and moving towards 100% compliance with international regulations and customer requirements.
Implementing the "Green Screen List Translator"™ tool	<ol style="list-style-type: none"> Continue to use the GSLT tool to conduct hazard screening of chemical substances and products and implement corresponding measures to reduce the health and environmental impacts of raw materials and products on stakeholders. Move towards the use of safer chemicals. Completed screening operations for over one ton of sales in 2023, totaling 525 product items (CCBU 240, SCBU 92, ECBU 15, Toner 178). Completed GS screening score assessment for new chemical substances composed of the aforementioned products, totaling 112 items (CCBU 1, SCBU 1, ECBU 106, Toner 4). Completed GS screening score assessment for new raw materials used for factory synthesis in 2023. In accordance with brand requirements, a total of 9 colorant products obtained Screened Chemistry certification by 2023, including completion of chemical hazard assessments (vCHA) for 9 substances.
Compliance with Product Safety Data Sheets (SDS), labeling, and safety communication	<ol style="list-style-type: none"> Established procedures for creating Safety Data Sheets (SDS) and labels in multiple languages and compliance with regulatory requirements. SDS and labels are produced accordingly. Developed operating procedures for chemical registration, completing hazard and risk assessments, as well as national registration for chemical substances and related products. Completed classification of GHS Category 1 and Category 2 chemical products with health and environmental hazards. These products generated revenue of NTD 483 million in 2023, accounting for 61% of consolidated revenue. All such products underwent confirmation following the hazard risk assessment requirements mandated by the Company. Issued a total of 1,288 safety certificates in 2023 (compared to 1,062 in 2022) as per the requirements of industry clients. There were no product safety complaints reported.
Product health index	<ol style="list-style-type: none"> Self-Assessment <ul style="list-style-type: none"> All Products: RoHS Directive Compliance 100% / SVHCs 99% Textile and Leather Products: REACH Annex XVII Compliance 100% / OEKO-TEX Standard 100 Compliance Over 98% Third-Party and Brand Certifications in 2023: <ul style="list-style-type: none"> Global Organic Textile Standard (GOTS): 231 items certified bluesign® Certification: 468 items certified Zero Discharge of Hazardous Chemicals Manufacturing Restricted Substances List (ZDHC MRSL): 685 items certified The List by Inditex V: 798 items certified

Product Marketing and Labeling

Everlight requires raw materials to be free from harmful substances from the source. According to the GHS regulations of the country where the chemical product is ultimately sold, labeling is carried out. The product labeling includes the product's Chinese and English name, production batch number, net weight of the product, manufacturer information, CAS numbers and chemical names of hazardous chemical ingredients, hazard information, hazard symbols, and precautionary measures.



In 2023, there were no product recall incidents in any business unit.

II. Practices for Product Innovation and Research and Development

Everlight is committed to investing in annual research and development (R&D) expenditure. In 2023, the R&D expenditure is 352.4 billion NT dollars.

In 2023, UPE sustainable products generated a total revenue of 54.74 billion NT dollars for the entire group, accounting for 70% of the total operating income.

Methods employed by Everlight for innovative research and development include:

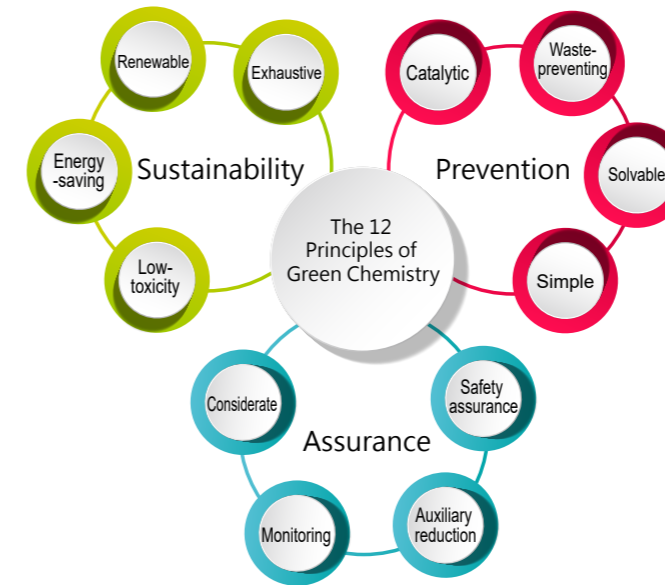
1. Establishing management policies for product technology and patents.
2. In the key work of annual policy plan, projects including process improvement, new product development, forward-looking technology assessment, and patent applications are formulated to continuously enhance products and technologies, develop series of products, or apply for structural and process patents.
3. Establishing management indicators such as contributions from new products and the percentage of revenue from sustainable products.
4. Utilizing internal and external resources with the goal of enhancing product development capabilities.

Number of Patents

In 2023, Everlight applied for a total of 5 patent technologies in Taiwan, with 3 patents granted. By the end of 2023, a total of 198 patent technologies had been accumulated in various countries.

In 2023, Everlight obtained a total of 971 patents in various countries, an increase of 14 from 2022.

III. Amplifying the Benefits of Sustainable Products



Everlight defines sustainable products based on the 12 Principles of Green Chemistry and the seven indicators of Use-Phase Efficiency (UPE) outlined in the SASB standards for Chemicals Industry. Sustainable products must adhere to the following principles:

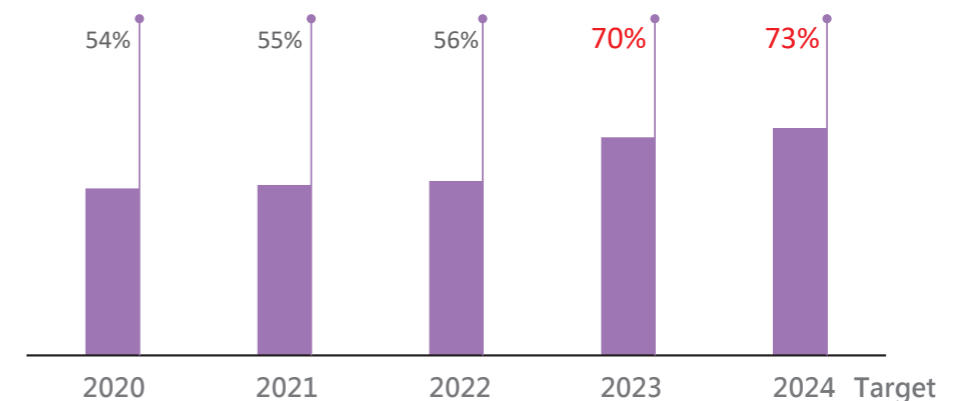
- Water conservation
- Energy conservation (reducing carbon emissions/greenhouse gas emissions)
- Chemical reduction
- VOC reduction (volatile organic compound reduction)
- Reduction of environmental hazardous substances
- Extension of product lifetime
- Use of bio-based raw materials

Everlight has been increasing the proportion of UPE products year by year. In 2023, the proportion of UPE products increased to 70% compared to 2022. Everlight aims to continue expanding the proportion of UPE products in the future.(RT-CH-410a.1)

UPE Product Sale		2022	2023	2024
Percentage of UPE Products in Business Unit and Total Group Revenue	Target	56%	58%	73%
	Actual	56%	70%	
UPE Product Revenue (NT\$ million)	Actual	4,980	5,474	

Note 1: In 2023, the group re-evaluated the UPE product screening criteria, hence the actual achievement was 70%, exceeding the originally set target.

Proportion of Everlight UPE products in turnover



Applying green chemistry throughout the entire product lifecycle (RT-CH-410b.2)

Raw Materials Usage

- Do not use environmentally harmful substances and seek bio-based and recyclable materials as much as possible: All raw materials comply with the Hazardous Substance Free (HSF) specifications of various industries, and also comply with the RoHS 2.0 directive and other regulations. We manage all substances in a database and continuously monitor domestic and international regulations to ensure compliance and the absence of harmful substances.
- Choosing packaging materials that are recyclable and comply with Classification, Labelling, and Packaging (CLP) regulations, or selecting environmentally certified paper products.

Manufacturing Process

- Using atom efficiency as a benchmark to improve product utility, reduce waste, and maximize efficiency.

Customer Use

- Our Use-Phase Efficiency (UPE) concept aims to enhance customer use efficiency. For instance, our dye products assist customers in reducing water and energy consumption during usage.



Example: Replacing petrochemical solvents with bio-based environmentally friendly solvents in our photoresist products to reduce environmental impact.



Example: Developing dye products like Everzol ED and Everzol ERC series, which can potentially save 60,975,930 kWh of electricity for dyeing factories compared to traditional reactive dyes under standard dyeing conditions.

End-of-Life Management

- Emphasizing the selection of materials that reduce environmental impact, opting for recyclable organic solvents, reducing waste, and designing chemicals with high utility and durability.



Example: the sustainable toner product E628-1 can extend lifespan, save energy, and reduce toner waste by nearly 40%, thus minimizing environmental impact.

Promoting green chemistry throughout the supply chain

Everlight extends the practice of green chemistry throughout the entire supply chain, implementing various management schemes such as green procurement and green supply chain. We assess and select suppliers based on the 12 principles of green chemistry, ensuring compliance with legal and regulatory requirements. We conduct regular visits to suppliers each year to assess their compliance with environmental and social indicators and provide ESG training course to enhance awareness of chemical safety among supply chain partners. Our goal is to enhance the awareness of chemical safety among our supply chain partners.



Special Report

Dual-axis Transformation: Innovative Journey of Everlight Chemical

We have long been committed to sustainable development, investing significant resources in technological innovation and product safety, and striving to achieve dual-axis transformation. Among them, the latest achievement in 2023—Eversorb® AQ, not only represents a technological breakthrough but also embodies our steadfast commitment to product responsibility.

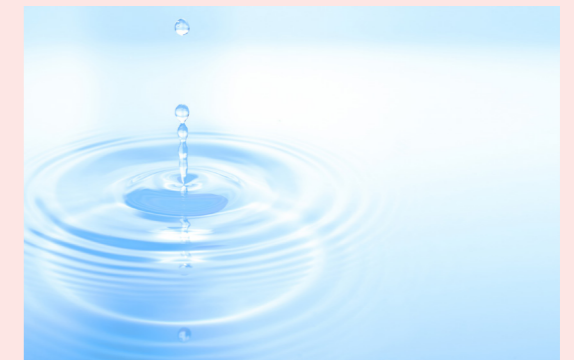


Conquering Challenges, Leading the Sustainable Revolution: The Remarkable Achievement of Eversorb® AQ

During the development process of Eversorb® AQ technology, we faced numerous challenges and difficulties. However, we persevered and overcame various obstacles from conception to final launch. Eversorb® AQ became the only B2B industrial chemical product to enter the finals in over 30 years and received the Taiwan Excellence Silver Award, demonstrating our outstanding performance in technological research and quality control.

Guardians of the Environment: The Positive Impact and Wide Application of Eversorb® AQ

Eversorb® AQ not only represents a technological innovation but also makes a positive contribution to environmental protection. Through the use of environmentally friendly materials and production processes, it reduces adverse environmental impacts, helps reducing the use of solvent-based coatings and VOCs, and achieves environmentally friendly production. Eversorb® AQ is not only a technological innovation but also a highly versatile product. It is used not only in coatings but also in various polymer materials, enhancing long-term weather resistance and stability, and increasing the added value of customer products.



Promoters of Sustainable Transformation, a Firm Leader in Green Chemistry: Everlight Chemical

We are fully confident in the future and will continue to uphold our mission as a leader in green chemistry, continuously promoting industry transformation to provide low-pollution, high-quality chemical products. We aspire to contribute to Taiwan's industry and sustainability and realize the vision of "Better Chemistry, Better Life".



Eversorb® AQ does its part for environmental protection!

