



# Part 3

## Safe and Reliable Cheng Shin Tire

### Key Performance

- ◆ Performance of car, recreational and commercial tires: UHP ultra-high performance tire VS5, winter tire WP6, all-season car tire AP3, all-season commercial tire AL2, and other products have won excellent evaluation results from international evaluation organizations and well-known media

| Product              | Publishing Magazine  | Specification/Tread | Rating           |
|----------------------|----------------------|---------------------|------------------|
| Car tires            | Auto Strassenverkehr | 225/45R18 VS5       | Recommended      |
|                      | ADAC                 | 225/40R18 VS5       | Recommended      |
|                      | ADAC                 | 235/55R17 HP5       | Recommended      |
|                      | Aftonbladet          | 225/45R17 VS5       | Recommended      |
|                      | ADAC                 | 205/55R16 WP6       | Recommended      |
|                      | Autobild Allrad      | 225/55R17 WP6       | Satisfying       |
|                      | Autobild Sportscars  | 225/40R18 WP6       | Satisfying       |
|                      | Auto Strassenverkehr | 225/50R17 WP6       | Recommended      |
|                      | Autozeitung          | 205/55R16 WP6       | Very recommended |
|                      | AMS                  | 225/50R17 WP6       | Very recommended |
|                      | Autobild             | 205/55R16 AP3       | Satisfying       |
|                      | SportAuto            | 225/45R18 AP3       | Recommended      |
| Recreational vehicle | Autobild Allrad      | 255/55ZR18 VS5 SUV  | Satisfying       |
| Commercial tires     | Promobil             | 215/75R16 AL2       | Satisfying       |
|                      | Autobild             | 235/65R16 AL2       | Satisfying       |



## Achievements of bicycle tire products:

MAXXIS High Road and High Road SL were the designated tires for the World Class Motorcycle Team, Team Israel Start-Up Nation (Team ISN), in 2020, and obtained good performance in the Winner - Alex Dowsett (Team ISN) in Grio d'Ltalia \_ Race 8 and Winner - Dan Martin (Team ISN) in La Vuelta\_ Race 3 in 2020.



High Road SL

The 2020 MMB UCI World Cup champions Elite Man-Matt Walker (Madison Saracen) and Elite Woman-Marine Cabirou (Scott DH) used MAXXIS tires.



MINION DHF



MINION DHR II

## Achievements of ATV tire products:

US ATV racer Hunter Miller took first place in the Can-Am King of the Hammers UTV Series, designated to use MAXXIS tires.



M-SC1

US ATV racer Hunter Miller took first place in the KING OF HAMMERS Series, designated to use MAXXIS tires.



ML7

## Achievements of off-road motor tire:

### MXGP World Tour in 2020:

- ◆ In 2020, the player was sponsored to win the champion of EMX125 for the second time. The position of competing tires MX-ST and MX-SM have been strengthened.
- ◆ MAXXIS sponsored racer Mattia Guadagnini to win the second place in the 2020 EMX250. MAXXIS sponsored racer Brian Borgers to overtake last year's world champion in the 2020 MXGP Limburg MXGP Group qualifying competition. Tim Gajser ranked first, fifth in Race 2, and sixth overall in the sub-station.



EMX125 Overall  
Champion of the Year



EMX Overall Champion  
of the Year



MX-ST

## Achievements of M/C group tire products:

### Important awards and achievements of S98P product development:

- ◆ 2020/07/28 TSR R.4 EVS10.0 - Final Champion
- ◆ 2020/07/28 TSR R.4 125 Group A - Final Champion
- ◆ 2020/07/28 TSR R.4 125 Group A - Final Runner-up
- ◆ 2020/07/28 TSR R.4 125 Group A - Third Place in the Final



### 3.1 Safe and Reliable Cheng Shin

| Item                     | New Product Management Strategy of Cheng Shin   |
|--------------------------|---|
| Importance               | <ul style="list-style-type: none"> <li>The quality of tires involves the safety of the driving and the passengers. Therefore, the safety of tires is the most important core value in the design, development, and production of Cheng Shin’s new products.</li> <li>In order to help consumers choose suitable tires, all kinds of products meet the requirements of product information labeling regulations in the sales region.</li> </ul>                          |
| Policy/Commitment        | "Quality first, customers satisfied" is the Company’s core competitive strategy for its products.   |
| Goals and Targets        | Innovative R&D technology to improve product performance, expecting to improve product identification, expand and capture the market, enhance the development of the enterprise.  |
| Responsibility           | Parent and subsidiary companies and main products, research and development departments, etc.   |
| Communication Channels   | Product service telephone and mailbox.  |
| Action Plan              | <ul style="list-style-type: none"> <li>Constantly research and develop various series of high-performance tires, including fuel-efficient environment-friendly tires, low rolling resistance tires, safety tires, etc., to enhance product safety and energy saving.</li> <li>Pass the test by relevant certification units around the world and obtain the guarantee of product safety, do the most stringent check for the safety and health of consumers.</li> </ul> |
| Effectiveness Assessment | <ul style="list-style-type: none"> <li>Key performance indicators for product performance in 2020.</li> <li>No major violations of marketing, labeling, and other product-related laws in 2020.</li> </ul>  |

#### 3.1.1 Product Quality Management

The tire has been an indispensable part of all kinds of vehicles, but also a security part of the vehicle. Its quality is involved in the safety of driving and passengers. Therefore, the safety of products is the most important core value in the design, development, and production of Cheng Shin’s new products. In addition, before leaving the factory, the product size, column pressure, durability and high-speed, and other related tests will be carried out internally to ensure the quality of the product and to do the most rigorous check for the safety of consumers.



When tires are used in driving, safety is the most basic and important link that cannot be ignored. Based on customer-oriented, after confirming customer needs, Cheng Shin produces products as needed and regards product safety as the most basic and important core value. Cheng Shin has passed the test by relevant certification units around the world and obtained the guarantee of product safety, and did the most stringent check for the safety of consumers.

Cheng Shin has obtained strict safety certification all over the world. The strict standard verification enables Cheng Shin's products to shine in every corner of the world and practice the brand spirit of "Maxxis Everywhere".



E-Mark Certificate from the Economic Commission for Europe (ECE)



Thailand TISI-Mark

DOT

US Department of Transportation



Philippines BPS-Mark



Indonesia SNI Certification - Standard National Indonesia; Indonesia National Standard



Brazil INMETRO Certification - National Institute of Metrology, Quality and Technology



Taiwan Standard Inspection Certification - BSMI-Mark



India ISI Certification - The ISI Standard Mark



CNS-Mark



China Compulsory Certification

## Quality First, Customer Satisfaction

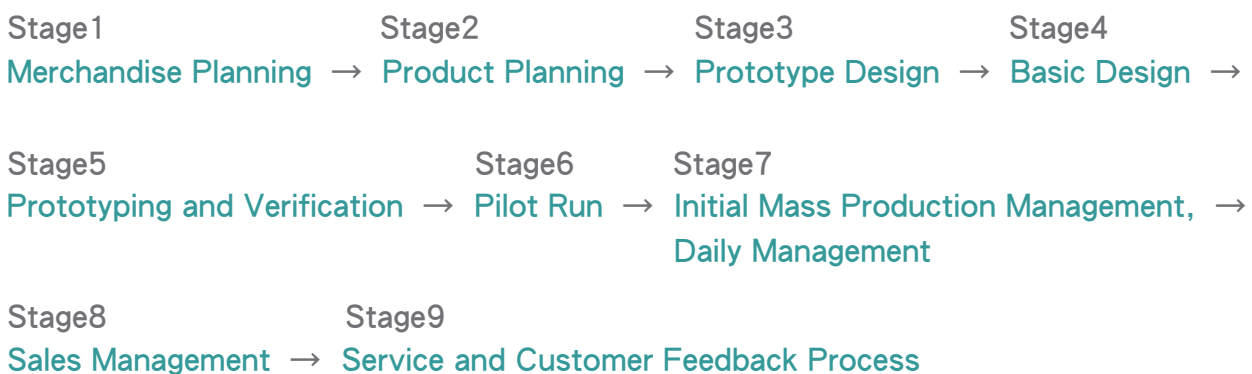
"Quality first, customers satisfied" is the Company's core competitive strategy for its products. In terms of the quality system, Cheng Shin is implementing comprehensive quality management and have obtained ISO9001 and IATF16949 quality management system certification, and set up a dedicated quality department to promote Cheng Shin's quality management activities:

| Region          | Quality Management System  |
|-----------------|--|
| Taiwan Region   | All production activities are 100% ISO9001 compliant<br>The production activities of car tires and truck and bus tires are 100% IATF16949 compliant (Note) |
| Mainland Region | All production activities are 100% ISO9001 compliant<br>The production activities of car tires and truck and bus tires are 100% IATF16949 compliant (Note) |

Note: IATF16949 is a quality management system for the automotive/motor industry supply chain.

| Quality Activities | Responsibilities   |
|--------------------|--|
| Quality Assurance  | Establishment/maintenance and management of quality assurance system and quality management system, quality improvement, standardization planning/promotion and management, planning/implementation, and management of quality auditing activities |
| Quality Management | Implement and evaluate quality management activities of supplier, raw material, process, semi-product, finished products   |

Based on the basic quality policy of "Quality First, Customer Satisfaction", the Quality Assurance Department has formulated Cheng Shin's quality management structure, with 9 stages of quality management.



The quality management of Cheng Shin has passed the certification of ISO9001/IATF16949, which is the basis and guideline of our quality management policy and standard procedure.

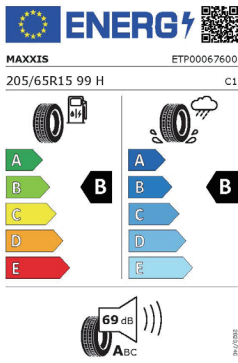
The products of Cheng Shin have passed the certification required by the EU and customers and are in compliance with the chemical restricted substances specification to ensure that there is no lasting damage to the environment.

To give a correct concept of "quality" to employees, Cheng Shin urges all employees to adhere to the idea and practice of "Quality First" for products, work, service, etc. Every new employee of Cheng Shin is required to receive a basic quality education when entering the factory and to recognize the basic core concept of "Quality First" from the very beginning. In addition, quality-related courses are also arranged in regular annual education and training for all levels of personnel to continuously strengthen Cheng Shin's adherence to quality and management improvement.

### 3.1.2 Explicit Product Labeling

Automotive markets around the world have tire labeling requirements in order to help consumers pick out tires that are suitable for their use. Our products are sold around the world and are in compliance with applicable product labeling regulations in the countries/regions of distribution.

In accordance with the concept of environmental protection and safety, countries in various regions have formulated tire certification labeling regulations, which mainly regulate tire rolling noise, wet grip, and rolling resistance. Our tires sold to all the regions and countries are in compliance with applicable regulations.



EU Interpretation of Labeling of Tires

### Europe

In June, The Regulation (EU) 2020/740 on the Labeling of Tires was published in June to replace the former Regulation (EU) EC1222/2009 on the Labeling of Tires and to require information on all tires sold in European countries to be uploaded and disclosed to the EPREL system. The new labels will be mandatory from May 2021, and all Cheng Shin tires sold to EU countries are subject to this regulation.

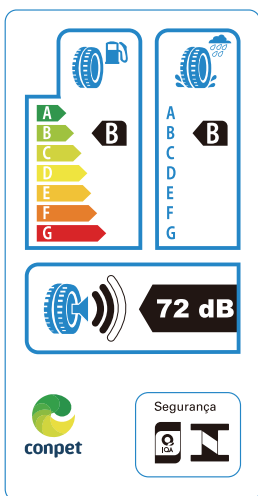


Saudi Arabia Interpretation of Labeling of Tires

### Middle East Gulf Countries (GCC)/Saudi Arabia

Tires for passenger cars and for commercial light trucks and trucks sold to the Middle East Gulf Countries are required to comply with the Vehicle Tires Rolling Resistance and Wet Grip Requirements (GSO ECE 117:2016) from January 2016 and January 2017 respectively, and all Cheng Shin tires sold to the Gulf countries comply with such requirement.

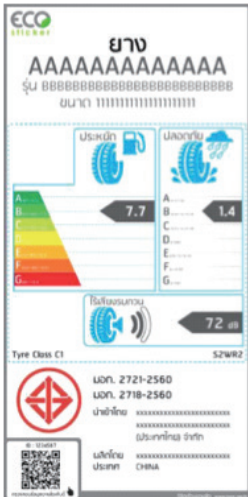
Since November 2015, all tires sold to Saudi Arabia must comply with the Vehicle Tires Rolling Resistance and Wet Grip Requirements (SASO 2857:2016), and all Cheng Shin tires sold to Saudi Arabia comply with such requirements.



Brazil Interpretation of Labeling of Tires

### Brasil

Since November 2016, all tires for cars, commercial light trucks, and trucks sold to Brazil must comply with the Tire Rolling Noise, Wet Grip, and Rolling Resistance Requirements (INMETRO #544), and all Cheng Shin tires sold to Brazil comply with such requirement.



Thailand Interpretation of Labeling of Tires

### Thailand

The Thailand Industrial Standards Institute (TISI) was established with the approval of the Cabinet of the Thai Government to act as a national standard legislative body to enact and amend relevant laws and regulations.

Tires for passenger cars and for commercial light trucks and trucks sold to Thailand from September 2019 are required to comply with the Tire Rolling Noise, Wet Grip, and Rolling Resistance Requirements (TISI 2721-2560), and all Cheng Shin tires sold to Thailand comply with such requirement.

### Taiwan

In November 2019, the Bureau of Energy, Ministry of Economic Affairs, and Automotive Research & Test Center (ARTC) established the "Energy-Efficient Tire Industry Alliance" to introduce energy-saving labels for car tires, and manufacturers shall apply for energy-saving labels by themselves. According to the rolling resistance, the labeling can be divided into three grades: A, B, and C. The rolling resistance of grade A is the lowest one, which can save up to 8% fuel after measured, while the fuel-saving of grade B and C is 6% and 4%, respectively. And Cheng Shin has 1 grade A tire, 19 grade B tires, and 24 grade C tires being sold in China

ME3T  
205/55R16

# MAXXIS®

## MECOTRA ME3T

# 205/55R16 91V



更多資訊請參閱網站

| DOT QUALITY GRADES |          |             |
|--------------------|----------|-------------|
| TREADWEAR          | TRACTION | TEMPERATURE |
| 380                | AA@BC    | @BC         |

標稱胎面寬度 (mm)

標稱扁平比(%) (胎高H/胎寬W)

輪胎結構代號 (R:徑向型)

標稱輪圈直徑代號 (in.)

載重指數

速度代號

產品名稱：專用輪胎

數量：1條

用途：專用

產地：台灣

規格：如標紙上之標示

保存期限：5年

主要成分：橡膠、鋼絲、帆布、纖維

製造日期：詳如輪胎側，(數字前兩碼為生產週期碼，後兩碼為西元年份)

製造業者：正新輪胎工業股份有限公司

地址：彰化縣大村鄉廣興村美港路215號

服務電話：(0800-092212)

代理商名稱：馬吉斯貿易股份有限公司

代理商電話：04-8383083

代理商地址：彰化縣員林市三善里基光路180號

ETP02188100



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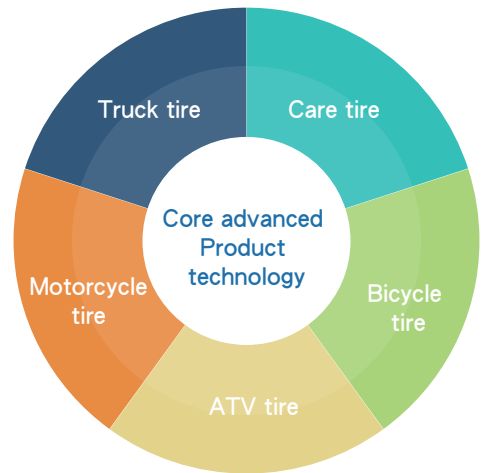
使用方法及注意事項：

- 請由專業人員依據車輛規格、用途，建議最適當的輪胎種類。
- 各種輪胎請依規定使用標準輪圈組裝。
- 請依標準規定之胎壓充氣，使用適當之胎壓，空氣應必須定期補充。
- 輪胎裝完成後，請確實檢查輪胎與輪圈有無密封及試水確認有無漏氣。
- 製造週期超過5年，應檢驗是否應繼續使用，製造週期超過10年，建議儘速更換輪胎。
- 胎面全寬具有6個磨耗底限指標，當胎面磨耗指示平臺與胎面切齊時，表示胎面殘溝不足1.6mm，應立即更換輪胎。
- 輪胎有缺損或異常磨損時，請由專業人員判定是否可繼續使用。
- 避免存放於日光直接照射或雨水浸淫以及高溫、火花、熱源附近之處所。
- 避免遭受油類或化學藥品污染。



## 3.2 Leading Technology, Innovative Cheng Shin

According to the changes in market and environment and increasingly strict safety, environmental laws, and regulations for tires, Cheng Shin has introduced new products such as high-performance tires, low-rolling resistance tires, safety tires, smart tires, all-weather all-season tires, winter snow tires, and all-steel wire radiated tires to meet the demands of wet grip, abrasion, noise comfortability, and better fuel-efficient performance. Through continuous improvement of its core technologies, Cheng Shin is committed to creating more valuable and safer products to meet customer needs



### Care tire:

- ◆ New winter tire WP6 with innovative technology

The WP6 is the latest generation of winter tires designed for optimum grip in winter road conditions such as snow and ice. The all-silicon tread rubber provides excellent braking performance in wet winter. The V-shaped main groove ensures a safe grip on the ground in snowy road conditions and provides optimal water dispersion, thus improving the resistance to water skiing. New high-strength materials are used to improve the control and stab prevention performance, as well as to reduce the calorific value between the tire body and increase mileage.



The serrated side groove wall design provides fast-breaking water film in wet land to optimize wet performance, as well as fast breaking the snow column in the groove in snow-field to optimize the performance on the snow ground.



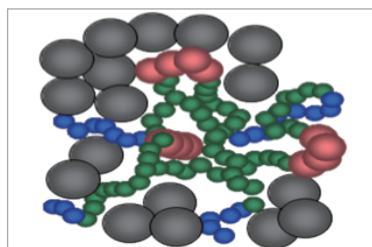
"Figure eight-shaped" side groove design is aimed to reduce the rolling resistance, increase the friction, thus improving the braking performance.



The multi-functional 3D cutter groove design provides good lateral rigidity to improve the control under dry and wetland conditions while extending the pattern grip edge to ensure the tread performance on the snow ground.



The low-rolling resistance bead filler formula design provides the performance of low heating to improve the performance on the snow ground.



After the introduction of new formula and technology, the formula, crude rubber, and drug are mixed up more evenly so as to ensure the controllability of the tire

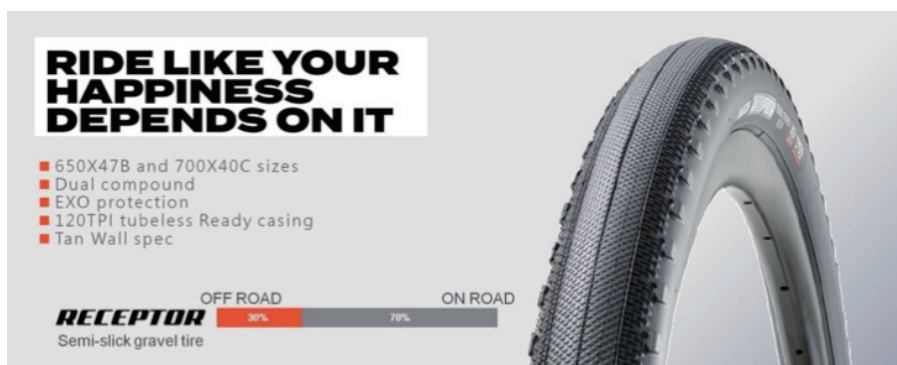


**Bicycle tire:**

NEW HIGH ROAD Brand new high-performance racing-class road tires. With Maxxis rubber technology-HYPR and Maxxis's latest stab prevention technology-ZK, 170TPI lightweight body, combined with the speed and the all-around grip performance, is the best partner in your competition.



NEW Semi-Slick Grave - RECEPTOR Brand new racing-class road off-road vehicle tires. With the Maxxis 120TPI lightweight and high-strength new body technology, combined with tread design with speed and turning performance, it is the best choice for your off-road racing.

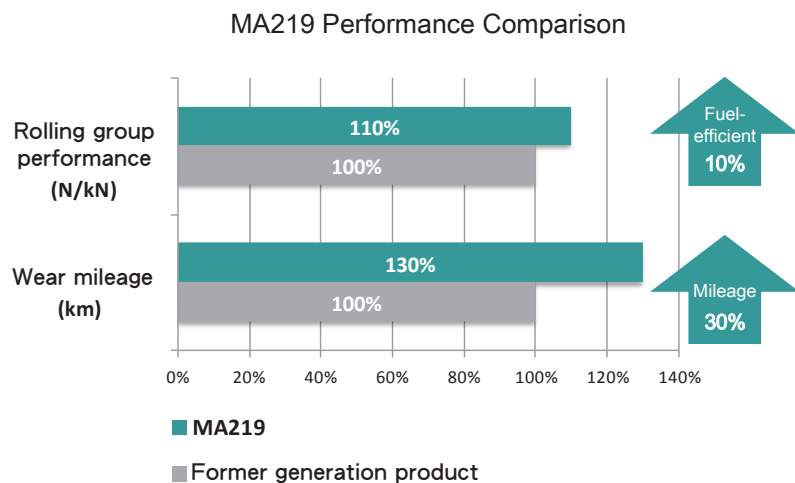


## Truck and bus tires

Governments are striving to promote policies and laws to reduce environmental pollution to protect the ecological environment. How to enable the tire to reduce the resistance consumption of rolling to reduce carbon emissions and increase the wear mileage and prolong the service life of the tire is the most closely linked environmental consensus between Cheng Shin and the fleet.

In 2019, MAXXIS developed a new generation of low-rolling resistance truck and bus tire products, combined with the introduction of "HD-Blended" mixing technology, effectively reducing rolling resistance, thus facilitating customers to achieve fuel-saving and energy-saving and improving the durability of tires.

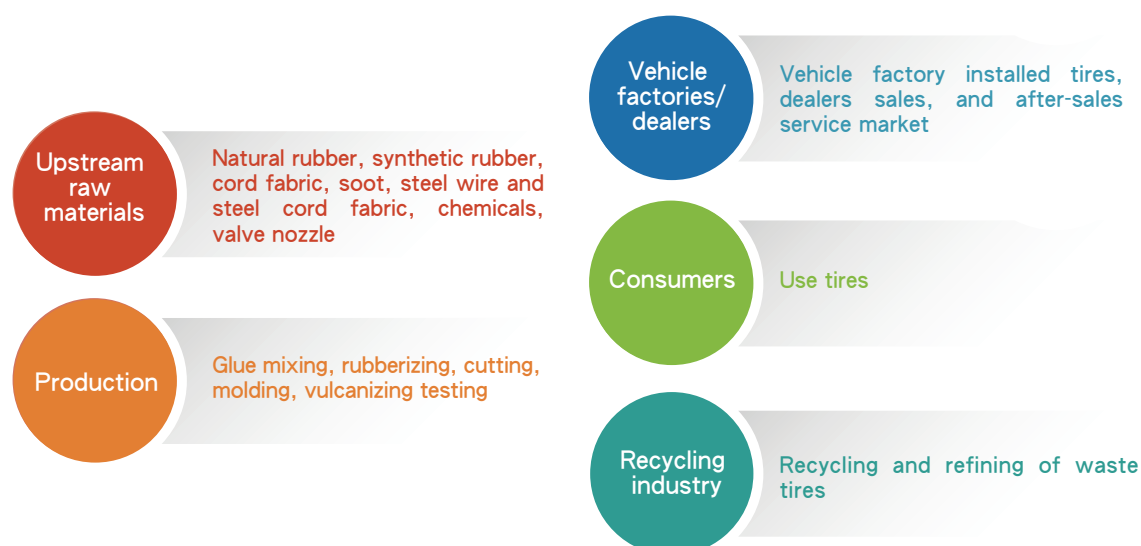
On the topic of corporate sustainability - the circular economy is an important project. For the MAXXIS all-steel wire radiating layer product, a new generation of high-tension tire wire has been developed to preserve the tire body for retread and greatly reduce the environmental pollution caused by tire scrap. A new generation of high-performance truck and bus tire - MA219, with the measured mileage of the first 315/80R22.5 in Long-Haul road conditions increased by 30% compared with the previous generation, has been highly recognized by the market. The development of 3 extension specifications (295/80R22.5, 12R22.5, and 11R22.5) has been carried out.



## 3.3 Supply Partner, Making Joint Efforts with Cheng Shin

### 3.3.1 Cheng Shin's Partners

Cheng Shin has always been operating the relationship with raw material suppliers from the perspective of partners and pursuing the close long-term cooperative relationship with suppliers with the concept of Team Work, expecting to achieve sustainable operation and create a win-win situation. The main product value chain of tire products from upstream raw materials, production, vehicle factories and dealers, consumer use to tire recycling is as follows:



In the value chain, Cheng Shin maximizes product value with safe and reliable tires. Among the upstream raw materials, rubber raw materials, equipment, and molds are the three major suppliers of Cheng Shin, and the bulk purchase of raw materials mainly includes natural rubber, synthetic rubber, cord fabric, soot, steel wire, and steel cord fabric, accounting for about 80% of the total purchase amount.

The number of raw materials purchased in 2020 and the proportion of local purchasing from 2018 to 2020 of Cheng Shin are as follows:

#### Taiwan Region

| Name of Raw Material                             | 2020 Purchased Quantity (tons) | Proportion of Local Purchases |       |       |
|--|--------------------------------|-------------------------------|-------|-------|
|  |                                | 2018                          | 2019  | 2020  |
| Natural Rubber (Note 1)                          | 34,886                         | 0.0%                          | 0.0%  | 0.0%  |
| Synthetic Rubber (Note 2)                        | 33,756                         | 27.0%                         | 43.0% | 47.0% |
| Fabric   | 9,643                          | 53.0%                         | 52.0% | 62.0% |
| Soot   | 35,162                         | 98.0%                         | 98.0% | 98.0% |
| Steel Wire and Steel Wire Curtain Cloth (Note 3) | 13,955                         | 0.0%                          | 0.0%  | 0.0%  |

Note 1: Natural rubber is mainly produced in Thailand, Vietnam, China, and other places, while Taiwan completely relies on imports since it is located in a non-rubber producing area.

Note 2: The sharp decline in the procurement proportion of synthetic rubber in 2018 was due to the fact that domestic manufacturers were forced to turn to imports from overseas due to tight domestic supply and much higher prices than the international market. After 2019, As the prices of domestic manufacturers are slowing and close to the international market, the proportion of domestic procurement has picked up significantly.

Note 3: Taiwan manufacturers of tire-free steel wire and steel cord cloth must rely on imports.

## Mainland Region

| Name of Raw Material                       | 2020<br>Purchased Quantity (tons) | Proportion of Local Purchases |        |       |
|--|-----------------------------------|-------------------------------|--------|-------|
|  |                                   | 2018                          | 2019   | 2020  |
| Natural Rubber                             | 54,408                            | 98.8%                         | 99.0%  | 99.2% |
| Synthetic Rubber                           | 46,256                            | 51.8%                         | 52.2%  | 49.8% |
| Fabric                                     | 8,087                             | 90.6%                         | 90.6%  | 89%   |
| Soot                                       | 48,593                            | 100.0%                        | 100.0% | 100%  |
| Steel Wire and Steel Wire<br>Curtain Cloth | 30,752                            | 100.0%                        | 100.0% | 100%  |

### 3.3.2 Supply Chain Management Policies of Cheng Shin

Cheng Shin has a rigorous audit process for suppliers, which includes product verification, qualification examination, and on-site factory audit as the benchmark for supplier audit.

Among the key projects of supplier site visit, in terms of the environment, we pay particular attention to the compliance with EU Chemical Safety (REACH) - Regulation (EC) No. 1907/2006 EU Substance of Very High Concern (SHVC) and Material Composition (e.g., IMDS). In the aspect of labor and human rights, we focus on suppliers' employment and training health, safety, and environment, as well as the Responsible Business Alliance (RBA), and carry out audit in accordance with the RBA international conventions and local labor standards act.

Cheng Shin attaches great importance to every product delivered to consumers and takes this as our guiding principle in choosing partners:

- (1) The capacity scale of the major suppliers can fully supply the production demand.
- (2) Each supplier has a large number of factories and can dispatch immediately in case of an emergency.
- (3) Major suppliers of raw materials shall at least obtain the ISO9001 or IATF 16946 quality system certification.
- (4) The production plant of raw materials shall be examined and verified by the Group, including the corporate business license and the legality of product production.

Cheng Shin classifies the results of supplier evaluation into four grades: A, B+, B, and C. For suppliers recognized, Cheng Shin carries out re-evaluation according to the annual supplier delivery quality performance. If the supplier's annual results are all Grade A, re-evaluation shall be arranged at least once every three years, and the process is the same as that of new supplier recognition so as to ensure continuous improvement of supplier quality.

#### Classification of Supplier On-site Audit Results

Grade A suppliers: 90.0~100: qualified, preferential purchasing, and can increase purchase orders.

Grade B+ suppliers: 86.0~89.9, Grade B suppliers: ~85.9: qualified.

Grade C suppliers: <79.9: (Taiwan) need further improvement, can be judged as qualified after reexamination.

(Mainland region) In addition to strengthening incoming inspection, arrange on-site supplier audit separately.

## Taiwan Region

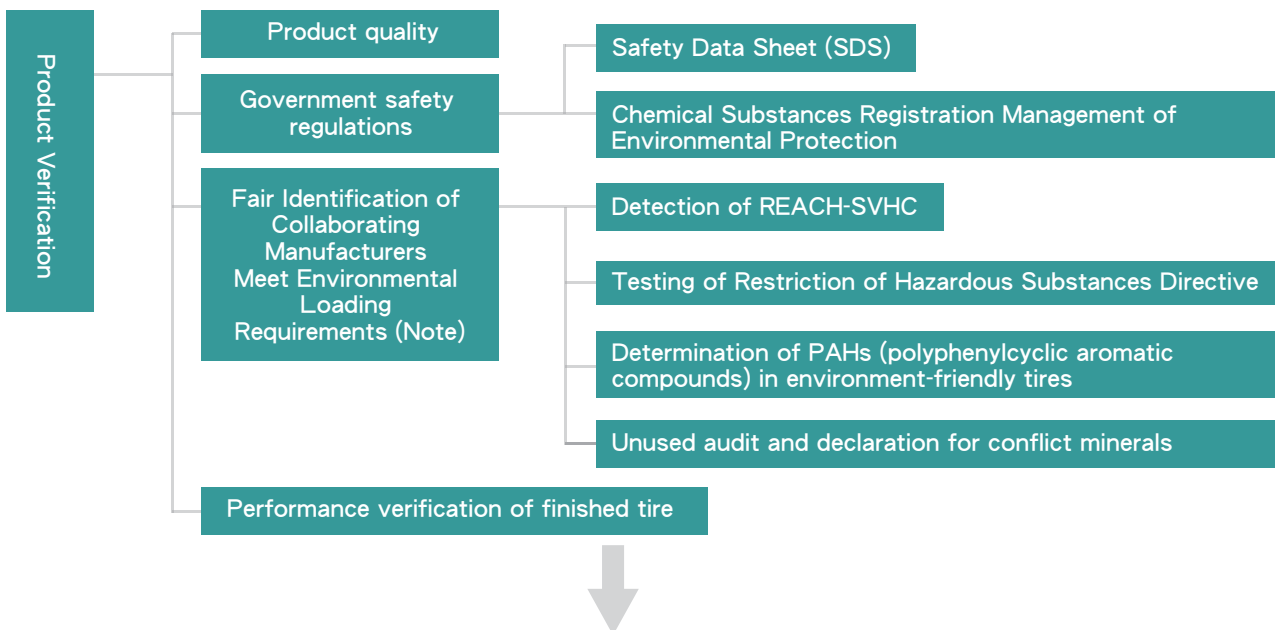
|                    |   |         |                               |                            |
|--------------------|---|---------|-------------------------------|----------------------------|
| New Supplier       | New Supplier Assessment                   | 0       | Grade A : 0<br>Grade B+ : 0   | Grade B : 0<br>Grade C : 0 |
| Existing suppliers | On-site assessment                        | 5(Note) | Grade A : 2<br>Grade B+ : 3   | Grade B : 0<br>Grade C : 0 |
|                    | Performance assessment of supply capacity | 105     | Grade A : 103<br>Grade B+ : 0 | Grade B : 2<br>Grade C : 0 |

Note: In 2020, field assessments were originally scheduled to carry out for 18 manufacturers. Due to the COVID-19 epidemic, field assessments were carried out for 5 domestic manufacturers only, while "self-assessment" was implemented by foreign manufacturers, and field assessment will be arranged after the epidemic eases down.

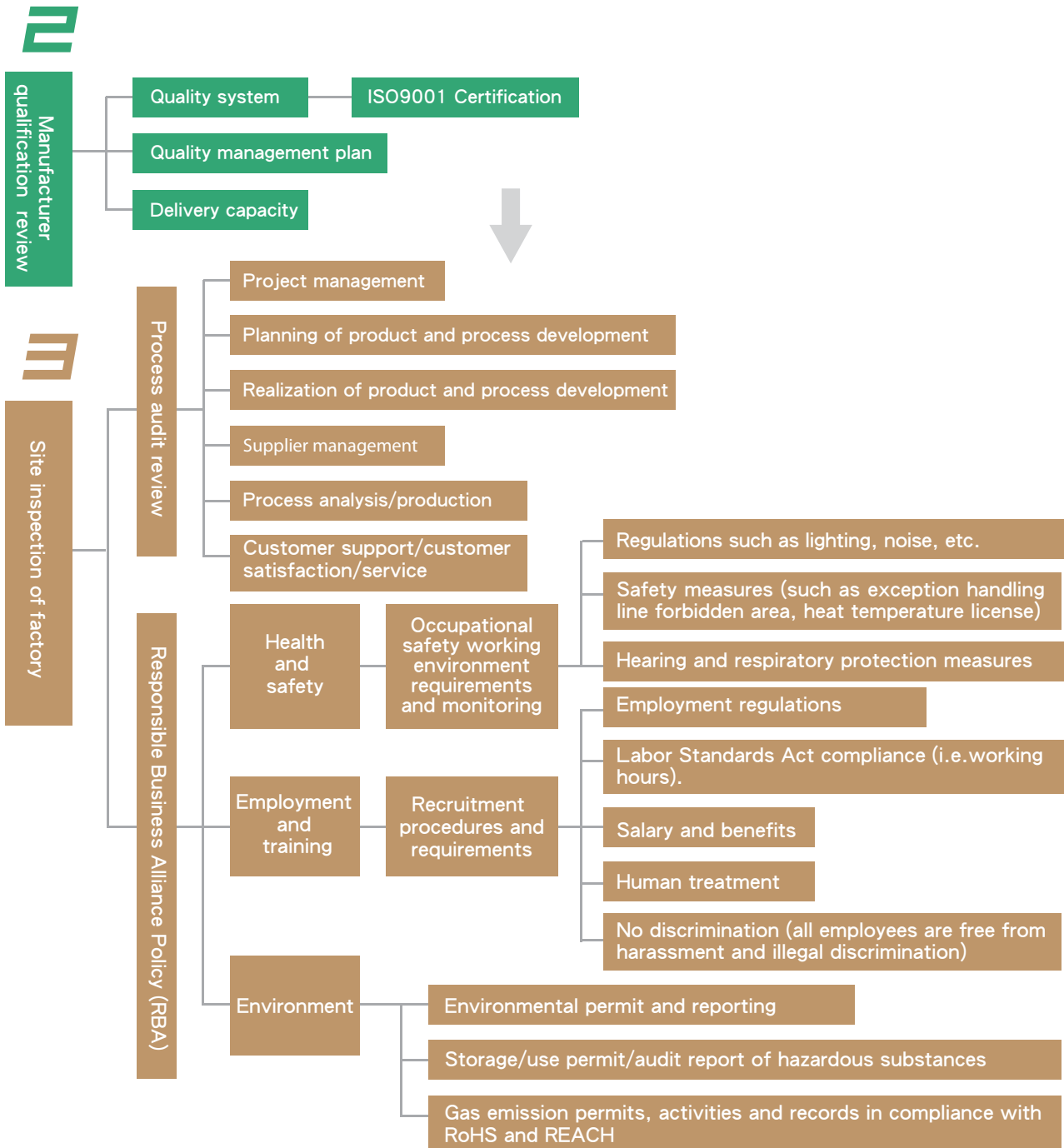
## Mainland Region

|                    |   |    |                              |                            |
|--------------------|---|----|------------------------------|----------------------------|
| New Supplier       | New Supplier Assessment                   | 2  | Grade A : 0<br>Grade B+ : 1  | Grade B : 1<br>Grade C : 0 |
| Existing suppliers | On-site assessment                        | 26 | Grade A : 9<br>Grade B+ : 16 | Grade B : 1<br>Grade C : 0 |
|                    | Performance assessment of supply capacity | 77 | Grade A : 76<br>Grade B+ : 1 | Grade B : 0<br>Grade C : 0 |

### 7



Note: The environmental evaluation of new suppliers include "government safety regulations" and "fair evaluation of cooperative manufacturers with environmental load requirements", 100% of which is included in the evaluation as the scoring item



In addition to supplier assessment and evaluation, Cheng Shin requires its raw material suppliers to provide inspection reports from quality laboratories or cooperative manufacturers for each batch of goods. After receiving the goods, Cheng Shin will conduct a batch inspection or sampling inspection to ensure the quality of raw materials. Besides the quality control of its own products, Cheng Shin also has requirements on the quality of raw materials from upstream so as to ensure that it can provide consumers with safer and more quality-guaranteed products.

Cheng Shin requires all suppliers to observe the Responsible Business Alliance (RBA) standards, abide by RBA and sign the letter of commitment. The Company’s internal employees should sign the Letter of Commitment on Clean Practice for Employees to prevent abuses and combat corruption.

To ensure the timely raw material supply to production and operation, the Company has worked out the internal management procedure for the implementation of the Emergency Response Plan. Moreover, the Company decides an emergency topic based on the external climate change and organizes an emergency response drill. In 2020, the Company implemented 2 drills, they are: 1. Drill of manufacturers’ business suspension due to the impact of COVID-19 pandemic; 2. Annual regular drill.

## 3.4 Customer Satisfaction

### Customer Satisfaction Survey

To provide tires more in line with the needs of consumers, Cheng Shin keeps close to consumers through market research and market satisfaction survey every year and develops new products through research and innovation with a rigorous attitude in the face of all customer voices, including tread design, controllability, quietness, comfortability and abrasion resistance, etc., to maintain the direction of technology research and development to be consistent with that of market pull demand according to the satisfaction analysis result, so as to thoroughly understand the voice of customers and create customer value.

#### Taiwan Region

In 2020, a total of 377 questionnaires on consumer satisfaction in Taiwan region were sent out, and 359 of them were recovered, with a recovery rate of 95.2%. The findings are as follows:

The survey results analysis of each item is as follows:

| Customer Type | Item Investigated   | 2018 | 2019 | 2020 |
|---------------|---------------------|------|------|------|
| End-consumers | Tread design        | 1.80 | 3.72 | 3.43 |
|               | Controllability     | 4.10 | 4.03 | 4.01 |
|               | Quietness           | 3.10 | 3.02 | 3.17 |
|               | Comfortability      | 3.00 | 2.98 | 3.11 |
|               | Abrasion resistance | 3.00 | 3.01 | 3.20 |

Note: Score method of questionnaire survey

A score of 5 is very satisfied, 4 is satisfied, 3 is normal, 2 is dissatisfied, and 1 is very dissatisfied.

In the survey of 2020, the score of tread design and controllability showed a slight decline, while the quietness, comfortability, and abrasion resistance showed a slight growth trend. It is concluded that the new product MS2 car tires were launched in 2020, which is specially designed for families and drivers who pay attention to "quietness" and "comfortability" to meet the needs of middle and high-end car users. According to the actual driving conditions and weather conditions in Taiwan, Cheng Shin has enhanced the "safety" performance on dry and wetland roads, enabling car owners to enjoy a quiet and comfortable time on the driving journey.

Compared with the VS5 high-end performance tire launched in 2019, the product focuses on braking distance reduction on dry and wet ground, as well as driving controllability, which is significantly different from the MS2 flagship tire launched in 2020, which may further directly affect the product impression at the time of rating by consumers.

In the fierce and severe market competition, Cheng Shin adheres to the concept of "Customer Expecting Value (CVP)" to develop products that meet the needs of customers, allowing the "Customer Value Proposition" to be focused, which results from effectively addressing "Customer Concerns", grasping every opportunity to serve customers, integrating customers' opinions and related needs, and using its own key resources to meet customer needs. Cheng Shin has created high-quality products and perfect services while actively establishing different channels to increase the interaction with consumers and trying its best to achieve customers' expectations, which enables Cheng Shin to obtain more opportunities to realize customer satisfaction.



## Mainland Region

In mainland region, the main customers are brand car manufacturers and dealers. Therefore, in mainland China, customers satisfaction surveys were conducted on these two types of customers every six months. The survey results of the past three years are as follows, with the dealers' business policies and channel policies, which are calculated by the weighted average:

| Customer Type              | Item Investigated          | First half of 2018 | Second half of 2018 | First half of 2019 | Second half of 2019 | First half of 2020 | Second half of 2020 |
|----------------------------|----------------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|
| Automobile brand customers | Lead time                  | 29.7               | 29.5                | 29.6               | 30                  | 30                 | 30                  |
|                            | Quality                    | 29.2               | 29.5                | 29.2               | 29.7                | 29.3               | 29.4                |
|                            | Price                      | 7.6                | 7.7                 | 7.9                | 8.2                 | 8                  | 8.6                 |
|                            | Development                | 14.2               | 13.7                | 13.1               | 13.9                | 13.8               | 14                  |
|                            | Service                    | 14.6               | 14.8                | 14.5               | 14.9                | 15                 | 15                  |
|                            | Total score of OE customer | 95.3               | 95.2                | 94.3               | 96.7                | 96.1               | 97                  |
| Dealer customers           | Car products               | 86                 | 90                  | 86                 | 85                  | 88                 | 86                  |
|                            | SUV products               | 86                 | 90                  | 86                 | 85                  | 88                 | 86                  |
|                            | Off-road SUV products      | 86                 | 90                  | 86                 | 85                  | 88                 | 86                  |
|                            | Commerical                 | 86                 | 90                  | 86                 | 85                  | 88                 | 86                  |
|                            | Service                    | 87                 | 89                  | 83                 | 84                  | 84                 | 81                  |
|                            | Promotion                  | 69                 | 71                  | 69                 | 77                  | 77                 | 72                  |
|                            | Brand promotion            | 78                 | 82                  | 80                 | 78                  | 78                 | 75                  |
|                            | Dealer's business policies | 80                 | 83                  | 83                 | 78                  | 80                 | 77                  |
|                            | Channel policies           | 78                 | 80                  | 74                 | 78                  | 80                 | 74                  |
|                            | Average                    | 82                 | 85                  | 81                 | 82                  | 82                 | 80                  |

## 3.5 Protect Customer Privacy

| Item                     | Customer Privacy Policy of Cheng Shin   |
|--------------------------|---|
| Importance               | As for the privacy of customers' intellectual property and identity, Cheng Shin has always handled every document and data file related to the confidentiality of products with the most rigorous attitude.   |
| Policy/Commitment        | <ul style="list-style-type: none"> <li>Set up and fully update the automatic active file encryption system.</li> <li>Establishment of the document review mechanism.</li> </ul>   |
| Goals and Targets        | Strive for "Data Protection, No Disclosure", giving customers and suppliers ease feeling to provide their information to Cheng Shin when doing business.  |
| Communication Management | Free consultation service line and customer service center mailbox. °   |
| Action Plan              | <ul style="list-style-type: none"> <li>Start the system installation and update from the key departments, and then expand to the whole Taiwan marketing departments.</li> <li>Cheng Shin's files must be reviewed by the administrator for file decryption requirements.</li> <li>A single window file decryption review mechanism for each department can ensure that every decryption request is reviewed at the same high standard.</li> </ul> |
| Effectiveness Assessment | No written complaints of violation of customer privacy or loss of customer data.  |

Cheng Shin has always been the most rigorous attitude to completely protect the customer's intellectual property and identity privacy, control every product confidentiality and confidentiality of documents and information files. Therefore, through the continuous updating of data and the establishment of leakage protection mechanism, we strive to achieve "data protection without leakage", so that customers and suppliers can completely rest assured when dealing with Cheng Shin.

The key points of the implementation of customers' personal information management policy in Taiwan region in 2020 are as follows:

1. Set up and fully update the automatic active file encryption system.
2. Establishment of the document review mechanism.

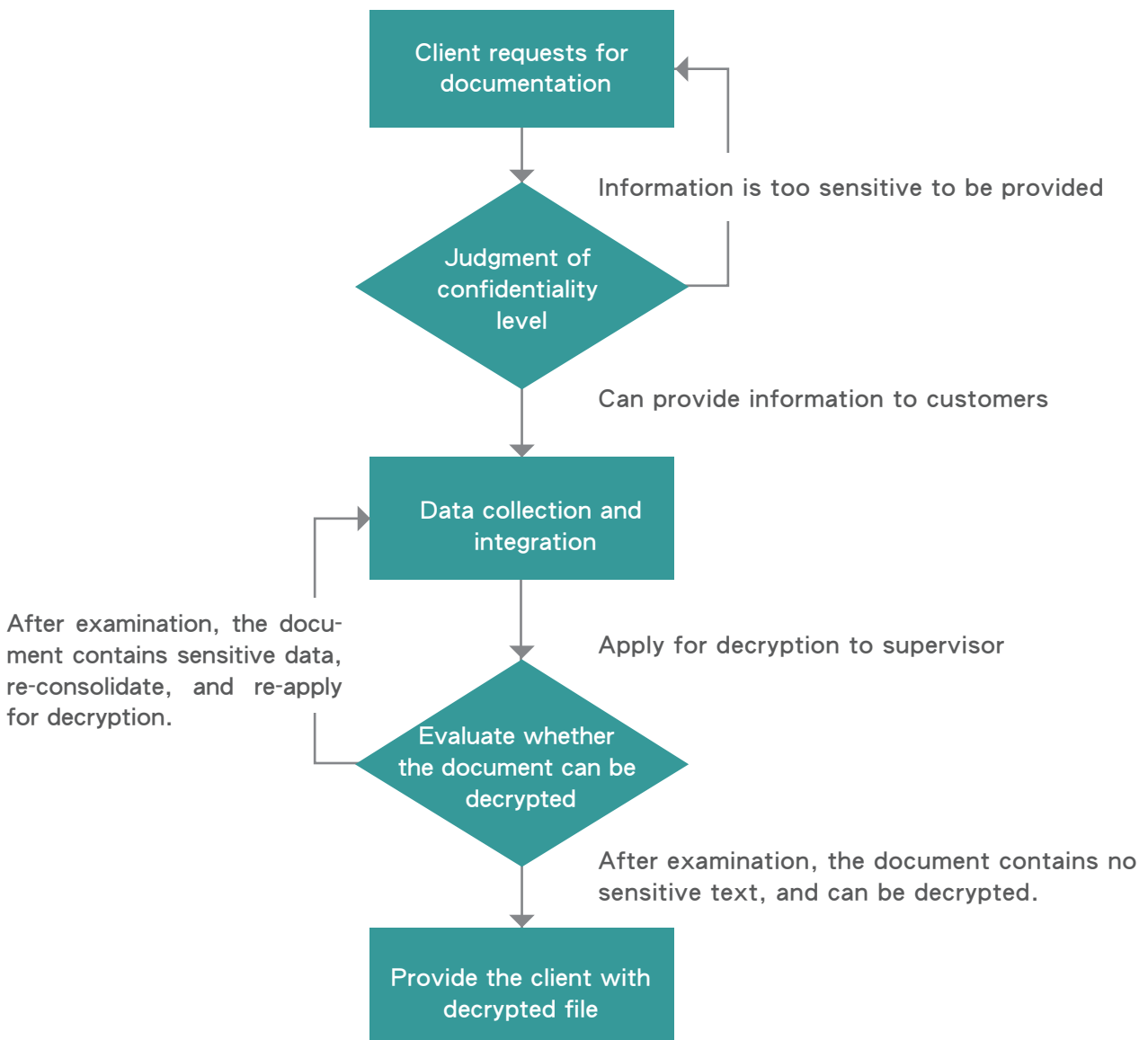
### Implementation Methods

1. Start the system installation and update from the key departments, and then expand to all departments of Cheng Shin.
2. Cheng Shin's files must be submitted to the designated supervisor for review and decryption.
3. Only one single window file decryption review mechanism has been set for each department to ensure that every decryption request is reviewed at the highest standards.

Technology is changing rapidly, advancing at an unpredictable speed as a whole to meet the needs of the future technology society. Under the rapid development, it has changed the life of human beings in all aspects, among which the data protection with a large amount of information becomes more important.

In addition to multiple protection on data encryption, Cheng Shin strengthens the protection of customers' intellectual property. In addition, Cheng Shin is equipped with an automated electronic data protection system in the office computers, which allows customers' sensitive files to be protected from the moment they are received by Cheng Shin, actively preventing any files from being opened by any non-Cheng Shin personnel. More importantly, any unauthorized operation will be recorded and tracked to the managers and general users of the operation, including decrypted files, printed files, deleted files. In the event of any abnormal operation, the system will immediately alert the system manager to understand and analyze the abnormal behavior. Meanwhile, the abnormally opened files will also show garbled to avoid the risk of disclosure of confidential documents.

In 2020, there were no written complaints of violation of customer privacy or loss of customer data in the Taiwan region and mainland region. Cheng Shin strictly manages and maintains the storage and use of the intellectual property rights and privacy information provided by customers and keeps confidential the contract products, projects under development, and related product information of customers. With the efforts of all staff and the operation of the data protection system, Cheng Shin does a perfect job in data protection, enabling customers to rest assured and trust Cheng Shin.



## 3.6 Abide by Product Regulations

Tires are the key safety features of all types of vehicles, and, therefore, the regulations in each country provide clear and strict rules regarding tire standards, specifications and requirements applicable to tire products.

In distribution and marketing, tire manufacturers are also required to comply with relevant laws and regulations and are prohibited from engaging in activities in violation of competition and marketing laws.

The Legal Division of the General Manager Office of the Head Office shall be the final judgment department for the Group's compliance with the law and regulations. All group enterprises and factories also have dedicated staff to act as windows for compliance with laws and regulations of local authorities so as to keep abreast of the latest legal developments and adjust our operation management from time to time.

In terms of product compliance, it mainly includes the following categories:

1. Product specifications and standards: such as the specifications and safety factors of products set by various countries.
2. Product labeling and disclosure of information: specifications for labeling on products and for information to be disclosed to the public.
3. Product sales and marketing laws: such as the antitrust, advertising, and marketing laws to be followed.
4. Product usage and service provision laws: for example, tires over a certain number of years shall not be used for commercial purposes, used or sold as products of inferior quality.

Cheng Shin has always adhered to strict compliance with the laws and regulations. During the year 2020, there were no major violations of the laws as described above in the Taiwan region and the mainland region, and no major complaints were received by the compliance communication channels with the competent authorities and local residents.

The US Department of Commerce has declared an antidumping and anti-subsidy measure against light truck and passenger tires originating out of Taiwan, Korea, Thailand, and Vietnam. At present, Cheng Shin of Taiwan has been imposed a lower initial antidumping tax rate than those of other tire manufacturers in the region, and the final antidumping decision will be subject to the announcement of the US Department of Commerce in May 2021.

For compliance matters, Cheng Shin also opens the public channels for stakeholders to contact and communicate with Cheng Shin directly:

Free consultation service line: 0800-092123 Customer Service Center

Service time: Monday ~ Friday 08:00 AM ~ 05:30 PM

E-mail: [svc@mail.cst.com.tw](mailto:svc@mail.cst.com.tw)