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PHISON

2020
Corporate Sustainability Report

About this Report

Phison Electronics Corp. (hereby referred to as Phison Electronics) was founded in Hsinchu, Taiwan in November 2000 and is currently headquartered in Zhunan Township, Miaoli County. Starting with the world's first System on a Chip (SoC) USB drive IC, Phison is now a market leader in NAND controllers. In addition to our excellent economic performance, we also value positive contributions towards corporate governance, supply chain management, customer interests, employee care, environmental sustainability, and charity and welfare as we move towards our vision of sustainable development.

Reporting Period

The Corporate Sustainable Development Committee at Phison Electronics compiles and publishes a report of the Company's non-financial information each year. The committee published the "Phison Electronics 2020 Corporate Sustainability Report" (here by referred to as "the Report") on June, 2021, with Chinese and English versions posted under the CSR Section of our website for stakeholder to peruse. The Report covers the Company's economic, social, and environmental performance, as well as management methods and responses for major themes between January 1 and December 31, 2020. Phison Electronics has published 8 annual Corporate Sustainability Report since 2013.

Reporting Scope

The organizational boundaries of this Report is set according to the principles for consolidated reports. The reporting scope covers all operating locations of Phison Electronics in Taiwan (see note). Details and calculation methods of revisions or special disclosure requirements shall be noted in the relevant data and paragraphs.
The Company's financial information was audited by Deloitte & Touche. All financial information in the Report is disclosed in NTD, and all statistics are calculated based on indicators used internationally.

Note: Phison Electronics operating locations in Taiwan include the Phison Electronics Headquarters, Phison Electronics Taipei Office, Phison Electronics Keyi Plant, and Phison Electronics Hsinchu Plant.

Reporting Basis

This Report was compiled according to the "Corporate Social Responsibility Report Authoring and Reporting Guidelines for TWSE/TPEx-listed Companies" and the Core option of the GRI Standards published by the Global Reporting Initiatives (GRI).

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Contact information

- Phison Electronics: Corporate Sustainable Development Committee
- Address: No.1, Qunyi Rd., Zhunan Township, Miaoli County
- CSR website: Homepage > CSR
- CSR mailbox: csr@phison.com
- Telephone: +886-37-586896
- Fax: +886-37-587666

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K. S. Pua

Words from Chairman

Sustainable development is the guiding principle of Phison Electronics. Promoting the shared prosperity of society and the environment through hard work and leading technologies has been the core value of Phison Electronics since the day it was founded. In the pursuit of profit and growth, corporations must also pay attention to environmental protection, social responsibility, and corporate governance. Since its establishment, Phison Electronics has not only strived to develop its business, but also worked hard to maintain good relationships with stakeholders and pursue sustainable development through social participation and fulfilling its responsibilities as a corporate citizen.

2020 has been a challenging year for Phison Electronics and the rest of the world. In addition to the disastrous COVID-19 pandemic, the way the pandemic has changed people's lifestyles and impacted society and the environment is no doubt an issue the world must face and reflect upon together.

Business Performance

Through its status as an industry leader and leading technology, Phison Electronics' annual revenue reached record heights of NT$48.5 billion in 2020. Such an outstanding performance is not only a testament to the hard work of everyone at Phison Electronics, but also a clear display of how the Company's unique operation model is able to ride the waves of the volatile memory storage industry and build a strong foundation for sustainable development.

Corporate Governance

It has always been the goal of Phison Electronics to establish a comprehensive corporate governance system as the foundation of the its sustainable future. In 2020, Phison Electronics held 14 Board meetings (with a 98.05% average attendance rate of Directors) and established 2 female independent directors (accounting for 22% of all board members and higher than the proportion of female directors in Taiwan's public companies) to implement corporate governance and gender equality.In addition, the Company established "Ethical Corporate Management Best Practice Principles" and "Rules for Board of Directors Performance Assessments" and officially introduced the Security Scorecard information security system in August 2019 (the Company achieved an A rating in 2020), not only implementing an open, ethical, and efficient governance structure, but also continuing to upgrade and strengthen information security.

Environmental Protection

Phison Electronics began construction of new phase V offices in March 2020 to expand its research and development space. Not only did Phison Electronics incorporate green building design into the phase V offices, but it also strived to reduce energy and resource consumption throughout the construction process by increasing the greening of the construction site, storing and utilizing rain water, recycling water from daily miscellaneous uses, and using green building materials.

Furthermore, the water and electricity consumption intensity and emissions intensity of Phison Electronics in 2020 have decreased compared to the previous year, indicating that the Company has improved its energy and resource efficiency. Phison Electronics launched two energy-saving programs this year, conserving an estimated 12,021 kWh of electricity. These efforts represent Phison Electronics' commitment to pursue business development but also pay continued attention to the issue of global warming and do its part to make the environment and the earth a better place through concrete actions to conserve energy and reduce emissions.

Social Participation

While pursuing development, profit, and growth, Phison Electronics remains committed to its intentions to give back to society. In 2020, the Company donated nearly NT$16 million of funds and in-kind giving, with up to 26 relevant donations and collaborative partners. Phison Electronics also did its part to contribute to social stability and shared prosperity, caring for disadvantaged families during the pandemic and raised NT$830 thousand for the "Epidemic-Prevention Resource Donation Drive" of the Taiwan Fund for Children and Families. The money raised is expected to help nearly 2000 young children in 1100 families.

Good work environment, compensation, and benefits is the way to build long-term development with employees. Therefore, in 2020, Phison Electronics finished converting to the new version of the "ISO 45001 Occupational Safety and Health Management System" to create a healthy and safe work environment. The Company distributed a special 20 year anniversary bonus of NT$15 thousand and allocated NT$110 million for project incentive bonuses. The Company also spent approximately NT$3.6 million on annual education and training, which includes a total of 191 physical classes (the 173 classes surveyed had an average satisfaction score of 94 out of 100). The Company is committed to building a happy workplace and continuing to work hard towards a sustainable future.

2020 Major Achievements and Sustainable Management Performance

External awards

Organizer	Award
DOIT	Flash Memory World 2020 - Top 10 Flash Drive Companies

Internal Optimization

Corporate Governance	Held 14 Board meetings with an average Director attendance rate of 98.05%.
	Two female Board members, accounting for 22% of all Board members, which is higher than the proportion of female directors in Taiwan's public companies.
	Continued revenue growth, reaching the historic height of NT$48,496,522,000 with an annual growth rate of 8.5%. The annual gross profit also reached historic heights at 12,247,475,000 with continued growth over the years.
	Established the "Ethical Corporate Management Best Practice Principles" and "Rules for Board of Directors Performance Assessments" to implement an open, ethical, and efficient governance structure.
	Officially introduced the Security Scorecard information security system in August 2019. Through continuous upgrades and enhancements, the Company achieved an A rating in 2020.
Environmental Protection	Phison Electronics incorporate green building design into the phase V offices. It also strived to reduce energy consumption, resource consumption and emissions throughout the construction process by increasing the greening of the construction site, storing and utilizing rain water, recycling water from daily miscellaneous uses, and using green building materials. ∘
	Compared to 2019, Phison Electronics reduced water intensity (water consumption/million revenue) by 6.02% electricity intensity (electricity consumption/million revenue) by 2.93%, and greenhouse gas emissions intensity (emissions volume/million revenue) by 2.81%.
	The Company launched two energy-saving programs, saving an estimated 1,2021 kWh, which is equivalent to NT$32,457 in electricity fees.
Social Participation	The Company distributed a special 20 year anniversary bonus of NT$15 thousand and allocated NT$110 million for project incentive bonuses.
	The Company spent NT$3.6 million on annual education and training, which includes a total of 191 physical classes. The 173 classes surveyed had an average satisfaction score of 94 out of 100.
	Completed the conversion to the new version of "ISO 45001 Occupational Safety and Health Management System".
	The Company contributed a total of NT$15,586,288 (including donations of funds and in-kind giving) towards charitable causes, with 72 volunteers, 3,413 participants, 249 volunteer hours, and 26 collaborative partners.

Responding to UN SDGs

1 NO POVERTY	✓ Donated NT$2.08 million of cash and resources to social welfare organizations.
2 ZERO HUNGER	✓ Raised NT$830 thousand for the "Epidemic-Prevention Resource Donation Drive" of the Taiwan Fund for Children and Families, which will provide good and other necessities for 1100 disadvantaged families. ✓ Donated NT$100 thousand to the 1919 Food Bank to provide food packages for disadvantaged families.
3 GOOD HEALTH AND WELL-BEING	✓ Donated NT$5.2 million to NGOs promoting healthcare.
4 QUALITY EDUCATION	✓ Donated NT$4.28 million to schools and educational activities.
8 DECENT WORK AND ECONOMIC GROWTH	✓ The average salary for full-time employees in non-managerial positions is NTD 2,869,000, increased by 23.0% to 2019. ✓ The median salary for full-time employees in non-managerial positions is NTD 2,332,000, increased by 22.4% to 2019.
13 CLIMATE ACTION	✓ Launched two energy-saving programs, conserving an estimated 12,021 kWh of electricity. ✓ Reduced electricity intensity (electricity consumption/ million revenue) by 2.93% compared to 2019. ✓ Reduced greenhouse gas emissions intensity (greenhouse gas emissions/million revenue) by 2.81% compared to 2019.
17 PARTNERSHIPS FOR THE GOALS	✓ Sponsored a research fund of NT$1.5 million for relevant industry associations. ✓ Provided police stations and fire stations with NT$620 thousand of SSD products.

COVID-19 Prevention Column

The COVID-19 pandemic spread across the world in January 2020, posing a major threat to the world economy and the health of mankind. In the early stages of the pandemic, Phison Electronics established an "epidemic-prevention response team" headed by the director of the Administration Division to establish and implement policies, hold regular epidemic-prevention meetings to discuss policy directions, carry out epidemic-prevention measures according to announcements by the CDC, protect employees' health, reduce the risks of infections, and ensure that the Company continues to maintain normal operations.

Also, we have divided our epidemic-prevention measures into three levels based on the daily information updated by the CDC: Imported cases only, isolated local cases, and community transmission. The Company shall make flexible adjustments according to the current situation to implement the most suitable epidemic-prevention measures. The Company has also implemented various employee care policies to allow employees to balance their work and families more flexibly.

The pandemic has caused many people to face financial difficulties and made it harder for charitable organizations to raise money. Phison Electronics offered timely help to give back to society. In three days, the employees of Phison Electronics raised NT$830 thousand for the Taiwan Fund for Children and Families, organized the Family Day Charity Fundraising event, and raised money for the 1919 Food Bank. The Company also provided epidemic-prevention resources to the hardworking police and healthcare units, donating 100 sets of solid state drives to improve the administrative efficiency of Hsinchu police's epidemic-prevention efforts and medical-grade ultraviolet sterilization equipment to support healthcare staff.

Employee care policies

1. Those in self-guarantine/isolation: In line with the epidemic-prevention policies, the Company's leave-taking rules are compliant with government regulations, allowing employees to work from home with pay.
2. In response to delayed school openings in 2020: The Company offered 21 days of epidemic prevention family care leave, 3 of which are paid, which is more generous than government requirements.
3. Establish special offices: For employees who are in good health but are required to self-monitor their health.
4. Company travel: Considering the health and safety of our personnel, the group travel subsidies planned for teambuilding shall be uniformly distributed.
5. Collective purchase of face masks: When face mask supplies were running low across Taiwan,the Company utilized its resources to help employees buy enough face masks while also giving employees face masks covers to help extend the service life of face masks.
6. Establish ways to contact the epidemic-prevention team: Employees can ask questions anytime (healthcare@phison.com)

Daily work environment management

1. **Employees need to monitor their body temperatures before entering the workplace:**
   The Company purchased an infrared thermal sensor to improve temperature screening efficiency. If an employee's temperature exceeds 37.5 degrees, the Company shall check if they are unwell and encourage them to seek medical attention.
2. **Visitor and contractor entry management at the security office at the gate:**
   Take temperatures, fill out statements of health, wear face masks, and use hand sanitizer.
3. **Epidemic-prevention educational training:**
   Turned epidemic-prevention information into a mandatory e-learning course for employees.
4. **Employee statement of health:**
   Must be filled out by employees regularly through the system.
5. **Returning from overseas:**
   In addition to following the government-required quarantine and selfhealth management, the Company is more cautious and requires employees to be symptom-free for 30 days before returning to work at the plant.
6. **Outdoor business area:** For business visitors.
7. **Regular cleaning and maintaining indoor air circulation:**
   The entire plant is disinfected daily (using diluted bleach) and sterilized with UV sterilization lamps weekly.
8. **Goods/package management:**
   Packages entering the plant are disinfected with alcohol. The Company shall refuse all private packages from countries with high COVID-19 risks. ◦
9. **Group drills:**
   Employees are divided into groups A and B to conduct drills for a staggered shift pattern in case the epidemic worsens.
10. **Video calls and remote connection setup:**
    The Company encourages employees to make good use of digital tools, maintain close customer relationships through video conferencing, or increase the Company's capacity for taking orders online through digital technology, preparing enough information and equipment for employees to work remotely or from home.
11. **Health management and epidemic-prevention campaigns:**
    Track at-risk individuals, establish re sponse procedures for suspected or confirmed cases, post announcements, limit the number of elevator passengers, and other measures implemented in accordance with the policies of the Central Epidemic Command Center.

1.About Phison

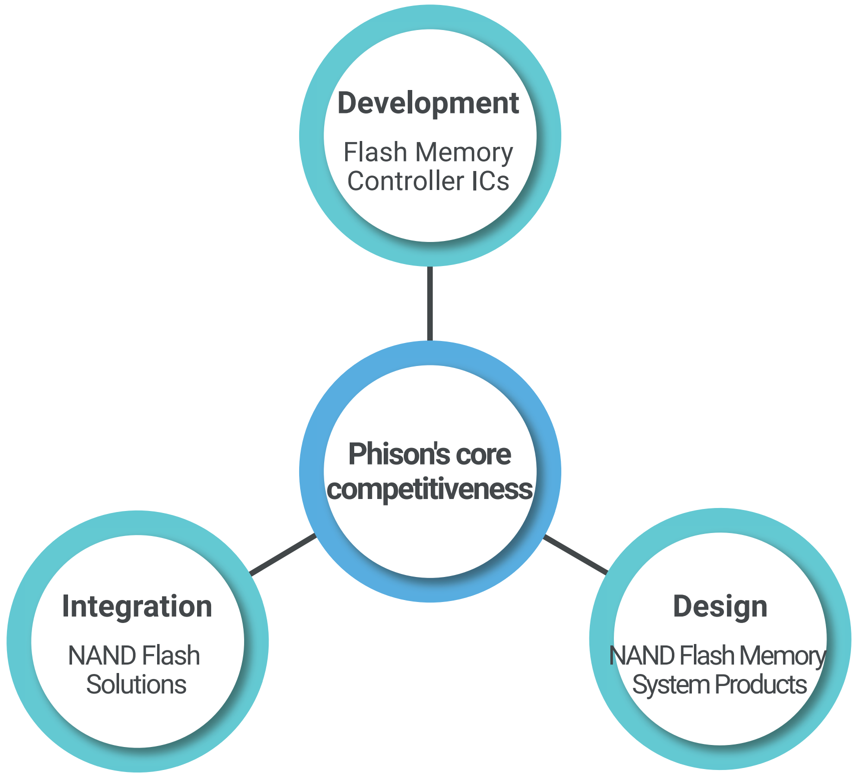
1.1 Company Profile

Location of headquarter	No.1, Qunyi Rd., Zhunan Township, Miaoli County
Date of establishment	November 8, 2000
Chairman	Khein Seng Pua
President	Chee Kong Aw Yong
Capital	NT$1,970,740,000
Number of employees	2,178
Business category	Semiconductor industry
Main business activities	IC Design / Semiconductor Manufacturing / Computers and Peripheral Equipment Manufacturing
Stock Code	8299

1.1.1 Business philosophy and development strategies

Upholding its business philosophy of "integrity, sharing, efficiency, and innovation", Phison has specialized in the development and design of NAND Flash Memory controller ICs. Starting from the world's first Single-of-Chip (SoC) USB flash drive controller and world's first USB PenDrive, Phison has continued to develop its core technologies and expand NAND storage solutions, becoming the most complete and advanced NAND storage solution provider around the world. Since the Company's start in the consumer market, its business now covers AIoT, embedded systems, automotive, edge computing, e-gaming, EmbeddedODM, servers, and all high-end NAND application markets, delivering a full range of NAND storage solutions with highly flexible and customized services to customers.

In 2020, the Company acquired Super Storage Technology Corporation as its subsidiary. The acquisition is expected to give the Company more control in special process development and trial productions, allowing the Company to transfer technologies to downstream processing plants once the technologies have matured to improve development efficiency.


Development
Flash Memory Controller ICs
Phison's core competitiveness
Integration
NAND Flash Solutions
Design
NAND Flash Memory System Products

1.1.2 Milestones

Build a Solid Foundation

2000
Founded at ITRI Incubator

2002
Toshiba acquired a stake in Phison

TOSHIBA

2004
Became OTC listed in Taiwan

TAIWAN
STOCK EXCHANGE

Enhanced Core Competencies

2006
Launched SD 2.0 Card controller IC

2007
Developed controller IC for USB and SD/MMC that support 50-nm flash memory

2019
World First Pcle Gen4x4 NVMe SSD Controller PS5106-E16

2020
Launched the world fastest Pcle Gen4x4 SSD controller IC PS5018-E18

Develop Strategic Alliances

2008
Started a strategic partnership with Kingston & SK Hynix for further stabilized supply of flash- memory materials

Kingston TECHNOLOGY

2010
Entered the eMMC market in partnership with Kingston

2020
Established an R&D center in Colorado with strategic partners to advance in the enterprise-level SSD market.

Expand Markets Positioning

2012
eMMC reached 1 million units cumulative

2014
microSSD research and development entered the servers market

2017
Announced world's fastest UFS 2.1 Dual Lane Controller

2019
Entered the AIOT, automotive, servers, and other high-end NAND storage application markets.

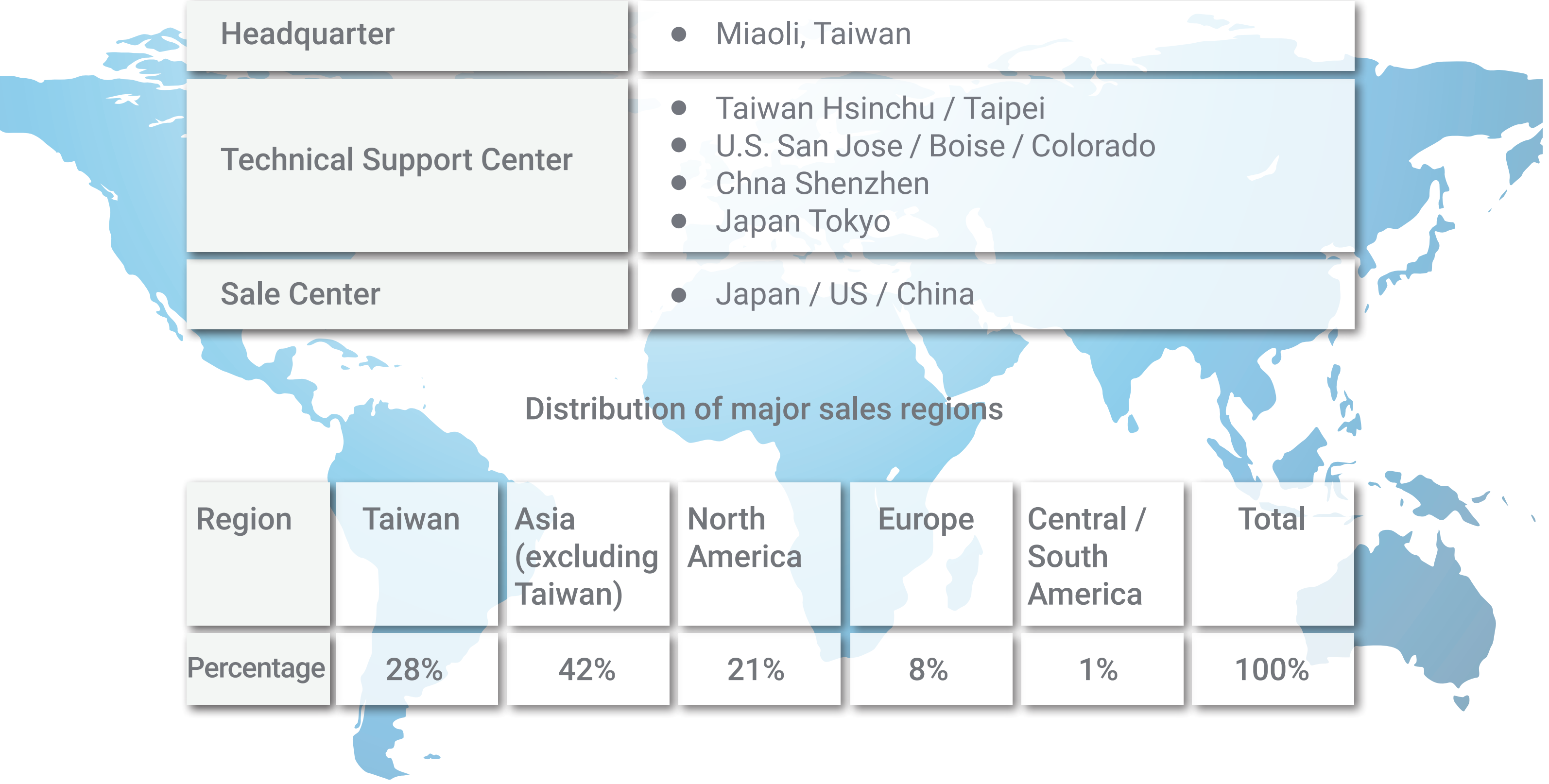
1.2 Primary Products and Sales Regions

1.2.1 Core Products

Through our world-leading flexible operating model of R&D, Design, and Integration, Phison Electronics is constantly improving the overall added-value of flash memory, providing the most comprehensive solutions in the industry to satisfy the needs of our global partners and customers. Phison's primary products include USB flash drives, SD/microSD memory cards, eMMC, PATA / SATA / PCIe SSD and UFS and other NAND controllers. Phison's products have widespread applications, including consumer applications, embedded applications, industrial control storage applications, vehicle storage applications and enterprise-level applications.

1.2.2 Sales market

Phison is headquartered in Miaoli, Taiwan, with subsidiaries in Japan, China, and the US to form closer partnerships with our international business partners. The Company has sales centers around the world, with technical support centers in Tokyo, Japan, San Jose/Boise/Colorado, USA, and Shenzhen, China to provide local customers with the most timely technical support and deepen international partnerships.



Operation Distribution of Phison Electronics

Headquarter	● Miaoli, Taiwan
Technical Support Center	● Taiwan Hsinchu / Taipei ● U.S. San Jose / Boise / Colorado ● Chna Shenzhen ● Japan Tokyo
Sale Center	● Japan / US / China

Distribution of major sales regions

Region	Taiwan	Asia (excluding Taiwan)	North America	Europe	Central / South America	Total
Percentage	28%	42%	21%	8%	1%	100%

1.3 Participation in External Organizations

Phison Electronics actively participate in relevant industry organizations to interact with others in the industry, discuss trends, and get a grasp of world trends. As of 2020, the Company has participated in 15 industrial organizations.

Serial no.	Name of Organization	Year joined	Form of Participation
1	Peripheral Component Interconnect Special Interest Group	2004- present	Member
2	USB Implementers Forum	2004- present	Member
3	Open NAND Flash Interface Task Force	2006- present	Board member
4	Non-Volatile Memory Host Controller Interface	2007- present	Working group member
5	JEDEC Solid State Technology Association	2007- present	Member
6	The IEEE Standards Association	2008- present	Corporate member
7	Solid State Drive Alliance	2008- present	Board member
8	SD Card Association	2009- present	Board member
9	Universal Flash Storage Association	2010- present	Board member
10	CFA (CompactFlash Association)	2010- present	Executive member
11	Mobile Industry Process Interface Alliance	2012- present	Member
12	Intelligent Terminal Memory Association (ITMA)	2020- present	Board member
13	MIH EV Open Platform	2020- present	Member
14	Automotive Edge Computing Consortium (AECC)	2020- present	Member
15	IEEE Smart Device Standards Committee	2020- present	Voting member

2. Stakeholder Engagement

2.1 Materiality Assessment Procedures

At Phison, we care about our shareholders' voices and are committed to integrating shareholder feedback into our company policies through more timely and transparent communication channels in order to respond to social expectations and fulfil our corporate social responsibilities. The Company follows AA1000 Stakeholder Engagements Standard (AA1000 SES) and looks to domestic and foreign sustainable development trends. Following the three main principles of identification, analysis, and confirmation, the Company identified 6 major stakeholders and, based on GRI Standards, 7 material topics by analyzing how much main stakeholders pay attention to economic, social, and environmental issues and the level of impact that the Company's operation has on the economy, society, and the environment. The Company's management policies shall be disclosed below in the corresponding chapters.

1

Step 1 Identification: Inclusivity

Based on the survey data of the stakeholder questionaire from the previous year, comparing it with Taiwan's sustainable development trends and demands from competent authorities, the Sustainable Development Management Committee of Phison Electronics have identified 6 major stakeholders.

In addition to the 5 major types of stakeholders identified in the previous year (customer, employee, shareholder/investor, supplier, government agencies), "community" was added as a major stakeholer of the company in 2020. We also refer to international standards, sustainable investment assessments, and our peers in the semiconductor industry to list 17 sustainable development topics.

- International standards and rules: GRI Standards, SDGs, RBA
- Sustainable investment assessments: Dow Jones Sustainability Index (DJSI), Morgan Stanley Capital International ESG Index
- Peers in the semiconductor industry: gather disclosed sustainable development information from companies selected in sustainable investment assessments

2

Step 2 Analyze: Materiality

Following GRI Standards and using the 2019 stakeholder questionnaires, media monitoring, and law identification along with discussions and motions from the Corporate Sustainable Development Management Committee, Phison Electronics identified 7 material topics based on which themes stakeholders focus on and how each theme impacts the economy, society, and the environment.

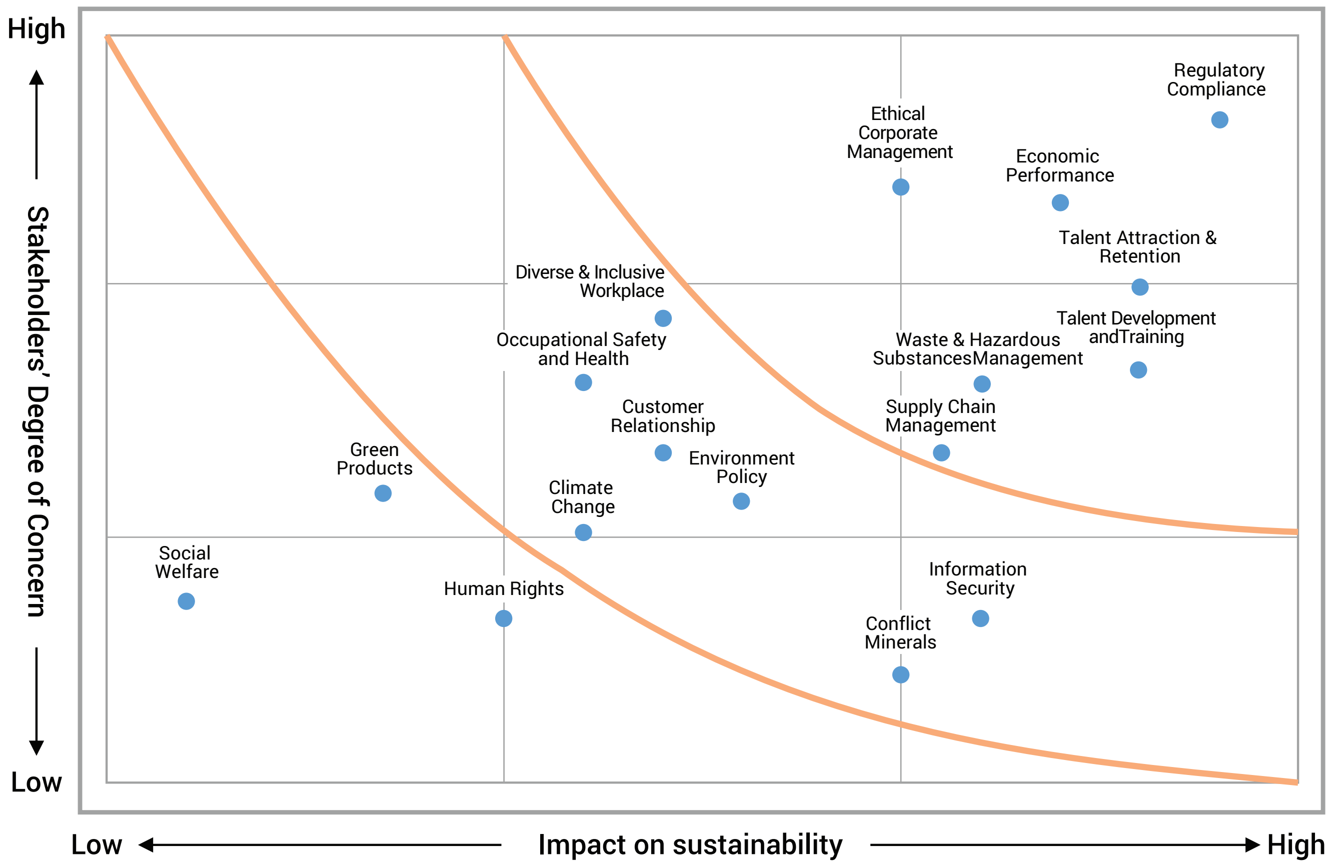
The remaining 10 issues are the Company's potential sustainable development issues, which we will continue to manage and make relevant disclosures as necessary.

3

Step 3 Confirm: Responsiveness

There are 17 topics in the 2020 Material Issue Matrix, and the Company eventually settled on 7 mate rial topics. Compared to the previous year, “Business Integrity”, “Supply Chain Management”, and “Talent Development and Training” are added.“Labor-Management Relationship”is renamed“Talent Attraction and Retention”while “Customer Relationship” was changed into a moderate issue. This report follows the disclosure requirements of the GRI Standards, detailing relevant policies, management methods, and management performance of each theme in their corresponding chapters. We have also disclosed some information about other potential sustainability themes to improve information transparency.

Phison Electronics Materiality Matrix



2.2 Communication with stakeholders

Stakeholders	Issues Concerned	Communication Channel & Frequency	2020 Performance	Chapter
Customer	• Ethical Corporate Management • Customer Relationship • Supply Chain Management	• Telephone/Email (daily) • Customer satisfaction survey (annually) • Hotline (any time) • Business review/Technical review (quarterly)	• Fill out 10 RBA/CSR questionnaires • Sign 4 Customer Code/Statement of Conduct • Customer satisfaction of 7.09/10 • No complaints for privacy violation or data loss in 2020	3.3 Ethical Corporate Management 4.3 Customer Relationship Management 5. Responsible Supply Chain
Employee	• Ethical Corporate Management • Economic Performance • Labor-Management Relation • Talent Development	• Labor-Management Committee (quarterly/as needed) • New Employee Forum (biannually) • Employee suggestion box (any time) • Employee forum (intermittently) • Company Journal (annually) • Email announcement (any time) • Social media (intermittently)	• 6 Labor-Management Committee meetings • 1 new employee suggestion survey • 1 newcomer forum • The Company held 1 newcomer forum for the Chairman to interact with new employees. • Held 2 employee conferences after the investor conference to inform employees of the Company's operations.	3.3 Ethical Corporate Management 3.6 Economic Performance 7. Employee Care
Supplier	• Ethical Corporate Management • Regulatory Compliance • Customer Relationship • Supply Chain Management	• RBA Audit (annually) • Suppliers fill out RBA SAQ (annually) • Supplier online platform (any time) • Complaint mailbox (any time) • Business review/Technical review (quarterly)	• Complete the RBA audit of 47 suppliers. • Collect the RBA SAQ of 45 suppliers	3.3 Ethical Corporate Management 3.4 Regulatory Compliance 4.3 Customer Relationship Management 5. Responsible Supply Chain
Shareholders / investors	• Economic Performance • Ethical Corporate Management • Regulatory Compliance • Supply Chain Management	• Shareholder general meeting (annual) • Interim shareholders meeting (irregularly) • Investor conferences (quarterly/irregular invitations) • Annual Report / CSR report (annually) • Investor mailbox (any time) • Domestic and foreign analyst exchanges and investment forums (irregularly) • Market observation post system - press releases, major news (irregularly)	• Hold shareholder general meetings to explain the Company's operational status. • Attended 9 investor conferences • Published 49 pieces of major news on the Market Observation Post System • Published 15 press releases on the Company website • Published annual/monthly reports on the IR website	3. Sustainable Governance 5. Responsible Supply Chain
Government agency	• Ethical Corporate Management • Regulatory Compliance • Waste & Hazardous Substances Management • Occupational Safety and Health	• Official documents (any time) • Public hearings (irregularly) • Industry policy questionnaire feedback (irregularly) • Proactively report to government department websites (irregularly)	• Attended 4 public hearings • Submitted 11 OTC electronic questionnaires	3.3 Ethical Corporate Management 3.4 Regulatory Compliance 6.3 Effluent and Waste Management 7.4 Occupational Safety and Health
Community (NGOs, media)	• Regulatory Compliance • Waste & Hazardous Substances • Social Welfare	• Company telephone (anytime) • Social media (intermittently) • Market observation post system - press releases, majornews (irregularly)	• Held 21 charity sales • Published 49 pieces of major news on the Market Observation Post System • Published 15 press releases on the Company website	3.4 Regulatory Compliance 6.3 Effluent and Waste Management 8. Social Participation

Material Issues & Phison Value Chain

Chapter	Material issues	Operational importance						GRI Standards	Upstream	Operation		Downstream
		R&D	Revenue	Cost	Customer satisfaction	Brand	Risk		Procurement stage	R&D	Outsource manufacturing	Use
3. Corporate Governance	Economic Performance		●					201 Economic Performance		●		
	Ethical Corporate Management				●	●	●	205-2 Communication and training about anti-corruption policies and procedures	●	●	●	
	Legal Compliance				●	●	●	307 Environmental Compliance 419 Socioeconomic Compliance	●	●	●	
	Information Security			●		●	●	Identifying material topics	●	●	●	
4. Innovation & Service	Customer Relationship		●		●			417 Marketing and Labeling 418 Customer Privacy				●
5. Responsible Supply Chain	Supply Chain Management		●	●			●	308 Supplier Environment Assessment 414 Supplier Social Impact Assessment	●			
	Conflict Minerals						●	409 Forced or Compulsory Labor		●		
6. Environmental Protection	Waste & Hazardous Substances Management						●	306 Effluents and Waste		●		
	Environment Policy						●	307 Environmental Compliance		●		
	Green Products	●	●				●	301 Materials 302 Energy		●		
	Climate Change						●	302 Energy		●		
7. Inclusive Workplace	Labor-Management Relation	●	●					402 Labor/Management Relations		●		
	Diverse & Inclusive Workplace					●	●	405 Diversity and Equal Opportunity		●		
	Occupational Safety and Health						●	403 Occupational Health and Safety		●		
	Talent Development	●	●					404 Training and Education		●		
	Human Rights				●	●	●	412 Human Rights Assessment	●	●	●	
8. Social Participation	Social Welfare					●		413 Local Communities		●		●

3. Sustainable Governance

3.1 Sustainability Strategies and Management

Since Phison Electronics was founded in 2000, we have not only worked hard to pursue the greatest profits and operational success, but also devoted ourselves to fulfilling our corporate social responsibilities along with our employees, shareholders, customers, suppliers, and other stakeholders to better our society.

With corporate governance, society, and the environment as the Company's major management aspects, we have established and taken relevant measures to achieve three main missions: trust and transparency, giving back to society, and green operation.

Phison's
Sustainable Goals

Trust and Transparency

Phison values long-term sustainable operations. By building a comprehensive corporate governance structure, we strengthened the transparency or our corporate governance and increased mutual trust and understanding with stakeholders, driving a virtuous cycle in the supply chain of relevant industries to gather strength and take action to better society.

Giving Back to Society

Phison adheres to the philosophy "take from society, give back to society." Therefore, we develop our strategies of social investment in pursuit of common good by leveraging our core businesses in combination with internal and external resources, and committing to five social work themes, namely "support for students", "support for the disadvantaged", "promotion of arts and culture", "community care", and "social innovation." In doing so, we hope to use our specialties to help solve social issues and exert Phison's unique social impact.

Green Operation

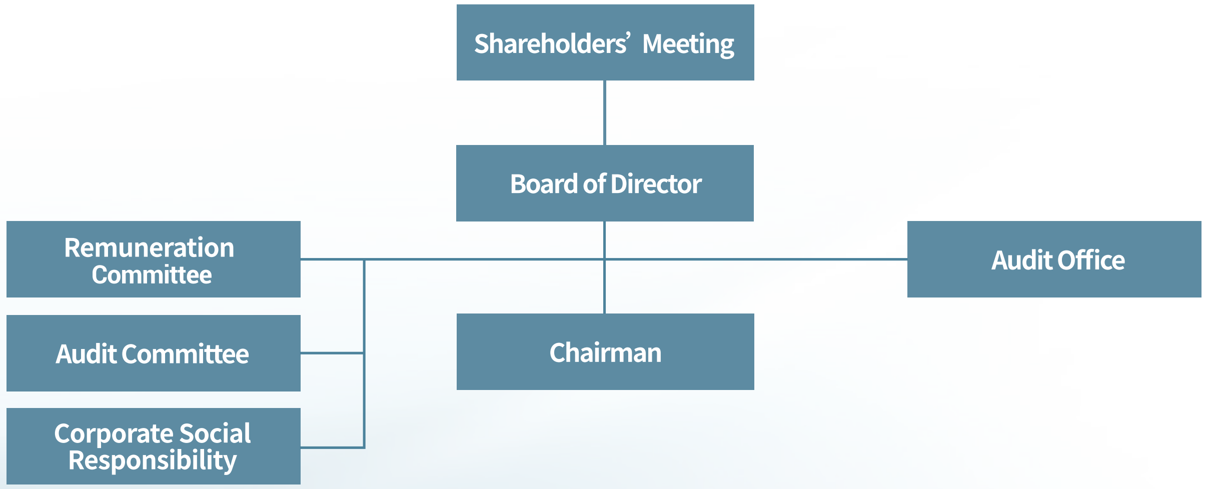
Phison is committed to environmental sustainability, continually promoting green designs and green supply chains to produce energy-efficient products and operations with lower emissions. Furthermore, we expect to develop a sustainable future with our stakeholders.

3.2 Corporate Governance

3.2.1 Corporate Governance Structure

Phison Electronics established its Articles of Incorporation, Regulation and Procedure for Board of Directors Meetings, Regulation and Procedure for Board of Directors Meetings, Procedures of Election of Directors and Supervisors, and Code of Ethical Conduct in compliance with the Company Act, the Securities and Exchange Act, and other relevant laws, to perfect its corporate governance system and implement responsible management policies.

To protect the rights and interests of shareholders and strengthen the competency of the Board of Directors, the Company established an "Audit Committee" to replace the role of supervisors in accordance with the Securities and Exchange Act and the Articles of Incorporation in 2020. In the same year, we have also continued to improve our sustainable development, establishing a Corporate Sustainable Operation Management Committee, the highest internal decision-making unit with regard to economic, environmental, and social issues. The committee is headed by our COO and senior specialist, with senior executives of relevant departments serving as various committee members and specialists organizing and promoting inter-departmental corporate sustainability measures. Articles regarding the committee have been published on the Company website.



3.2.2 Board Structure

Phison Electronics has nine directors, three of which are independent directors. The Company's directors are nominated and serve a term of three years. They are elected from a list of nominees by shareholders and may serve consecutive terms if re-elected. The Board of Directors are comprised of the Company's Directors, and the Chairman of the Board, who represents the Company, is elected from among directors by a majority vote at a board meeting at which at least two-thirds of directors are present.

The Company's Board of Directors is composed of professionals with accounting and industry-related expertise that are expected to listen to feedback and maximize governance.Of the 9 Board members in the Company's current Board of Directors, two are female directors,accounting for 22% of all Board members, which is higher than the proportion of female directors in Taiwan's public offering companies[1] and shows the Company's commitment to having a more diverse governance unit. As of the end of 2020, the average age of directors is 55.22, with an average seniority of 6.74 years.

Title	Name	Gender	Education	Current position
Chairman	Khein Seng Pua	Male	Master of Institute of Electrical and Control Engineering, National Chiao Tung University	CEO, Phison Electronics
Board member	Chee Kong Aw Yong	Male	Masters of Institute of Electrical and Control Engineering, National Chiao Tung University	Phison Electronics, President
Board member	Tzung Horng Kuang	Male	Master of Business Administration, Greenwich University	Phison Electronics, Vice President
Board member	Chenghe Investment Co.Ltd. Representative: Chih Jen Hsu	Male	Bachelor of Computer Science, Chung Yuan Christian University	Phison Electronics, VP of Technology
Board member	Jiunn Yeong Yang	Male	Post-Ph.D. researcher, Institute of Electrical and Control Engineering, National Chiao Tung University	None
Board member	KIOXIA Corporation Representative: Hiroshi Miyauchi	Male	The University of Electro-Communications, Bachelor	Part-time contractor, KIOXIA Corporation Part-time contractor, Toshiba Materials Corporation Director and Head of Intellectual Property, Toshiba Co., Ltd
Independent Directors	Wen Chiu Chung	Female	Master of Accounting, Chung Yuan Christian University	CPA, Moores Rowland
Independent Directors	Chen Wei Wang	Male	Bachelor of Electronics Engineering, National Chiao Tung University	Independent Director of Simplo Technology Co., Ltd. and Innolux Corporation
Independent Directors	Yu Lun Huang	Female	Ph.D., Department of Computer Science and Information Engineering, National Chiao Tung University	Associate Professor, Department of Electrical Engineering, National Chiao Tung University Secretary General, Taiwan Open Course and Education Consortium

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[1] According to the Financial Regulatory Commission's public analysis of the gender of directors of public offering companies in 2020, there w ere 2,542 female directors (including independent directors) (14.36%) by the end of 2020, which was fewer than the 15,159 male directors (including independent directors) (85.64%), resulting in a sex ratio of 596.34%.

Board meeting attendance rate

Phison Electronics held 14 Board meetings in 2020 with an average attendance rate of 98.05%.

Title	Name	Term	Attendance in person	Attendance by proxy	Attendance rate[2](%)
Chairman	Khein Seng Pua	Re-elected on June 3, 2020	14	0	100
Board member	Chee Kong Aw Yong	Re-elected on June 3, 2020	14	0	100
Board member	Tzung Horng Kuang	Re-elected on June 3, 2020	14	0	100
Board member	Chih Jen Hsu[3]	Former director	6	0	100
Board member	Chenghe Investment Co. Ltd Representative: Chih Jen Hsu.	New appointed on June 3, 2020	8	0	100
Board member	Jiunn Yeong Yang	New appointed on June 3, 2020	8	0	100
Board member	KIOXIA CORPORATION[4] Representative: Hiroto Nakai	Re-elected on June 3, 2020; resigned on November 13, 2020	13	0	92.86
	Representative: Hiroshi Miyauchi	Newly elected on November 13, 2020	0	1	
Independent Director	Shu Fen Wang	Former director	6	0	100
Independent Director	Chen Wei Wang	Re-elected on June 3, 2020	12	2	85.71
Independent Director	Wen Chiu Chung	New appointed on June 3, 2020	8	0	100
Independent Director	Yu Lun Huang	New appointed on June 3, 2020	8	0	100

Board of Directors Self-Improvement

2020 Board Member Training Courses

Course Name	Total training hours[5]
Contests for Corporate Control and Case Studies	3
Securing Corporate Control by Effectively Improving Corporate Governance	3
Education to GTSM-listed and ESB-registered companies' insiders regarding shareholding and transferring	3
GTSM-Listed "Corporate Governance 3.0-Blueprint for Sustainable Development" Summit Forum Agenda	6
Implementation of Good Corporate Governance and Explanations Regarding Amendments to the Securities and Futures Investors Protection Law	27
Insider Trader Prevention	27
Protection of Intellectual Property Rights and Trade Secrets	6
Industry 4.0 and How Corporations Lead Innovation Transformation	3
How Corporations Strengthen Strategic Execution	3
Trends and Challenges of Information Security Governance	3
2020 Corporate Governance and Ethical Corporate Management Conference for Directors and Supervisors	3
Total	87

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[2] Attendance rate = attendance in person/number of meetings held in the year*100.

[3] Chih Jen Hsu served as director until June 3, 2020 and has been appointed as the Company's legal representative director by Chenghe Investment Co. Ltd. since June 3, 2020.

[4] KIOXIA Corporation re-appointed its corporate representative on November 13, 2020, changing its corporate representative from Hitoro Nakai to Hiroshi Miyauchi.

[5] Total training hours = Course Duration * Number of Trainees.

Board of Director Performance Assessment

To fully implement corporate governance and improve the function of our Board of Directors, the Company established performance goals to strengthen the Board's efficiency. In November 2020, following Article 37 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, "Board of Director Performance Assessment", the Company established main assessment cycles, assessment periods, assessment scopes and methods, assessment indicators and scoring standards, units for assessment, assessment procedures, and other regulations. The Board of Directors shall conduct internal performance assessments based on the assessment procedures and indicators stipulated in the "Board of Director Performance Assessment" each year and commission external independent organizations or teams of experts and scholars to conduct assessments at least once every three years. Board of Director performance assessment results should be completed by the first quarter of the following year. The relevant regulations have been posted to the Company website.

Board of Director Performance Assessment Procedures

1. Establish the units to be assessed as well as the assessment period and scope.	2. Establish assessment methods	3. Select the appropriate unit to execute assessments	4. Executing performance assessments
e.g. the entire Board of Directors, individual Board members, or functional committees.	Internal assessment by the Board of Directors, internal assessment of Board members (through self-assessment or peer assessment), peer assessment, or commissioning external professional agencies or experts to conduct assessments	The unit selected to execute internal Board performance assessment should have a clear understanding of how the subject of the assessment operates. Due to the different operating conditions of the Company's functional committees, the unit selected to execute the assessment of said committees shall be adjusted based on the Company's organizational structure. The assessment shall be fair, objective, and performed by persons or units that have no direct interest in the operation of the assessed subject.	Executive units shall gather information about the Board's activities and distribute relevant self-assessment questionnaires. The filled-out questionnaires shall be collected by the executive unit overseeing the assessment, who shall then compile a report of the assessment results according to the assessment scoring criteria and submit it to the Board of Directors for review and improvement.

Remuneration Policy for Directors and Executive Managers

The Company has designated an executive managers' shareholding regulation to encourage executive managers holding Company's stock, so that their executive duties can be connected with the Company's long-term performance and their interests and actions are consistent with the interests of Company shareholders, so as to strengthen the Company's corporate governance. The CEO and general manager's total shareholding value at the end of each year shall not be less than twice the total annual fixed salary converted from the current year since the next calendar year after holding the position for three years. In the future, we will continue to promote this requirement to deputy general manager-level supervisors.

3.2.3 Responsibilities and operating status of functional committees

Name of committee	Year established	Main responsibilities	Operating status (Composition, number of meetings held in 2020, average attendance rate)
Remuneration Committee	2011	1. Periodically review Company regulations and make recommendations for amendments. 2. Establish and periodically review the long-term performance,targets and remuneration policies,systems, standards, and structures of the Company's directors, supervisors, and manageria officers. 3. Periodically assess the degree to which performance targets for the directors, supervisors, and managerial officers are achieved, and set the contents and amounts of their individual remuneration.	● Appoint independent directors Wen Chiu Chung, Huang Yu-Lun, and Chen Wei Wang as committee members, with Ms Wen Chiu Chung as the convener. ● Meetings should be convened at least twice a year, with additional meetings held whenever necessary. ● A total of 7 meetings were convened in 2020, with an average attendance rate of 100%.
Audit Committee	2020	1. The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act. 2. Assess the effectiveness of internal control system. 3. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others. 4. Matters in which a director is an interested party. 5. Asset transactions or derivatives trading of material nature. 6. Loans, endorsements, or provisions of guarantee of material nature. 7. The offering, issuance, or private placement of equity securities. 8. The hiring, dismissal, or compensation of CPAs. 9. The appointment or discharge of financial, accounting, or internal audit officers. 10. Annual financial reports signed or stamped by the Chairmen, manager, and accounting supervisor. 11. Other material matters regulated by the Company or competent authorities.	● Appoint independent directors Wen Chiu Chung, Huang Yu-Lun, and Chen Wei Wang as committee members, with Ms Wen Chiu Chung as the convener. ● The Committee shall convene at least once every quarter, with additional meetings held whenever necessary. ● A total of 5 meetings were convened in 2020, with an average attendance rate of 93.33%.
Corporate Sustainable Development Committee	2020	1. Identify important internal and external stakeholders based on the company's business model and the ESG impact on the overall society. 2. Collect the opinions and expectations of stakeholders, formulate social responsibility policies, plan sustainable development projects and set performance indicators, and regularly track results. 3. Integrate information and publish sustainability reports every year to enhance the transparency of information disclosure.	● The COO and senior specialist shall serve as the managing representative, with senior managers of relevant departments as committee members.

3.3 Ethical Corporate Management

Material Topics	Ethical Corporate Management
Significance and Materiality to the Organization	Ethical corporate management is the foundation of the Company. To protect the rights and interests of investors and the Company's reputation, we are committed to honest and transparent disclosures.
Management Approach	
Policy and Commitment	"Ethical Policy", "Code of Ethical Conduct", "RBA Policy", "Management Procedures for Preventing Insider Trading", and "Ethical Corporate Management Best Practice Principles"
Long-Term Goals	Maintain zero cases of corruption or unethical behavior
Performance	1. There has been no cases of corruption or unethical behavior this year 2. Ethical corporate management courses for new employees reached a completion rate of 100% 3. Ethical corporate management courses for existing employees reached a completion rate of 72.8%.
Responsibility	HR Department, Shareholding Affairs Department
Complaint Mechanism	Ethical whistleblowing/reporting hotline: 886-37-856-896 (ext. 1100) Ethical whistleblowing/reporting mailbox: whistleblower@phison.com Labor rights whistleblowing/reporting mailbox: Wecan_8080@phison.com
Action plans	Regularly provide ethical management education and training to all employees to ensure they understand relevant corporate ethical standards
Assessment Mechanism	1. Number of confirmed internal and external ethical complaints 2. Ethical management inadequacies found in internal audits

Phison has always adhered to ethical corporate management principles, promoting ethical management at different aspects and levels from the Board of Directors down to all units. All employees, managers, and Board members should follow these principles and set an example for honest, ethical business practices. The Company is committed to raising the ethical awareness of its employees, providing regular anti-corruption and ethical management educational training and whistleblowing channels for internal and external stakeholders to report dishonest, unethical behaviors to prevent instances of unethical management. In 2020, the Company opened 2 ethical management courses to 4,047 personnel. The total training hours from these courses totaled 3,211 hours, with an average of 1.47 hours per person.

To ensure the Company adheres to the ethical management principles, a comprehensive auditing and internal control system should be established, with internal auditors reporting to the Board of Directors regularly and establishing relevant regulations:

Rules of Procedure for Meetings of Board of Directors

If a director or the corporate entity they represent is an interested party in relation to an agenda item, they should provide a full disclosure during the current meeting session. The director shall recuse himself/herself from all discussions and voting if they are in conflict against the company's interests, and shall not exercise voting rights on behalf of other directors.

If the spouse or blood relatives within the second degree of kinship of a director, or a company that has a controlling affiliation with a director, have stakes in the meeting agenda, it is seen as the director's having a personal stake in the matter.

Where a director is prohibited from exercising voting rights at a Board meeting, the provisions in Article 180-2 of the Company Act shall apply in accordance with Article 206-4 of the same Act.

Code of Conduct

This Code of Conduct was instituted to help employees abide by ethical regulations in day-to-day operations and educate stakeholders in the Company's ethical standards and regulations.

Ethical Code of Conduct

This Ethical Code of Conduct was instituted to help Company directors and managers abide by ethical regulations in day-to-day operations and educate stakeholders in the Company's ethical standards.

Procedures for Preventing Insider Trading

To prevent the Company or its personnel from purposely or accidentally violating insider trading regulations due to a lack of understanding of laws and regulations, resulting in lawsuits and damaged reputations, the Company established "Procedures for Preventing Insider Trading" to prevent insider trading, protect investors, and maintain the Company's interests.

Phison Electronics RBA Supplier Code of Conduct

In order to expand the social influence of Phison Electronics, we require suppliers to comply with labor, health and safety, environmental, and ethical regulations and management systems in our supplier code of conduct. Ethical regulations include ethical management, no illegitimate gains, as well as fair trade, advertising, and competition.

3.4 Regulatory Compliance

Material Topics	Regulatory Compliance
Significance and Materiality to the Organization	To provide the rights and interests of all stakeholders and prevent the Company from suffering losses of any kind due to illegal behaviors, all personnel must strictly abide laws and regulations.
Management Approach	
Policy and Commitment	Legal compliance is our basic operating standard. We established work regulations with legal compliance as a basic rule for employees.
Long-Term Goals	Maintain zero significant economic, environmental, or social penalties.
Performance	There has been no instances of penalties from competent authorities for violating economic, environmental, or social laws and regulations, nor any lawsuits regarding anti-competitive, anti-trust, or monopoly behaviors this year.
Responsibility	Legal department, all departments
Complaint Mechanism	Stakeholder contact section of the official website
Action plans	1.Actively identify updates to laws and regulations to ensure the Company's internal procedures and regulations are in line with current laws and regulations. 2.Provide employees with legal compliance education training to raise their compliance awareness.
Assessment Mechanism	1.Number of penalties issued by competent authorities and the amount of fines 2.Internal audit compliance rate

In order implement a system of ethical and legal compliance, Phison Electronics established its Legal Affairs Office as a consulting unit for internal legal risk assessments. In addition to handling and reviewing lawsuits and other day-to-day legal affairs, the office is also committed to making sure that the Company complies with international regulations and local laws and regulations. There has been no instances of penalties from competent authorities for violating economic, environmental, or social laws and regulations, nor any lawsuits regarding anti-competitive, anti-trust, or monopoly behaviors in 2020.

The Company provides legal compliance training for new and existing employees each year, including training in "information security", "trade secrets", "EU regulations", and "patent system", to raise employees' awareness of relevant legal trends and knowledge.

Regulatory Management Process

Compile regulatory information	Each department collects the latest laws and regulations in the Company's operating areas in accordance with the scope of their responsibilities.
Regulatory Updates	When laws are established, amended, or abolished, responsible units should actively update the inventory of applicable regulations every three months and compile a list of amended laws and regulations.
Regulatory Assessment	Based on the laws and regulations compiled, assess whether there has been any updates make sure the company's operations are in compliance with the law, and report to the supervisors of each department.
Regulatory Approval	If an amendment applies to the Company's internal units, all personnel at the work place, suppliers, or visitors, Phison shall notify them immediately and formulate or revise documents as needed.

3.5 Risk Management

3.5.1 Risks and Management/Control Strategies

Phison Electronics actively manages various risks and implements risk mitigation measures. For potential risks that are not yet significant, the Company also identifies and develops response plans early on. This year, the Company identified two emerging risks, namely "public health" and "information security". Measures to manage and control these risks are listed below.

Dimension	Risk factor	Operational Impact	Countermeasures
Market risks	Changes in interest / exchange rate	Changes in interests/exchange rate affects financial revenue and expenditures and impacts financial gains and losses	· The accounting department carefully evaluates and responds to reduce losses.
	High risk transactions	High-risk, high-leverage investments, loans, endorsements, derivative products, etc. The risks from breaching contracts may result in financial losses.	· The Company has established relevant management methods. The financial accounting and legal departments will evaluate the necessity and rationality of relevant transactions, which can only be carried out after effective approval to reduce possible losses.
Operation / Technology	Contract dispute	Financial and reputational risks caused by litigations and their impact on the brand	· Decrease the probability of litigations by reviewing contracts. · Seek advice from external lawyers.
	Risks related to intellectual property rights	Capital and profit loss caused by damages to intellectual property rights	· Adhere to relevant laws to apply for, maintain, and protect intellectual property rights
Occupational Safety	Physical risks in the workplace	Improper management of workplace safety causes the physical risks to employee and hinders work efficiency	· Complete the transfer of the ISO 45001 workplace safety management system. · Regularly identify, evaluate, and control risks.
Public health*	Outbreak of a large-scale infectious disease	Outbreak of a large-scale infec-tious disease Suspension of work and business activities due to the outbreak of large-scale infectious dis-ease, resulting in lower productivity,suspended operations, insufficient supplies from suppliers, and decreased ability to pull in business on the customer end, which will impact the Company's revenue and growth.	· Establish a "epidemic prevention response team" to carry out epidemic prevention measures in response to the epidemic, protect employees' health, and ensure the normal operation of the Company according to announcements from the CDC. · Maintain strict control of the Company's temperature screening policy. Those with body temperatures higher than 37.5 degrees shall be asked to seek medical attention and rest at home. The security office at the gate manages epidemic-prevention procedures for visitors (taking temperatures, filling out statements of health, wearing face masks, and using hand sanitizers). · Ask employees and visitors to regularly fill out statements of health. · Strengthen epidemic-prevention education, turning relevant materials into mandatory e-learning training courses for employees. · For those returning from abroad, establish even stricter quarantine and self-health management than CDC regulations, requiring them to be symptom-free for 30 days before returning to work. · Establish an outdoor business area for visitors. · Employees are divided into groups to conduct drills for a staggered shift pattern in case the epidemic worsens. · Encourage employees to make good use of digital tools, maintain close customer relationships through video conferencing, or increase the Company's capacity for taking orders online through digital technology. · Preparing enough information and equipment for employees to work remotely or from home. · Document relevant experiences and actions to use in response to similar emergencies in the future.
Information security*	Cyber attacks or Unexpected out-age of infor-mation and communication caused by major natural disasters	Information system breakdown and leaked personal information affects the transmission of information and indirectly impacts internal and external communication, resulting in damages to the Company's property and reputation.	· Important information system obtains ISO 27001 certification. · Manage mobile storage devices. · Set up a firewall and conduct relevant information security education and training to continue educating employees about information security concepts. · Frequently scan for vulnerabilities to constantly upgrade and strengthen our information protection system. · Conduct internal information security audits at least once a year, followed by external audits by third-party. certification agencies. · Perform information system recovery mechanism drills to test the effectiveness of our information system recovery procedures to ensure that the Company's system can continue to operate even if subject to natural disasters or malicious attacks.

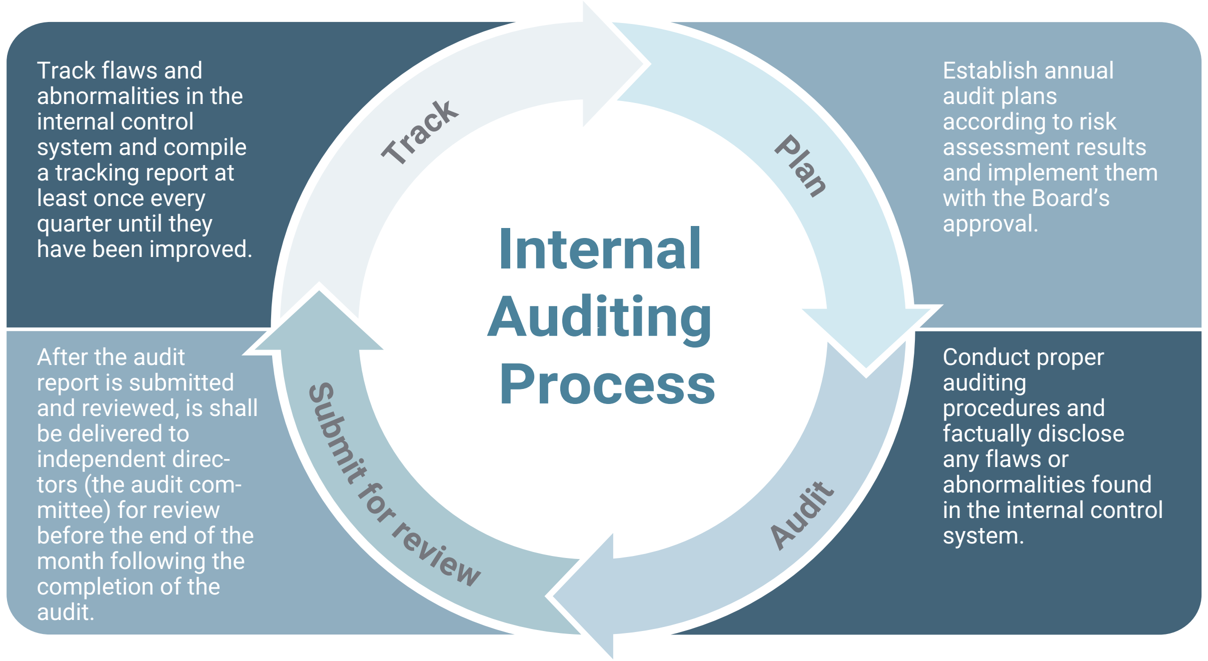
* Emerging risks identified by the Company this year

3.5.2 Internal audit

Phison Electronics carries out internal audits according to the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and other relevant laws or regulations, establishing an "auditing office" that reports directly to the Board of Directors.

The auditing office mainly assists the Board and managers to examine and review weaknesses in the Company's internal control system and measure the effectiveness and efficiency of operations. The auditing office also provides recommendations on improvements in a timely manner to ensure the continued and effective execution of the internal control system.

Internal Auditing Process



Track flaws and abnormalities in the internal control system and compile a tracking report at least once every quarter until they have been improved.

Establish annual audit plans according to risk assessment results and implement them with the Board's approval.

After the audit report is submitted and reviewed, is shall be delivered to independent directors (the audit committee) for review before the end of the month following the completion of the audit.

Conduct proper auditing procedures and factually disclose any flaws or abnormalities found in the internal control system.

QUALITY
RISK
CONTROL
SCOPE
INTERNAL
AUDIT
TESTING

3.6 Economic Performance

Material Topics	Economic Performance
Significance and Materiality to the Organization	Maintain good operating performance to protect the rights and interests of investors and shareholders as much as possible and achieve corporate sustainable development.
Management Approach	
Policy and Commitment	Phison Electronics shall continue to invest R&D resources to secure its leading position in the industry, maintain customer relationships, and practice ethical management.
Long-Term Goals	Maintain and repay the rights and interests of investors and shareholders with stable profits.
Performance	1. Revenue of NT$48,496,522,000, with an annual growth rate of 8.5%. 2. Annual operating gross profit of NT$12,247,475,000 3. EPS of NT$44.14
Responsibility	Financial Management Office, Market and Project Planning Office
Complaint Mechanism	Company spokesperson Mr. Yu ir@phison.com
Action plans	1. Continue to invest R&D resources to strengthen competitivity 2. Provide high-quality products and services to deepen customer relationships
Assessment Mechanism	Current net profit, rate of return on assets, rate of return on shareholder equity, earnings per share, profit margin

3.6.1 Economic data

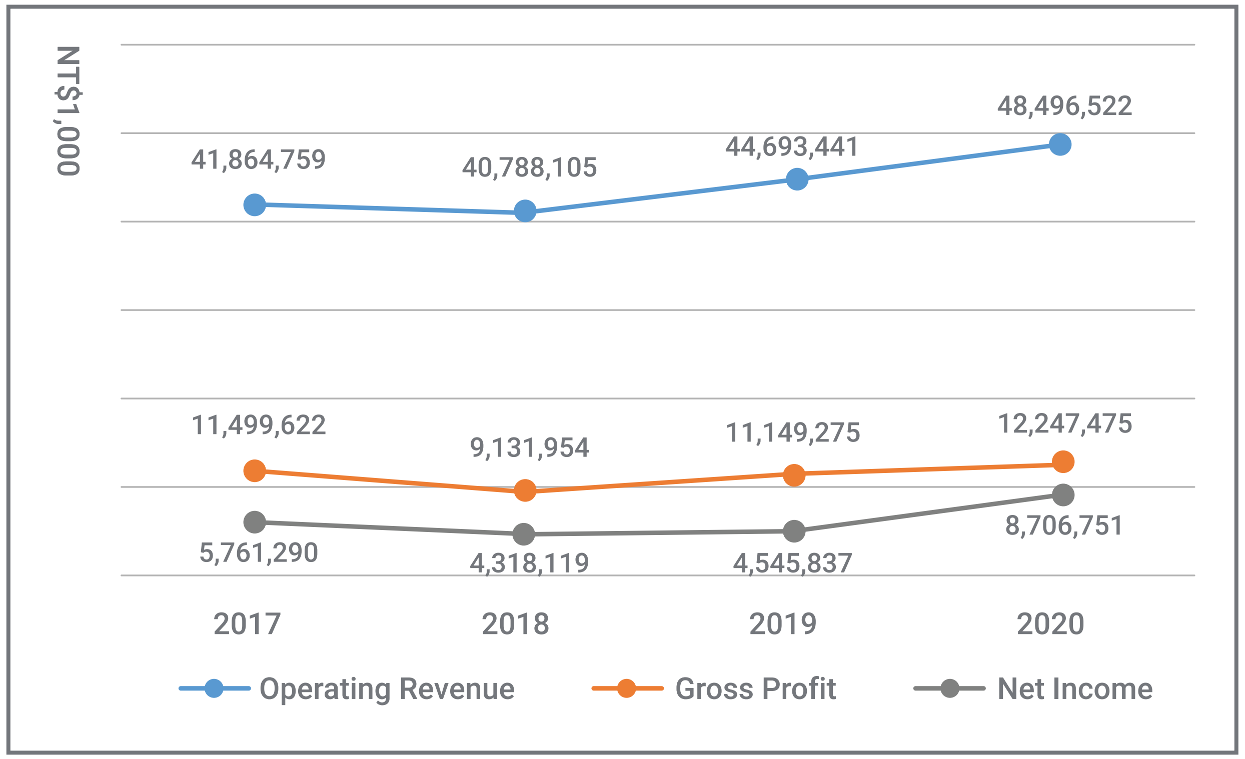
Despite many turmoils caused by the COVID-19 pandemic around the world, Phison Electronics continued to experience revenue growth in 2020, with annual revenue the historic height of NT$48,496,522,000 with an annual growth rate of 8.5%. The annual gross profit also reached historic heights at 12,247,475,000 with continued growth over the years. The Company's earnings per share was NT$44.14.

Consolidated statement of comprehensive income

Unit: NT$1,000

Item/year	2017	2018	2019	2020
Operating Revenue	41,864,759	40,788,105	44,693,441	48,496,522
Operating Cost	30,365,137	31,656,151	33,544,166	36,236,716
Gross Profit	11,499,622	9,131,954	11,149,275	12,247,475
Income tax expense	956,580	687,062	805,097	986,678
Net Income	5,761,290	4,318,119	4,545,837	8,706,751
EPS	29.23	21.91	23.05	44.14
Political donations	0	0	0	0

Economic performance in the last 4 year



3.6.2 Tax management

Phison Electronics supports tax policies that are conducive to the sound development of society, seeking to improve tax risk management and remaining committed to transparent information and legal compliance. At the same time, we support the government's tax preference policies and promote local policy goals for economic development and industry innovation to fulfill our corporate social responsibility and achieve sustainable development.

Phison Electronics' Commitments to Tax Risk Management

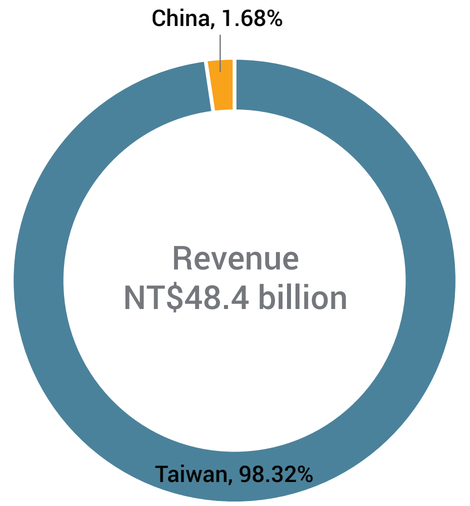
1. At Phison, decision-making tax assessments are completed by a professional internal team with the appropriate qualifications or experiences along with external experts.
2. All major decisions made by Phison Electronics are included in the tax assessment, the approval level of which should be up to the senior management.
3. Phison Electronics tax reports are transparent and handled according to tax disclosure rules and guidelines such as submitting country-by-country reports, master files, and local files.
4. Transactions between Phison Electronics and our affiliated companies are conducted following the international pricing guidelines and BEPS published by the OECD so that the pricing strategies of related policies are in line with conventions.
5. In response to major global anti-tax evasion regulations, such as CFC, PEM, and economic substance acts, Phison Electronics avoids using tax havens or countries with low tax rates for tax planning for the purpose of improper tax evasion.
6. Interactions between Phison Electronics and tax agencies should be based on mutual trust, transparent information, and the spirit of legal compliance, discussing tax issues in an honest, fair, respectful and honest manner.

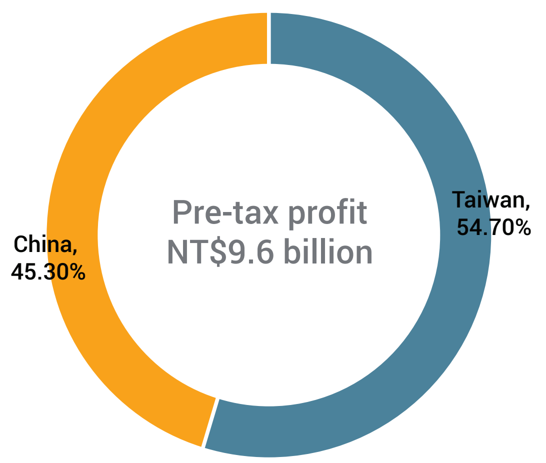
The statutory income tax rate of Taiwan in 2019 and 2020 is 20%, but because the Company's research and development expenses are eligible for investment tax deductions stipulated in Article 10 of the Statute for Industrial Innovation as well as relevant tax incentives in accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds Act and substantial investment deductions from undistributed earnings, so the effective tax rates for 2019 and 2020 are lower than the average effective tax rate and average cash tax rate for the "semiconductor and semiconductor equipment industry" published by the GICS.

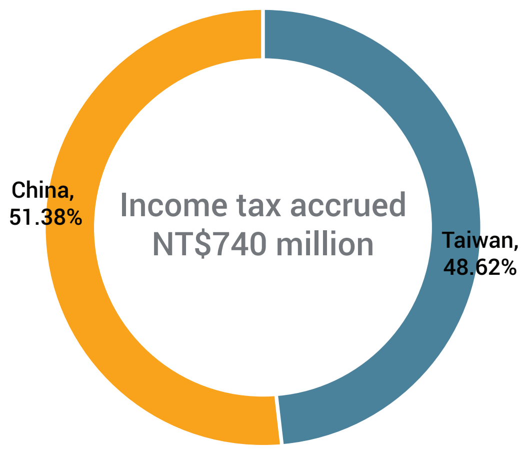
Unit: NT$1,000

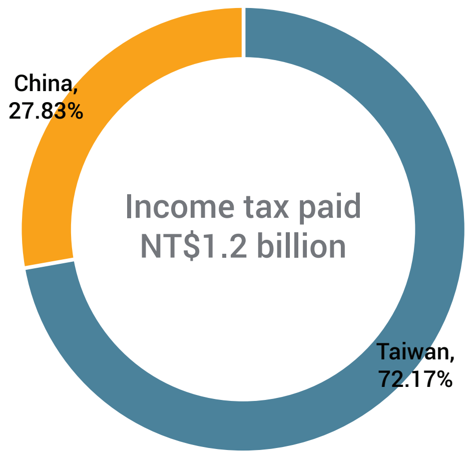
Financial reports	FY2019	FY2020
Pre-tax profit	5,340,446	9,304,256
Income tax expense	796,957	605,212
Moderator	2,912	-243,836
Effective tax rate (%)	14.87%	9.13%
Income tax paid	724,686	875,411
Cash tax rate (%)	13.57%	9.41%

Taiwan is the Company's main operating base. The Company's 2020 revenue, pre-tax profit, income tax accrued and income tax paid information is divided into information for Taiwan and China.









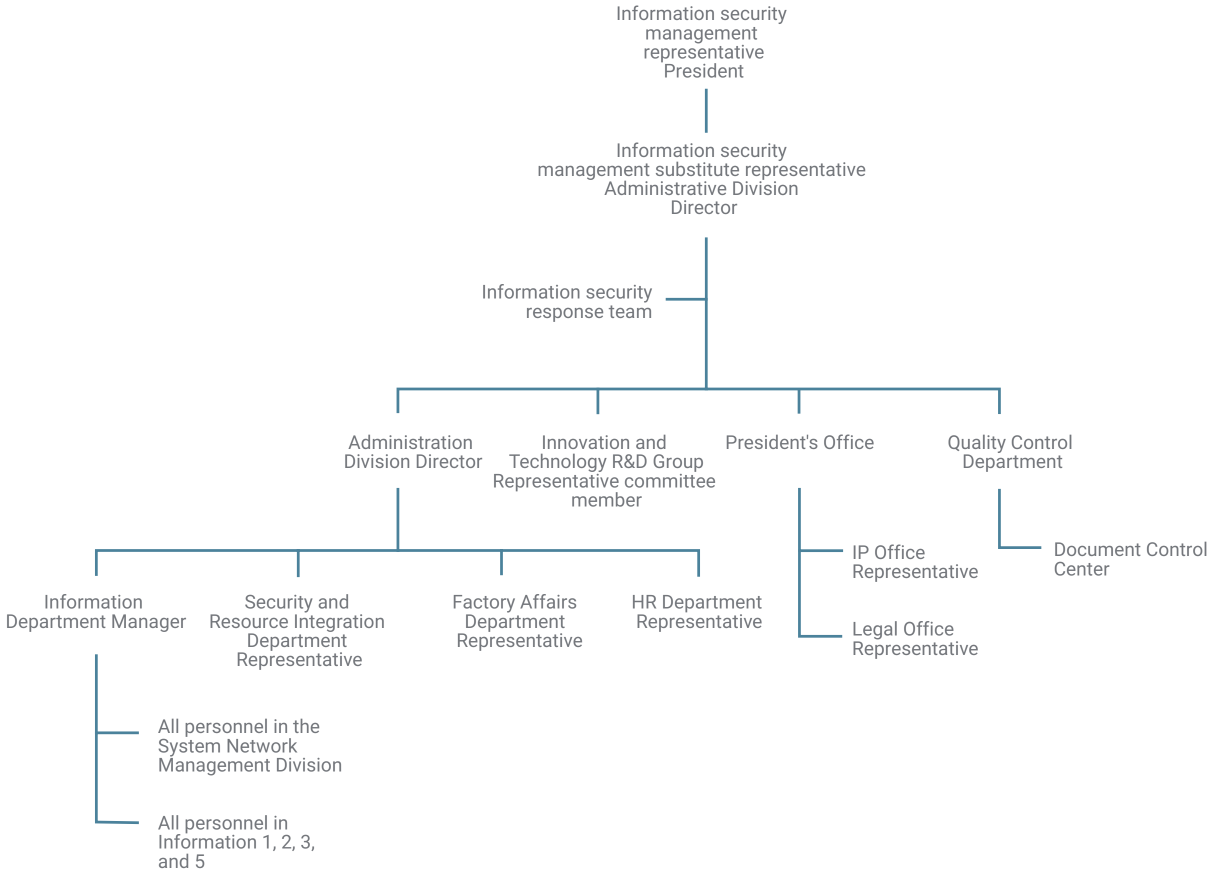
3.7 Information Security

In 2017, Phison Electronics issued its "Information Security Policy, which specifies rules for employees to abide by, strictly implementing information security policies and measures to protect customer privacy to ensure that the Company's trade secrets and customer information are not leaked. The Company has also consistently received ISO27001 certification to ensure the confidentiality, integrity, and availability of information assets. On August 12, 2020, a meeting was convened to review and improve the applicability of the Company's information security and evaluation. On October 19, 2020, the Company once again passed the BSI ISO27001 international information security certification, which is reviewed every 3 years. The Company shall continue to strengthen all-round information security protection, from a personal to organizational level. The Company received no complaints of customer data leaks or privacy violations in 2020.

3.7.1 Information Security Committee

In 2017, Phison Electronics established the Information Security Committee, with the President serving as the representative of information security management, regularly reporting the Company's information security system performance to the highest level of management and reviewing the Company's information security policies and goals. An information security response team was established under the committee with members from various departments. Committee members are required to attend regular information security response training. They are in charge of planning information security crisis response procedures and for convening relevant personnel to conduct planned drills.

Information Security Committee Structure

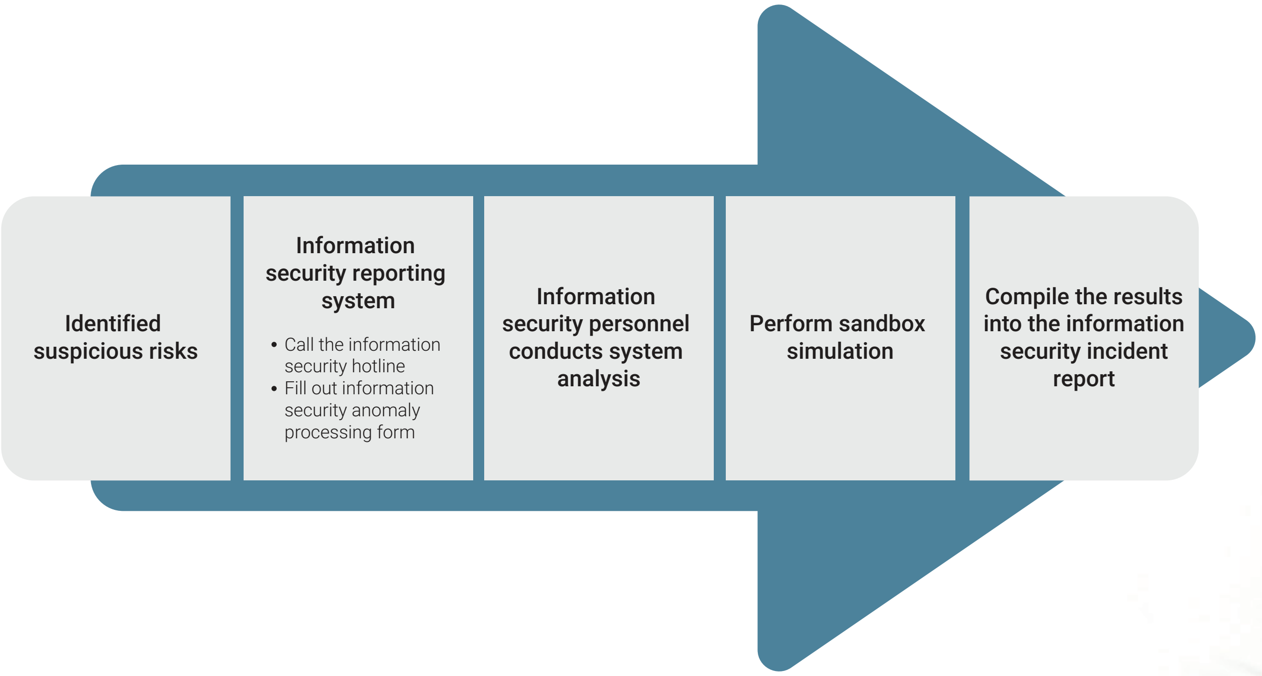

Information security management representative President
Information security management substitute representative Administrative Division Director
Information security response team
Administration Division Director
Innovation and Technology R&D Group Representative committee member
President's Office
Quality Control Department
IP Office Representative
Legal Office Representative
Document Control Center
Information Department Manager
Security and Resource Integration Department Representative
Factory Affairs Department Representative
HR Department Representative
All personnel in the System Network Management Division
All personnel in Information 1, 2, 3, and 5

3.7.2 Information Security Policies and Emergency Response Mechanisms

To maintain the confidentiality, integrity, and applicability of Phison's assets and protect users' information privacy, we clearly stipulated in our information security policies that employees shall avoid unauthorized access and revisions while respecting intellectual property rights and protecting the information of customers and the Company. Anyone who discovers information security incidents or suspicious security weaknesses should report them to the Information Department through our reporting mechanism, at which point our Information Department personnel will conduct proper investigations and handle the matter appropriately.

It is the responsibility of all Phison personnel to follow our Information Security Policies. Company personnel who violate our information security policies shall face civil, criminal, or administrative responsibilities according to the severity of the violation, or penalties according to relevant rules. The policies are also integrated with the Company's employee performance evaluation to reduce instances of employees being penalized or facing legal responsibilities due to information security violations and also reduce the Company's information security risks.

Reporting procedures for suspicious information security risks



Identified suspicious risks

Information security reporting system
- Call the information security hotline
- Fill out information security anomaly processing form

Information security personnel conducts system analysis

Perform sandbox simulation

Compile the results into the information security incident report

In accordance with ISO27001 certification guidelines, the Company conducts annual internal audits as well as external audits conducted by third-party verification agencies. No major errors have been found in recent years. We also perform information system recovery mechanism drills to test the effectiveness of our information system recovery procedures to ensure that the Company's system can continue to operate even if subject to natural disasters or malicious attacks. The Company also frequently scans for vulnerabilities. We officially introduced the Security Scorecard information security system in August 2019, and through continuous upgrades and enhancements, the Company achieved an A rating (a score of 90 or above) in 2020.

3.7.3 Information Security Education Training

The Information Department at Phison Electronics organizes the Company's internal information security education training, conducting quarterly information security announcements and training to raise the information security awareness of all Phison personnel. The 2020 Information Security Notice issued by the Information Department covers the prevention of business email compromise (BEC) scams, the prevention of and response to leaked personal information, and the avoidance of phishing sites and email viruses. This year's information security education training includes 44 information security-related courses covering topics like the importance and responsibility of information security, information security incident reporting channels, analysis of information security trends and threats, domestic and foreign case studies, overview of the Computer-Processed Personal Data Protection Law, overview of AEO information technology security, and personnel information security guidelines. A total of 541 people participated in the training, with training hours totaling 13,199.5 hours.

SECURITY
SECURITY

4. Innovation & Service

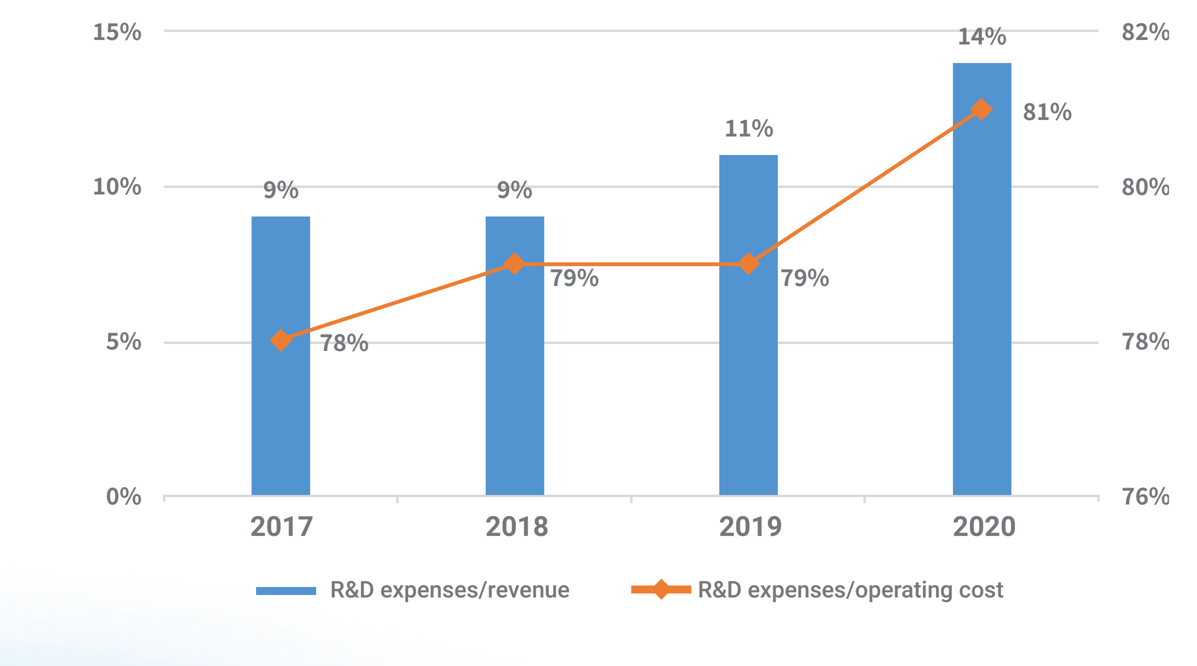
4.1 Innovative R&D

4.1.1 R&D Input

Phison is committed to becoming one of the world's top 3 flash memory controller IC and application system designers and providers. The Company has developed the USB3.2 NAND Flash controller, SD Express controller, eMMC 5.x controller, UFS3.x controller, SATA III SSD, PCIe Gen4 SSD controller, Security USB controller, which are all pioneers in the industry.

In 2020, the Company has continued to input R&D resources, with annual R&D expenses of over NT$6.7 billion, accounting for 14% of the total revenue, a 3% increase compared to the previous year. The number of people on the R&D team has increased to 1,516, a 4.6% increase compared to the previous year, accounting for approximately 69.6% of total employees.The Company's R&D intensity[6] is more than twice that of its peers.

[6] R&D intensity: R&D expenses/IC-related sales



4.1.2 R&D Outcome

In order to improve the efficiency of storage devices, Phison's R&D team has reduced energy consumption and negative impacts on the environment during the production process through continued development and improvement, striving to provide users with the convenience of high-technology in work and everyday life. In the future, the Company will continue to invest its R&D resources into embedded industrial systems, automotives, and enterprise storage solutions to construct even more robust, reliable, secure, energy-saving, and green NAND storage solutions. In 2020, Phison successfully developed 5 new technologies:

Type	Description
SSD	Launched the world's most comprehensive QLC solution
SSD	Launched the world fastest Pcle Gen4x4 SSD controller IC E18
SSD	Announced the world's highest-capacity enterprise-level S12DC QLC SATA SSD storage solution
SSD	Launched the customizable enterprise-level PCle Gen3x4 SSD solution - the FX collection
SSD	Launched the world's highest capacity QLC SSD storage solution

4.1.3 Intellectual Property Management

Phison's intellectual property rights are managed by its "Intellectual Property Office", which focuses on regulatory compliance as well as handling patent cases and litigation disputes to reduce IP-related risks, protect the rights of the Company and customers, and provide comprehensive IP protection through a strict patent strategy.

As of 2020, the Company has a total of 1,727 patents, putting it in the top 100 of the Taiwan Patent ranking in patent applications filed by enterprises and approved patents filed by enterprises.

Country	Taiwan	China	USA	Other	Total
Patent Output	645	504	548	30	1,727

2020 Patent Ranking	
Taiwan's top 100 invention patent applications list	99 th
Taiwan's top 100 invention patent grants list	72 th

Patent Development Process

Phison values innovation and patent development. We offer patent bonuses to encourage employees to apply for new patents. The continued accumulation of technical value will facilitate future product development and lead to more competitive products.

Inventor submits a proposal

↓

IP Office accepts the patenting request and assigns it a serial number

↓

Internal review procedures

↓

Determine the country in which the patent application should be filed

↓

Patent agency draws up the application

4.2 Product quality

Phison Electronics is focused on IC design and does not have plants or manufacturing processes of its own. All products are produced by subcontractors. In order to ensure product quality, the Company established the "Quality Management Guidelines for Subcontractors", which details requirements for quality inspections and record-keeping, document management and education and training, sample control, personnel management, and abnormal response and instrument calibration management.

In response to the continued growth of its operations, the Company also established the "Subcontractor Quality System Assessment Measures" to assess and audit the quality system of new subcontractors to make sure they meet the Company's requirements in terms of system management, quality system, design control, record-keeping, supplier management, hazardous material management, occupational health and safety, and corporate social responsibility.

Depending on onsite assessment and auditing results, subcontractors may be approved, conditionally approved, or rejected. Approved subcontractors will be registered on the "List of Approved Subtractors" for production units, but they still need to submit a cause analysis and correction measures within 7 working days, the time limit of which will be confirmed by auditors. Conditionally approved subcontractors must submit an improvement plan within 7 working days. Relevant units must conduct an onsite reassessment within 45 working day of improved prevention and response measures being implemented, and the subcontractor will only be deemed officially approved if their score meets the "approved" standards. Prevention and response measures must be improved within 15 working days of reassessments to address any faults discovered. If a subcontractor's score still falls within the range of "conditionally accepted" after the reassessment, the subcontractor will be audited twice instead of once a year in the following year. Rejected subcontractors will be registered in the "List of Rejected Subcontractors".

The Company is committed to improving the quality of its products and services, but if a customer has a designated subcontractor, if production capacity is not enough to fulfill a rushed order, or in other special circumstances, the Company may issue special permission to use subcontractors approved by the President. Even so, the Company will continue to supervise these subcontractors to make sure they improve any shortcomings.

Assessment Process

Production management units will ask subcontractors to fill out the "Subcontractor Profile Survey" and conduct preliminary written reviews. Written documents include copies of documents like business registration certificates and factory registration certificates.

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For subcontractors that passed the preliminary written review, the Company will provide a "Subcontractor Quality System Assessment and Audit Form", a self-assessment form that subcontractors must fill out at least three days before the onsite inspection.

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The Quality Control Department and other relevant departments will confirm whether the information provided in the "Subcontractor Quality System Assessment and Audit Form" is complete, and whether all necessary documents are valid. Forms that fail to meet the necessary requirements will be returned for subcontractors to resubmit a corrected version.

↓

Once subcontractors passed the written review, the Quality Control Department will arrange the date and time of onsite assessments and notify relevant units of schedules and assessment methods through written notice or email.

↓

The relevant units will conduct onsite assessments at the appointed time with assessment methods based on the "Subcontractor Quality System Assessment and Audit Form".

↓

Subcontractors need to establish ISO9001/ISO14001 management systems and pass third-party verification. Those who have not done so must propose plans for improvement within 7 working days and obtain the relevant quality/environmental system certification within 12 months. Subcontractors that produce automotive-grade products needs to have the IATF16949 management system and OHSAS18001 management system and pass third-party verification.

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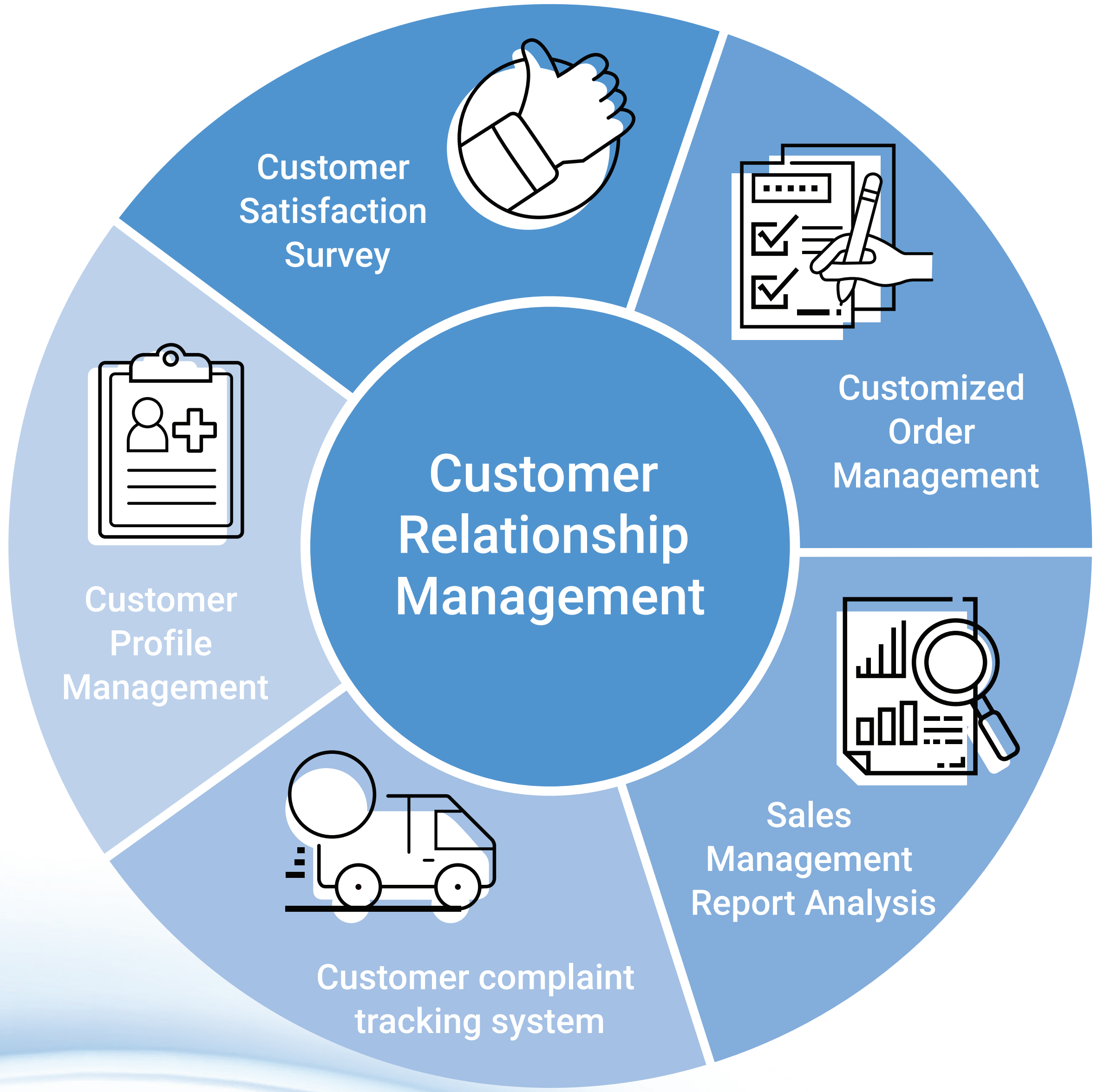
Once the on-site assessments are completed, any shortcomings found will be compiled in the "Subcontractor Quality Audit Shortcomings Correction Form", which will be submitted to the subcontractor to confirm and backup the information, making it easier to track and improve shortcomings.

4.3 Customer Relationship Management

Phison makes satisfying customers' needs its top priority. The Company has established an outstanding customer relationship management system that systematizes customer service methods and processes to sure we provide consistent quality services, helping customers create value while also maximizing profits. To ensure customer opinions are heard and handled, the Company provides a diverse array of communication channels (including customer service hotline, telephone, and email), through which the Company will notify customers of important news.


Customer Relationship Management
Customer Satisfaction Survey
Customized Order Management
Sales Management Report Analysis
Customer complaint tracking system
Customer Profile Management

4.3.1 Customer Satisfaction Survey

Phison Electronics' customers are mainly in the semiconductor and electronics industries. The Company conducts regular customer satisfaction surveys on the top 25 customers each year in hopes of better understanding customers' needs and expectations.

Our customer satisfaction survey includes five aspects, Q (quality), C (cost), D (delivery), S (service), and T (technology), which the customers are asked to rate on a scale of 1 to 10. The Company deems customers to be satisfied with a year's products and services if the average score of the 5 aspects is 7 or above. The results of the survey will provide a reference for the Company's internal performance reviews and help the Company continue to improve the quality of its services.

The Company's 2020 customer satisfaction score was 7.09, higher than the target score of 7. However, this score is lower than that of last year due to a shortage of raw materials, delayed deliveries, and an increase in cost caused by the COVID-19 pandemic.

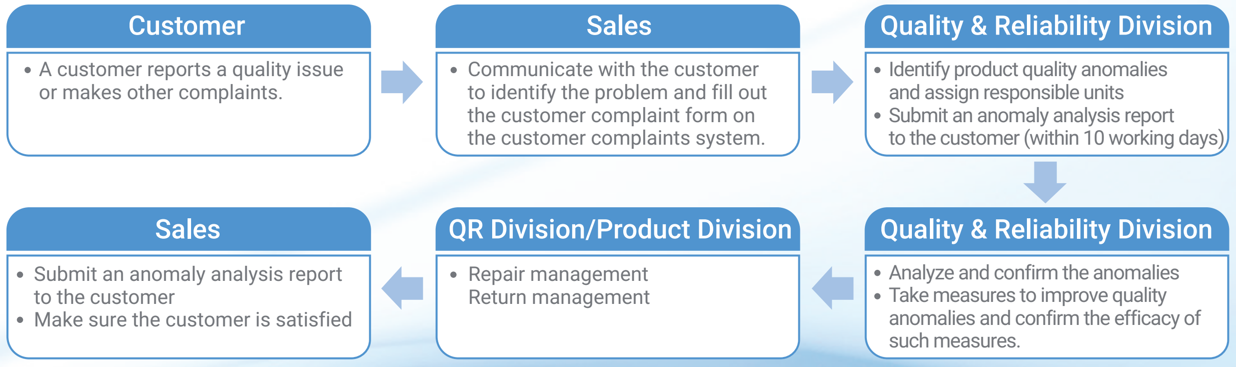
In order to improve the reliability and reference value of the customer satisfaction surveys, the Company will increase the scope of surveys each year. The Company expects to survey the top 30 customers in 2021 with a goal of 7.1 points.

Customer satisfaction	2017	2018	2019	2020
Score	7.08	7.34	7.93	7.09
Satisfied customers (%)	52%	52%	56%	44%
Percentage of the total revenue from surveyed customers (%)	68.06%	65.86%	58.43%	62.13%

4.3.2 Customer Complaints Management

To improve the efficiency with which we respond to customer complaints and increase customer satisfaction, Phison established a customer complaints management process. If a customer experiences issues with product quality or has any questions or complaints, they can communicate with Phison through our customer complaints channels. The customer's problem will be handled right away to effectively increase the quality and frequency of bilateral interactions.

Customer Complaints Management Process



Customer
- A customer reports a quality issue or makes other complaints.

Sales
- Communicate with the customer to identify the problem and fill out the customer complaint form on the customer complaints system.

Quality & Reliability Division
- Identify product quality anomalies and assign responsible units
- Submit an anomaly analysis report to the customer (within 10 working days)

Quality & Reliability Division
- Analyze and confirm the anomalies
- Take measures to improve quality anomalies and confirm the efficacy of such measures.

QR Division/Product Division
- Repair management
Return management

Sales
- Submit an anomaly analysis report to the customer
- Make sure the customer is satisfied

5. Responsible Supply Chain

Material Topics	Supply Chain Management
Significance and Materiality to the Organization	Having reliable suppliers is the key to the Company's stable provision of high quality products and services. Effective supply chain management can reduce the sustainability risk of the value chain.
Management Approach	
Policy and Commitment	Comply with the Code of Conduct of the Responsible Business Alliance (RBA), formulating "RBA Supplier Management Regulations", "RBA Corporate Social Responsibility Manual", "RBA System Management Procedures","Procurement Management Procedures" to implement relevant regulations.
Long-Term Goals	1. Maintain 100% of our new suppliers have signed the Supplier Code of Conduct. 2. By 2023, 100% of our critical suppliers have completed and returned the RBA Self-Assessment Questionnaire (SAQ). 3. By 2023, 90% of our critical suppliers have received annual RBA audit.
Performance	1. 100% of our new suppliers have signed the Supplier Code of Conduct. 2. 95.7% of our critical suppliers have received annual RBA audit. 3. The number of our quality suppliers has reached 256, with a ratio reaching 96.6%.
Responsibility	Procurement Department, Supplier Chain Quality Management Department, Quality System Management Department.
Complaint Mechanism	Ms. Liu of Administration Division at whistleblower@phison.com
Action plans	1. Based on procurement value, we divided our suppliers into critical suppliers and general suppliers for differentiated management, thereby ensuring the efficiency of our invested management resources. 2. Every year, we identify the environmental and social risks in our supply chain through RBA Self-Assessment Questionnaire (SAQ) and RBA audits, investigate whether the raw materials of our products are of conflict-free minerals, and offer corresponding improvement action plans based on the assessment results. 3. With respect to the results of sustainability audits, we ask our suppliers scored under 80 to deliver respective improvement action plans within two weeks after receiving their results.
Assessment Mechanism	1. The percentage of our new suppliers who have signed the Supplier Code of Conduct. 2. The percentage of our new suppliers who have completed and returned the self-assessment questionnaire(SAQ) for supplier performance management. 3. The percentage of our critical suppliers who have received RBA audit, and their passing rate.

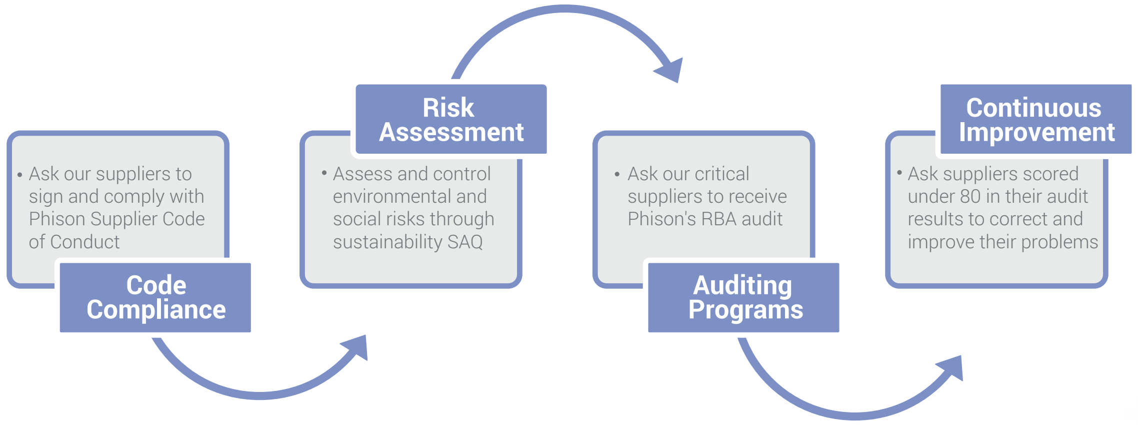
5.1 Supply Chain Management

5.1.1 Supply Chain Management Structure and Action Plans

Phison sees suppliers as our important partners. We are committed to building mutual trust and a stable sustainable supply chain, as well as flourishing businesses together with our suppliers. By the three center factors in measuring the sustainability: economic (quality, price, delivery, service), environmental (corporate environmental commitment, environmental management system, control of hazardous substances), social (corporate social responsibility, responsible business alliance, human rights), we use our corporate influence to ask our suppliers to perform their responsibility on corporate sustainability.

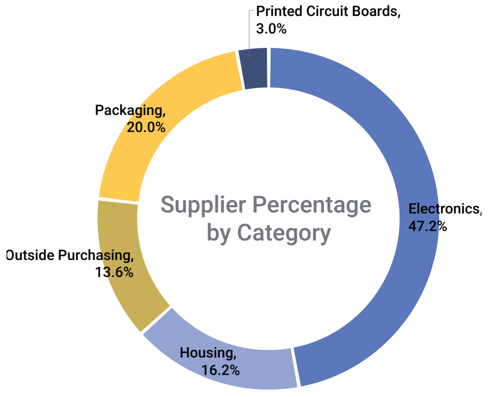
Four Major Principles of Supply Chain Management

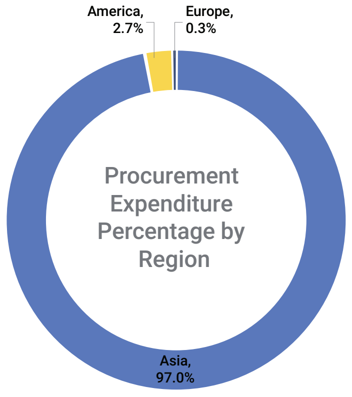
Committed with our social responsibility, Phison has built a responsible supply chain in accordance with the four major principles of supply chain Management: Code Compliance, Risk Assessment, Auditing Programs, Continuous Improvement, and Implementation of Responsible Supply Chain Management.

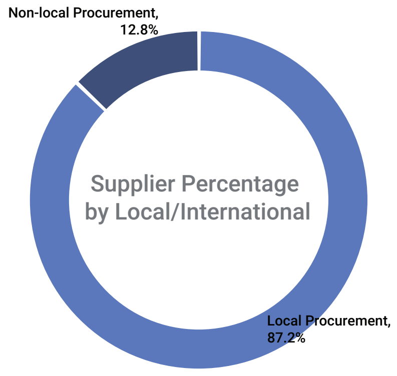

• Ask our suppliers to sign and comply with Phison Supplier Code of Conduct
Code Compliance
Risk Assessment
• Assess and control environmental and social risks through sustainability SAQ
• Ask our critical suppliers to receive Phison's RBA audit
Auditing Programs
Continuous Improvement
• Ask suppliers scored under 80 in their audit results to correct and improve their problems

5.1.2 Supplier Analysis

At the end of 2020, Phison already has 265 suppliers. We procure mainly the following types of raw materials: printed circuit boards, packaging materials, finished products, institutional, and electronics. With local procurement as the primary principle of our procurement, 87.2% of our suppliers are Taiwan-based. We hope to keep our business niche in Taiwan and reduce the carbon footprints of our raw materials at the same time.







Notes:
1. Finished products mean any products procured by enterprises which are ready to be sold immediately without further processing.
2. Local procurement means any procurement made to a Taiwan-based supplier.
3. Non-local procurement means any procurement made to a supplier based in a country or territory other than Taiwan, such as China, South Korea, Japan, Malaysia, Vietnam, Philippines, Europe, or El Salvador

5.1.3 Supplier Rating

Having reliable suppliers as Phison's procurement partners is the key for Phison to a steady supply of quality products and services. In order to identify quality suppliers and establish a deep and strong connection with such suppliers, a supplier rating is jointly conducted by the Procurement Department and Quality Control Department each year. Using the following four criteria, Timely Delivery, Price, Services, and Quality, as performance metrics, our suppliers are graded into four levels, and the grading results are further reported to the Management Review Meeting.

Suppliers with exceptional performance (Grade A) are entitled to priority production of our newly developed products; while for Grade D suppliers, the Procurement Department will inform the results of their assessment; as for suppliers with performance below the acceptable level, they are required to submit improvement plans within seven business days, and provide the progress and results of their improvement to the responsible department for review within three months. We will increase our purchase orders to suppliers with good ratings; as for suppliers with unacceptable performance, the Procurement Department will follow the principle of "Ordering Only the Existing Stocks, No More Orders for New Materials" with respect to their purchase orders (unless the supplier is designated by the customer), thereby gradually improving the overall quality of our suppliers without affecting the company's operations.

At the end of 2020, Phison has a total number of 265 suppliers, 256 have been rated as quality suppliers (Grade A+B), which accounts for 96.6% of our suppliers. By building long-term collaborative relationships with our suppliers, we can identify their operations status more easily, and reduce the communication costs between us at the same time.

Supplier Rating	A	B	C	D
Grading Scale	≧90 points	80-89 points	70-79 points	＜70 points
Rating Results	Entitled to priority production of our newly developed products.	Those who pass the rating assessment will be classified as acceptable suppliers.		Unacceptable Suppliers
Supplier Rating Results for 2020	9	247	7	2
Percentage (%)	3.40	93.21	2.64	0.75

In 2020, we began to implement the "supplier consolidation" strategy. We gradually concentrated our orders from customers who have not specified a supplier, on specific suppliers with good performance ratings. Through this strategy, the quality and services we obtained from suppliers would be more stable, thus reducing the risks and costs of time consumed from the suppliers' defect rate; what's more, we would be able to strengthen our influence on our suppliers, thereby increasing our ability to asking our suppliers to comply with our requirements for sustainability management. In order to avoid the risk of supply shortage from our selected suppliers due to natural disasters or other cases of emergency, we will focus on "strategic suppliers" next year, which requires our selected suppliers to provide production plans to ensure their ability to deploy and reconfigure production capacity at their production sites.

5.1.4 Supplier Audit

To control the sustainability risk in our supply chain, Phison has established the "RBA Vendor Management Policy", with an annual audit being conducted on all of our critical suppliers[7] with respect to labor rights,health and safety, environmental management, code of ethics, and compliance and effectiveness of their management systems through documentation audit or on-site audit. Auditors will promptly inform the supplier of any defects found during their audits. The defects will then be reported to the department head and the supplier will be asked to provide an improvement plan; furthermore, the supplier will be required to complete the improvement works within two weeks.

In 2020, we conducted audits on 21 raw material suppliers, 21 contractors and system service providers, and 5 service providers, with a passing rate of 72.3% for their audit results. Among the reasons for unacceptable audit results, failure to implement relevant management measures is the main common defect. 84.6% of our suppliers have completed the improvement of their defects within the deadline.

Supplier Classification	Number of Acceptable Suppliers	Number of Unacceptable Suppliers	Audit Passing Rate	Number of Suppliers who Have Completed Improvement Within Deadline	Audit Improvement Rate
Critical suppliers	34	13	72.3%	11	84.6%

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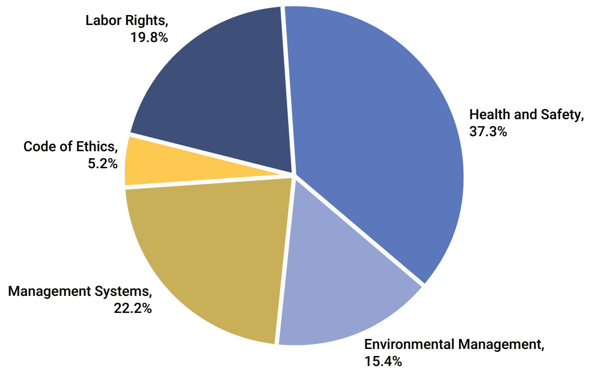
[7] Critical suppliers are the three most significant suppliers under the procurement categories of human resources, services, and each types of raw materials, including contractors and system service providers, based on aggregate value of purchases of goods or services for Phison.

Defect Analysis for Supplier Audit



5.2 Conflict Minerals Control

5.2.1 Conflict-Free Minerals Policy

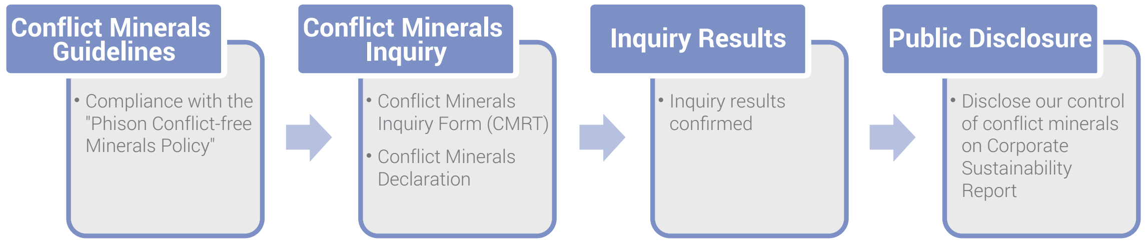
To ensure we are not sourcing any conflict minerals which were mined through abuses of human rights or under the coercion of armed groups, Phison has established the Conflict-free Minerals Management Guidelines and Conflict-free Minerals Policy in 2017.

> **Avoid the use of conflict minerals originating from Democratic Republic Congo (DRC) and its neighboring countries and areas.**
>
> **Fulfil Phison's corporate social responsibility to society.**
>
> President, Phison Electronics Corp.
>
> Au Yong Chee Kong

5.2.2 Conflict Minerals Control

In support of RBA's Code of Conduct, and to ensure our products comply with applicable guidelines on conflict minerals, Phison has established the Conflict-free Minerals Management Guidelines, which require all our suppliers to source conflict-free raw materials/minerals. The process for conflict minerals inquiry: after the product requirements and specifications are submitted, if any of the product materials involve metal, a conflict minerals inquiry is conducted to identify the type of the metal, the name of smelter and its country of origin, whether the mineral comes from recycled or scrap sources, and the country where the mineral was mined from, through conflict minerals inquiry forms (Conflict Minerals Reporting Template CMRT, Cobalt Reporting Template-CRT). If the supplier is found to be in breach of the Conflict-free Minerals Management Guidelines, we will cease all purchases from such supplier immediately. The supplier will be required to provide its plans for corrective and preventive measures, and sign a declaration on the non-use of conflict minerals.

Conflict Minerals Control Process



Conflict Minerals Guidelines
- Compliance with the "Phison Conflict-free Minerals Policy"

Conflict Minerals Inquiry
- Conflict Minerals Inquiry Form (CMRT)
- Conflict Minerals Declaration

Inquiry Results
- Inquiry results confirmed

Public Disclosure
- Disclose our control of conflict minerals on Corporate Sustainability Report

Reasonable Country of Origin Inquiry (RCOI)

Phison conducts the reasonable country of origin inquiry to identify the sources of 3TG metals, gold (Au), tantalum (Ta), tin (Sn), tungsten (W), and cobalt (Co), in our electronic products, and to confirm whether they originate from conflict zones.

Our RCOI(Reasonable Country of Origin Inquiry) includes the following steps:

1. Conduct inquires into suppliers to Identify the smelters and their sources of 3TG and cobalt through Conflict Minerals Reporting Template-CMRT, Cobalt Reporting Template-CRT.
2. Suppliers are asked to sign a declaration confirming their compliance with the Phison Conflict-free Minerals Policy.

Since 2012, an annual inquiry has been performed by Phison on the identification of raw material smelters in our products; the sources of minerals and smelters within our supply chain are identified through conflict minerals inquiry forms.

In 2020, we inquired into 62 of our suppliers, and completed the validation of 248 material codes in total for the sources of the five metals, gold (Au), tantalum (Ta), tin (Sn), tungsten (W) and cobalt (Co), confirming that all our suppliers are validated as conflict-free minerals suppliers.

6.Environmental Protection

Introducing the Concept of Green Building to Phison's Phase V Factory Site

As Phison's scale of operations, as well as the number of our employees, continue to expand, in order to provide a comfortable and spacious office environment for our employees and to expand our facilities, we began to build Phase V office building in March 2020, which will be connected to the existing Phase I, Phase II, and Phase III office building/factory sites. The new office building is expected to be put into service in June 2021.

In 2020, not only we leased out the rooftops of our Phase I and Phase II buildings to Hwan Tai Solar to install solar panels, we also introduced the concept of green building design to our new Phase V office building. We aim to reduce the impact of our office building on the environment as much as possible during its construction and operation stages.

Environmentally Friendly Planning Practices:

I. Prefabricated construction approach[8]: It can effectively reduce the waste, dust and noise on the construction site, and shorten the construction period, as well as reduce the impact of the conventional construction process on the surrounding environment from its resulting mud and wastewater.

II. Use of water efficient equipment: All washroom accessories and equipment in our facility are products certified as water efficiency.

III.Rainwater recycling: We arranged rainwater storage tanks to store rainwater for our facility, which can be fully utilized for watering greenery and plants in our facilities, thereby increasing our efficiency of water resource utilization.

IV.Green spaces: Our Phase V facility has a total green space of 3775.7m2, with landscapes designs including trees, shrubs, vines and lawns. Its design value of carbon sequestration is 1010740.65Kg /m2 higher than the baseline value of carbon absorbed by plants per unit time.

V. Use of green building materials: The facility uses large quantities of green building materials, such as porous AC, in which high-viscosity modified asphalt is added to the raw material. It not only can reduce the surface temperature, it will also be able to use precipitation to increase the relative humidity of the surface, as well as replenish underground water resources, thus performing the function of "water reservoir" of a porous pavement.

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[8] "Prefabrication" construction is a construction practice of assembling a variety of major components of a structure such as beams, columns and slabs which have been prefabricated in a factory at the construction site, and then simply placing the reinforcing steels, and connected the assemblies by dry or wet joints. This can effectively reduce the waste, dust and noise on the construction site, and shorten the construction period. More importantly, this will reduce the impact of the conventional concrete pouring construction process on the surrounding environment from its resulting mud and wastewater, thereby effectively reducing fugitive emission from stationary pollution sources.

6.1 Climate Change Management

Climate change has become an important issue around the globe, and the environmental impact caused by extreme weather has forced human society and nature to face unpredictable challenges, and caused a substantial impact on business operations. We view climate change as a key issue for our sustainable business development, and we develop relevant countermeasures based on the physical risks, transformation risks and product/service opportunities brought by extreme weather which we identified.

6.1.1 Climate Change Risk Assessment and Management

Type	Climate-related Risk/Opportunity	Potential Financial Impact	Countermeasures by Phison
Physical	• Water Rationing/ Outage	• Operating Cost ▲ • Operating Revenue▼	• Water storage tanks are set up to mitigate impacts. • Emergency response measures for water rationing are implemented; water will be purchased from private water suppliers during water-rationing period.
	• Power Rationing/ Outage	• Operating Cost ▲ • Operating Revenue ▼	• The power supply for the respective areas of the facilities in the event of a power outage is divided into using UPS or diesel generators according to these areas' operational importance to ensure the stability of the operation of critical equipment rooms and equipment. • Scheduled maintenance will be performed on the UPS of our faculties every three months, and a load bank testing will be done on the diesel generators on a monthly basis, to ensure they are operational at all times. • Ensure that the fuel inventory of the diesel generators does not drop below the safety stock level.
	• Rising temperature	• Operating Cost ▲	• Energy savings programs are implemented to reduce greenhouse gas (GHG) emissions.
	•Typhoons and floods	• Operating Cost ▲ • Operating Revenue ▼ • Asset value ▼	• Raise the base of our facilities 1.2 meters higher to reduce damages from floods. • Emergency response procedures are implemented; an emergency response team will be formed upon the occurrence of an event. • Drainage devices are installed, with drainage holes cleaned on a regular basis.
Transformation	• The cap on GHG emissions as required by law	• Operating Cost ▲	• A GHG emissions inventory is conducted on a regular basis for monitoring purpose.
Product/Service	• Increased R&D expenditures due to consumers' preferences on energy efficient products	• Operating Revenue ▲ • Operating Cost ▲	• Energy efficient products and services are developed.

6.1.2 Greenhouse Gas Management

In response to climate change and the implementation of green operations, since 2011, Phison has been conducting an annual GHG emissions inventory through the Environmental Protection Administration of the Executive Yuan with the Greenhouse Gas Protocol tool provided by the Intergovernmental Panel on Climate Change (IPCC) of the United Nations. And through our various energy savings programs, we continue to work towards our objective of GHG reduction.

In 2020, we produced 9406.27 metric tons of carbon dioxide equivalent (CO_2e). Scope 1 emissions are direct emissions, which comprised 1.69% of our total GHG emissions; Scope 2 emissions are emissions from electricity purchased from third parties, which comprised 98.31% of our total GHG emissions. Compared to 2019, our total emissions increased by 486.78 metric tons in 2020 due to an increased amount of purchased electricity; our emissions intensity in 2020 was 0.194 metric tons of CO_2e per million dollars of revenue, a decrease of 2.81% compared to 2019.

Type of Emission	Unit	2017	2018	2019	2020
Scope 1	(Metric tons of $CO^{2}e$)	102.76	118.46	140.31	158.77
Scope 2	(Metric tons of $CO^{2}e$)	6919.21	7921.56	8779.17	9247.49
Total	(Metric tons of $CO^{2}e$)	7021.98	8040.02	8919.49	9406.27
Emissions Intensity	(Metric tons of $CO^{2}e$ per million dollars of revenue)	0.168	0.197	0.200	0.194
Data Coverage Rate	(%)	100	100	100	100

Note 1: Our GHG emissions inventory includes an inventory to: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), and hydrofluorocarbon (HFC). And since there is no manufacturing process at Phison, we have no emissions of perfluorocarbon (PFCs), nitrogen trifluoride (NF3), and sulfur hexafluoride (SF6).
Note 2: Major compounds of VOCs include: hydrocarbons, halogenated hydrocarbons, oxy hydrocarbons, and nitrogen hydrocarbons. Phison does not use these chemicals, and there is no emissions of VOC at Phison, therefore, no reporting of air pollution is required.
Note 3: The electricity emissions factor was calculated using the electricity emissions factor of the local power supplier; the global warming potential was quoted from the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC).

6.2 Energy Resources Management

6.2.1 Statistics of Energy Consumption

To review and improve our efficiency on the use of energy, Phison conducts an annual energy use inventory on the fuels we used, including petroleum, diesel, and electricity. In 2020, Phison's total energy consumption was 65,405 GJ, and our energy use intensity was 1.349 GJ per million dollars of revenue. Compared to 2019, our energy use intensity has decreased by 2.88%.

Energy Consumption Statistics

Item	Unit	2017	2018	2019	2020
Petroleum	Liter	5,715	7,377	9,354	4,929
Diesel	Liter	200	200	200	1,000
Total Electricity Consumption	kWh	13,593,737	15,562,981	17,247,885	18,167,966
Gross Calorific Value	GJ	48,937	56,027	62,092	65,405
Total Amount of Energy Used	MWh	13,647.79	15,631.86	17,334.79	18,222.48
Energy Use Intensity	GJ per million dollars of revenue	1.169	1.374	1.389	1.349
Data Coverage Rate	(%)	100	100	100	100

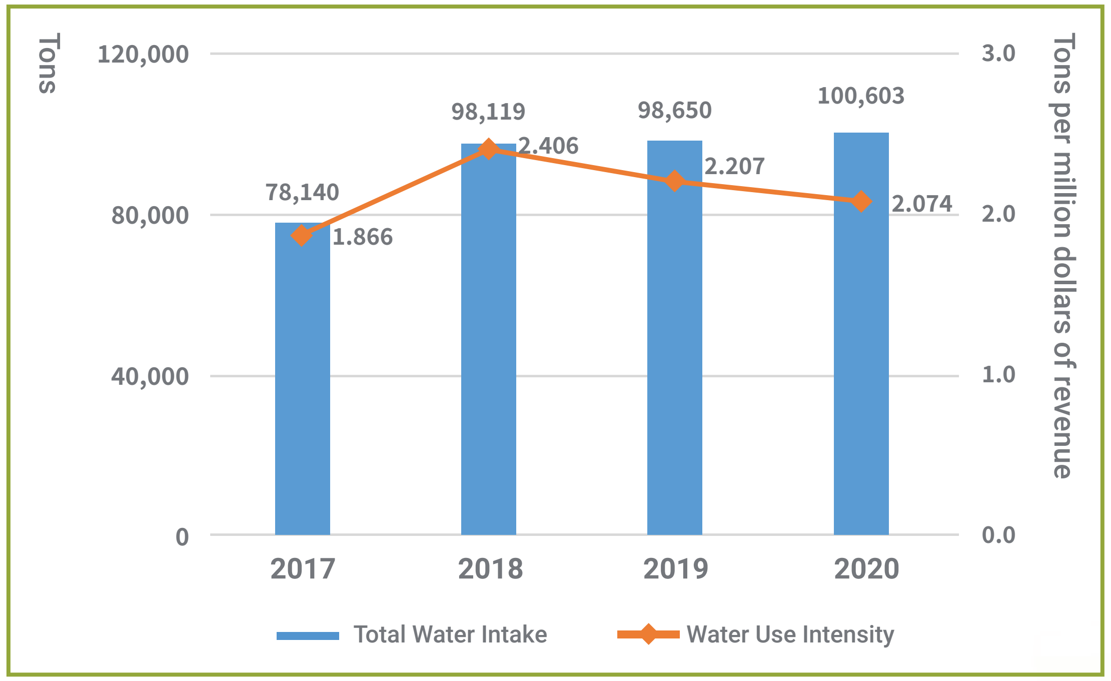
Note 1: The data coverage of our energy use for respective years is consistent with the data coverage of GHG emissions data for that year
Note 2: The main source of our energy use was the consumption of purchased electricity. The values for heat, cooling, and steam consumption were 0.
Note 3: Phison had no undertakings in generating energy either for our own use or for sale; therefore, the values for electricity, heat, cooling, and steam sales were 0.
Note 4: The calorific value conversion factor was referred from the latest calorific value tables of energy products as declared by the Bureau of Energy during the statistical period.
Note 5: The figures for electricity consumption between 2017 and 2019 failed to include the data from Taipei office, Zhubei office and parking lot, the data was corrected this year.

6.2.2 Statistics of Water Consumption

Phison operates mainly in the fields of R&D and design. Our production process only involves simple assembly and packaging, and maintenance and testing processes. There is no water consumption[9] for our production process, we use water only for general use. The sources of our water intake are city water and the private water supplier, Kuan Yuan. In 2020, Phison's total water intake was 100,603 tons, and our water intake intensity was 2.074 tons per million dollars of revenue. Although our total water intake in 2020 has increased by 1,953 tons compared to the previous year due to an increase in our staff, our water intake intensity has decreased by 6.02%, indicating a significant improvement in our water use efficiency.

[9] There is no production line in our facilities and our water are for general use and cooling of equipment. Our laboratories only use Reverse Osmosis (RO) water system. Ultrapure water is not used at Phison.

Total Water Intake and Water Intake Intensity



Note : Calculated by the number of employees, the data coverage rate for 2017-2020 were 94.6%, 94.4%, 93.4% and 92.6%, respectively.

Level of Water Stress

In 2020, the water used in Phison's business activities were 100% third-party sources (Taiwan Water Corporation and Taipei Water Department). The sources of our water withdrawals for Miaoli areas were Dapu Reservoir and Yunghoshan Reservoir. As for Taipei areas, our source of water resources was Feitsui Reservoir. According to the World Resources Institute (WRI)'s Aqueduct tools and the Water Supply Situation Report issued by the Taiwan Water Resources Agency, MOEA, the levels of water stress in the Miaoli and Taipei areas were identified as low to medium.

Note 1: Miaoli areas include our Zhunan and Keyi plants
Note 2: Taipei areas refer to our offices located in Nankang and Banqiao districts

6.2.3 Energy Savings Programs and Goals

In 2020, Phison initiated two energy-saving programs, which are expected to save 12,021 kWh of electricity energy and NTD 32,457 in electricity charges, which is equivalent to a reduction of 9,737 thousand grams of CO^{2}e.

2020	Program Description	Expected Amount of Energy Saved (kWh)	Amount of Costs Saved (NTD)
Energy Savings	Water dispenser RO wastewater recycling and holiday power saving program	2,346	6,334
	Installation of time controllers to all toilet exhaust fans at Phase II and III facilities for energy-saving operation	9,675	26,123
Total		12,021	32,457

In order to review the effectiveness of our measures taken in the reduction of the GHG emissions and energy resources, we have listed relevant performance indicators, and will be reviewing their progress every year, as well as setting our long-term goals. With the opening of our new Phase V facility in 2021, we can expect a significant increase across our various energy and resources consumption, as well as our relevant emissions. Nevertheless, Phison will continue to implement various energy and water savings programs to reduce our impact on the environment as the scale of our operations continues to expand.

Phison will start purchasing renewable energy in 2021. In order to carry out our energy transformation in a steady pace, we aim to purchase 1% of our total electricity consumption at the beginning, and increase the amount to 3% by 2023, and 5% by 2025. All of our annual targets for energy, resources, waste and emission reduction have been achieved.

Item	Key Performance Indicator	Performance Objective for 2020	Performance Result for 2020	Objective Achieved	Performance Objective for 2021
Waste	Waste Intensity (amount of waste produced per milliondollars of revenue)	No more than 15% increase compared to 2019	Increased by 12.77% compared to 2019	Achieved	No more than 5% increase compared to 2020
Water	Water Intake Intensity (amount of water intake per million dollars of revenue)	2% decrease compared to 2019	Decreased by 6.02% compared to 2019	Achieved	No more than 5% increase compared to 2020
Electricity	Electricity Intensity (electricity consumed per million dollars of revenue)	2% decrease compared to 2019	Decreased by 2.93% compared to 2019	Achieved	No more than 10% increase compared to 2020
Greenhouse Gas	GHG Emissions Intensity (GHG emissions per million dollars of revenue)	2% decrease compared to 2019	Decreased by 2.81% compared to 2019	Achieved	No more than 10% increase compared to 2020
Renewable Energy	Share of Renewable Energy in Total Electricity Consumption	N/A	N/A	N/A	1%

6.3 Effluent and Waste Management

Material Topics	Waste and Hazardous Substances Management
Significance and Materiality to the Organization	Waste management is an important aspect for a business's management practices as it affects corporate image and the well-being of the local community, and the environmental costs it caused also affect a business's operating costs.
Management Approach	
Policy and Commitment	We developed the Control Standards of Hazardous Substances and have properly disposed of any and all the waste generated in the course of our operations to minimize any environmental impact.
Long-Term Goals	The waste generated in the course of a business's operations should be properly disposed of to achieve the goal towards a safe, sanitary, harmless and recycled disposal of the waste.
Performance	1. A total of 79,493 tons of water and effluents were discharged from our Zhunan headquarter this year, a decrease of 2.5% compared to 2019. 2. This year, a count on the total weight of hazardous industrial waste produced by all of our operating sites in Taiwan was made for the first time, which was 0.95 tons in total; and all the waste has been completely removed at the end of 2020.
Responsibility	Environmental, Health and Safety Department, General Affairs Departmen
Complaint Mechanism	Stakeholder contact section of the official website
Action plans	1. Compliance with the Control Standards of Hazardous Substances at all stages of production. 2. Contract qualified waste disposal facilities to outsource waste disposal and treatment. 3. Promote waste reduction and recycling inside the company to reduce waste generation at source.
Assessment Mechanism	1. Waste Intensity 2. Resource Recycling Rate 3. Passing Rate for On-site Audit Conducted by Environmental, Health and Safety Department

6.3.1 Wastewater Discharge Management

Regarding the wastewater generated from Phison's operation areas, for Miaoli areas, it is discharged to the wastewater treatment plant at the Kuanyuan Science Park through legally applied pipelines; for Taipei areas, it is discharged into the public sewerage system for disposal. A total of 79,493 tons of water and effluents was discharged from our Zhunan headquarter in 2020, a decrease of 2.5% compared to 2019. Our wastewater generated in the Miaoli area is tested monthly by an independent water quality testing agency for water temperature, hydrogen ion concentration index (pH), suspended solids, biochemical oxygen demand, and chemical oxygen demand. This is to ensure that the quality of our water and effluents meets the discharge standards of the Kuanyuan Science Park's sewerage system, and our water and effluents does not cause any serious impacts to nearby water bodies.

Type	Item	Volume Discharged (tons per day)
Discharge Destination	Surface water + Groundwater + Seawater	0
	Third-party water (wastewater treatment plant)	217.79
	Third-party water sent to other organizations for use	0
Level of Treatment	Untreated	0
Total Volume of Water Discharged		217.79

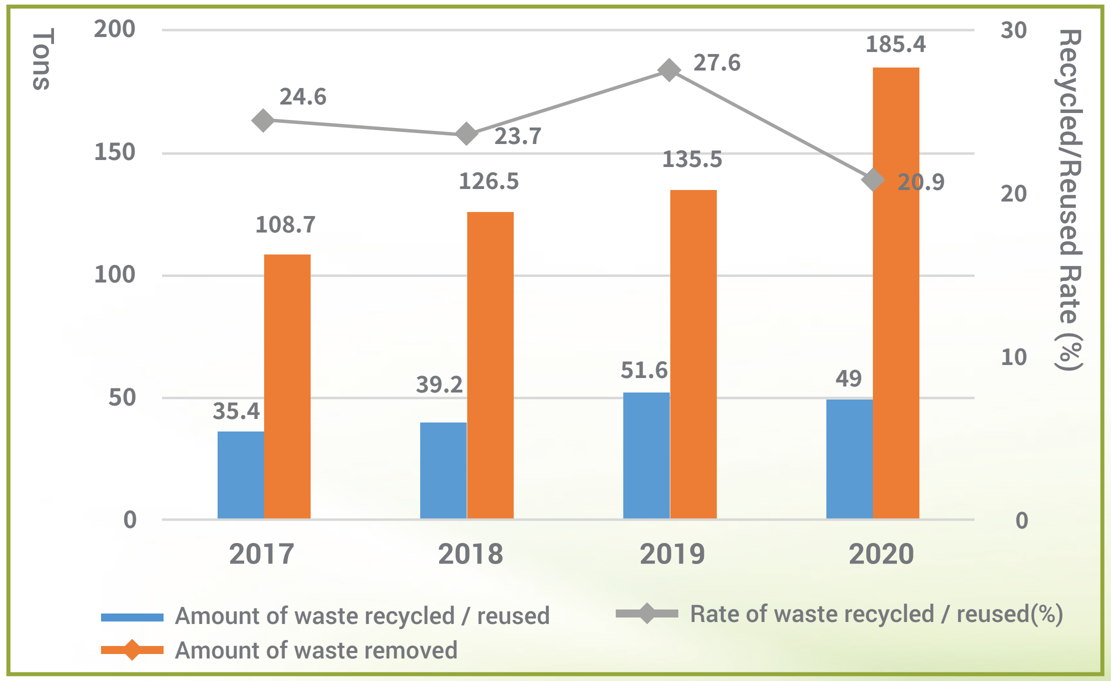
Note 1: The volume of water and effluents is estimated according to the park regulations, and is calculated as total water consumption x 0.8

Note 2: All the wastewater of Phison is discharged to the local wastewater treatment plant; there was no direct discharge to a receiving body of water.

6.3.2 Waste Management

In 2020, we generated a total 234.4 tons of waste, including general industrial waste and domestic waste, in which 49 tons (20.9%) of the waste were recycled and reused, while 185.4 tons of waste could not be recycled and reused. The significant decrease in our recycling rate compared to last year was mainly due to our initiative towards a paperless office, resulting a significant decrease in our recycled volume of paper. Furthermore, as a result of our continuous expansion of business operations and increase in our staff, waste generation in 2020 has increased by approximately 47.3 tons compared to last year, which converted to a waste intensity of 0.005 tons per million dollars of revenue, an increase of 12.77% compared to 2019.

Amount of Waste Generated in 2020



Note : Calculated by the number of employees, the data coverage rate for 2017-2020 were 94.6%, 94.4%, 93.4% and 92.6%, respectively.

Hazardous Industrial Waste

Hazardous industrial waste is the waste generated by any business that is toxic, dangerous, and in sufficient concentration or quantity to affect human health or pollute the environment. Phison generates hazardous industrial waste, mainly under the waste item E0217 (Scrapped electronic parts and components, leftover scrap and defective goods) from our activities of product experimentation. In 2020, a count on the total weight of hazardous industrial waste produced by all of our operating sites in Taiwan was made for the first time, which was 0.95 tons in total; and all the waste has been completely removed at the end of 2020.

Phison has engaged qualified disposal and treatment vendors for the disposal of our hazardous industrial waste. A waste disposal and treatment agreement is entered into by and between our Procurement Department and any of such vendor. The Procurement Department will notify the contracted vendor to come into our facilities and remove the waste on a regular basis or when a certain amount of waste has been accumulated in our storage sites. The Environmental, Health and Safety Department will document the details of such removal in the "Industrial Waste Removal Record Sheet" and retain the record for a period of three years. To ensure our hazardous industrial waste is handled properly by our contracted disposal and treatment vendors, the Environmental, Health and Safety Department will inspect the operating procedures of the disposal and treatment vendors and their operating performance on a regular basis by following the removal truck to its destination in person or conducting on-site audits, making sure that the risks and impacts of our hazardous industrial waste posed on the environment are minimized.

6.4 Green Design

6.4.1 Environmental Management System

In 2020, Phison announced the "Phison Environmental Protection Policy", which involves our commitments to protect the natural environment in an appropriate way according to environmental legislations and international standards, and to endeavor to achieve the goal of environmental sustainability in the course of our business activities and internal control, as well as to initiate policies relating to information transparency. The design and assembly processes of our flash memory storage devices and flash memory controller chips have obtained ISO 14001 certification. We also focus on recycling and energy conservation policies to reduce the impact of our business activities on the environment and fulfill our corporate responsibility.

6.4.2 Green Management Process

Phison are committed to environmental protection. By examining the life cycle of our products, we have been able to understand the actual and potential impacts of our products on the environment at each product stage, and strategies and objectives were planned ahead to reduce the environmental impacts. The product life cycle consists of the following stages: raw material procurement, design, packaging, transportation, and end-use. The action plans for each product stage are as follows:

Stage	Implementation Approach and Results
Raw Materials	• Hazardous Substance Management • Environmental Management System • Waste Management • Sony Green Partner Environmental Quality Approval Program
R&D and Design	• Develop environmental friendly and energy efficiency IC chips • Obtain ISO 14001 Environmental Management System certification; the processes to be certified include the design and assembly processes of flash memory storage devices, and the design process of flash memory chips.
Packaging	• Reuse packaging materials to reduce the amount of packaging materials used and waste generated. • Resale packaging materials (IC trays) in 2020: 784,214 pieces
Transportation	• Logistics strategy, we adopt “freight consolidation” approach according to the geographic regions of our customers and the load capacities of our carriers to enhance transportation efficiency.

6.4.3 Hazardous Substance Management

In 2006, Phison established the "Hazardous Substance Management Procedures" and set up the Green Management Team to monitor the conformity of our R&D, design, procurement and manufacturing processes to international standards including the EU Restriction of Hazardous Substances Directive 2002/95/EC (EU RoHS), Halogen Free, EU Registration, Evaluation, Authorisation and Restriction of Chemicals on Substance of Very High Concern (EU REACH SVHC), and EU Waste Electrical and Electronic Equipment Directive 2002/96/EC (WEEE), to ensure our compliance with Taiwan and international legislations and the requirements of hazardous substance restrictions on our customers' products and to reduce the environmental impact of product-related activities.

In 2020, we sent a total of 8 products of our new series to an independent third party for testing of hazardous substances, and the compliance rate of our products with hazardous substance requirements was 100%

Phison’s Approach on Hazardous Substance Management

EU Restriction of Hazardous Substances Directive 2002/95/EC (EU RoHS)

- Due to the characteristics of our customers' products, we still require the use of substances which contain trace amounts of lead; however, such use is exempted from EU RoHS, and our use of all other EU RoHS controlled substances are in compliance with the regulations.

EU Registration, Evaluation, Authorisation and Restriction of Chemicals on Substance of Very High Concern (EU REACH SVHC)

- All our products conform to the requirements

Halogen Free

- Conformity to customer requirements

EU Waste Electrical and Electronic Equipment Directive 2002/96/EC (WEEE)

- All our products conform to the requirements for the recovery, reuse, and recycling of WEEE

Green Product Policy

We perform non-hazardous substances management in accordance with our customer requirements to ensure the products and services we provided to customers meet the customer requirements and exceed their expectations. We improve our management of non-hazardous substances on an ongoing basis through planning, implementation, auditing and review procedures.

Hazardous Substance Management by Stages

Research & Development Stage

- **Review of New Products**
  - Material Safety Data Sheet
  - Control Standards of Hazardous Substances

Manufacturing Stage

- **Incoming Quality Control**
  - Acceptance standards
  - Hazardous substance testing
- **Change Management**
  - Material Safety Data Sheet
- **Annual Hazardous Substance Testing**
  - Products sent to independent third party for testing

Supplier Management

- **Green Product Management System**
- **Hazardous Substance Testing Report from Independent Third Party**
- **Material Safety Data Sheet**

6.5 Environmental Investments

Phison Electronics follows the "Industry Guidelines for Environmental Accounting" published by Environmental Protection Administration of Taiwan to categorize environmental protection costs and environmental benefits as an important basis for decision-making.

In 2020, due to the water and soil conservation and landscape greening projects in the Phase V Factory, the environmental protection costs have increased significantly compared with previous years; however, the environmental protection benefits have been reduced due to the lower unit price of the IC tray resale, resulting in a substantial reduction in the amount compared with the previous year.

Cost classification		Description	2017	2018	2019	2020
Operating cost	Pollution control costs	Waste water treatment	1,526,132	2,068,775	2,118,374	1,993,960
		Septic tank treatment	280000	420000	360,000	360,000
	Sustainable resource utilization cost	Waste treatment costs	632,160	894,240	894,240	894,240
Management Costs		Costs for certification by independent certification bodies	100,000	100,000	100,000	200,000
		Discharge water quality inspection cost	30,000	30,000	30,000	30,000
		Water and soil conservation costs	0	0	0	32,609,250
		Green landscaping maintenance	196,600	240,000	364,500	19,651,620
Social activity cost		Farm environment application	956,629	1,052,993	1,138,201	1,231,560
		Environmental protection activities	24,552	6,007	3,984	0
Total			3,746,073	4,812,015	5,009,299	56,970,630

Benefit classification		Description	2017	2018	2019	2020
Cost Savings	Energy saving plan	Reduction in electricity costs due to energy saving projects	0	0	1,158	32,457
	Waste recycling/ reuse	Waste recycling income	105,083	85,496	80,280	52,019
		IC tray resale	657,362	8,518,428	6,157,433	2,438,774
Total			762,445	8,603,924	6,238,871	2,523,250

7. Employee Care

7.1 Employment Overview

7.1.1 Employee Structure

In 2020, the total number of employees in Phison Group was 2,606, with 2,178 or 83.6% of the employees worked under Taiwan Phison (excluding subsidiaries), in which there were 1,516 R&D personnel, 148 sales personnel, 219 production personnel, and 295 administrative personnel. The number increased by 17.9% compared to 2019, reflecting the continuous growth of our scale of operations and businesses.

Phison Group Employee Headcount
(including overseas employees)

Year	Taiwan	Overseas	Total
2019	1,847	207	2,054[10]
2020	2,178	428	2,606[11]

[10] Including PJP / USA / Hefei Core Storage / Chunhong / Phisontech / Yaochen.

[11] Including PJP / USA / Chunjia / Yaochen. Liquidation of Phisontech, settlement of Hefei Core Storage and Chunhong were completed in November 2020, they were not included.

Employee Structure

2019							
Type	Type	Male	Percentage (%)	Female	Percentage (%)	Total	Percentage (%)
Position	R&D personnel	1,151	86.70	176	13.30	1,327	71.9
	Sales personne	30	21.30	111	78.70	141	7.60
	Production personnel	98	50	98	50	196	10.60
	Administrative personnel	78	42.60	105	57.40	183	9.90
Type of Employment Contract	Permanent	1,325	74.06	464	25.94	1,789	96.86
	Temporary	32	55.17	26	44.83	58	3.14
Type of Employment	Full-time	1,356	73.54	488	26.46	1,844	99.84
	Part-time	1	33.33	2	66.67	3	0.16
Age	< 30	413	74.40	142	25.60	555	30.00
	30-50	930	73.30	339	26.70	1,269	68.70
	>50	14	60.90	9	39.10	23	1.30
Education	High school diploma or below	20	50.00	20	50.00	40	2.17
	Bachelor degree	357	54.10	303	46.90	660	35.73
	Master degree	964	83.40	165	16.60	1,129	61.13
	Ph.D.	16	88.90	2	11.10	18	0.97
Nationality	Taiwanese indigenous people	1	100	0	0.00	1	0.05
	Taiwanese national (non-indigenous people)	1,271	73.47	459	26.53	1,730	93.67
	Foreign national	85	73.28	31	26.72	116	6.28

Type	Type	2020 Male	Percentage (%)	Female	Percentage (%)	Total	Percentage (%)
Position	R&D personnel	1,317	86.87	199	13.13	1,516	69.61
	Sales personne	34	22.97	114	77.03	148	6.80
	Production personnel	107	48.86	112	51.14	219	10.06
	Administrative personnel	148	50.17	147	49.83	295	13.54
Type of Employment Contract	Permanent	1,572	74.61	535	25.39	2,107	96.74
	Temporary	34	47.89	37	52.11	71	3.26
Type of Employment	Full-time	1,605	73.79	570	26.21	2,175	99.86
	Part-time	1	33.33	2	66.67	3	0.14
Age	< 30	521	75.40	170	24.60	691	31.73
	30-50	1,071	73.06	395	26.94	1,466	67.31
	>50	14	66.67	7	33.33	21	0.96
Education	High school diploma or below	21	47.73	23	52.27	44	2.02
	Bachelor degree	406	54.06	345	45.94	751	34.48
	Master degree	1,161	85.18	202	14.82	1,363	62.58
	Ph.D.	18	90	2	10	20	0.92
Nationality	Taiwanese indigenous people	1	100	0	0	1	0.05
	Taiwanese national (non-indigenous people)	1,510	73.98	531	26.02	2,041	93.71
	Foreign national	95	69.85	41	30.15	136	6.24

In terms of gender structure, the percentage of women participation in governance boards at Phison (including the Board of Directors, the Compensation Committee and the Audit Committee) was 22%.

Diversity in Governance Boards

Item		2020 Number of People	Percentage (%)
Total Number of People in Governance Boards		9	100
Gender	Male	7	77.8
	Female	2	22.2
Age Range	< 30	0	0
	30-50	3	33.3
	> 50	6	66.7

In terms of nationality, Taiwanese national, at 93.8%, constitute the most of our workforce; the second highest percentage in our workforce is Malaysian, the third and fourth highest are Filipino and Indian, respectively.

Nationality	Taiwan	Malaysia	Philippines	India	Other
Percentage in Total Workforce(%)	93.8	2.9	2.5	0.2	0.6
Percentage in All Managerial Positions (%)	94.1	5.4	0	0	0.5

The male and female ratios of our workforce are 73.7% and 26.3%. Among the permanent staff in Taiwan, female managers account for 21.5% of Phison's managerial positions, 19% of which are in first-level managerial positions, and 24.2% of which are in top-level managerial positions, with female workers taking up 19.2% of managerial positions in revenue-generating functions. The proportion of female in first-level managerial positions decreased this year, but the proportions of middle-level and top-level managerial positions have increased instead. This is partly due to the promotion of existing female first-level managers to higher positions, and partly due to the continuous expansion of our operations and the resulting recruitment of many IC design talents. Unfortunately, as the educational approach towards our industry and the current employment situation in the industry are still being perceived as predominantly male, there is a decrease in the proportion of our newly hired female first-level managers.

Proportion of Female Employees

Type	2019	2020	Target percentage in 2025
Total Female Employees (%)	26.5	26.3	27
Female Managers (%)	21.5	21.5	22
Female in First-level Managerial Positions (%)	20.1	19.0	20.5
Female in Middle-level Managerial Positions (%)	23.0	25.2	25.5
Female in Top-level Managerial Positions (%)	22.9	24.2	25
Female Managers in Operations-related Departments (%)	17.8	19.2	20
Female Working in STEM-related Positions (%)	13.3	13.1	14

Note 1: Top-level managers include chairman, president, vice president, vice presidents of technology, division heads, deputy division heads, and senior manager.
Note 2: Middle-level managers include deputy managers and department managers.
Note 3: First-level managers include deputy section chiefs, section chiefs, deputy team leaders, and team leaders.
Note 4: Operations-related departments do not include administrative departments (e.g. Human Resources, Legal, Finance).
Note 5: Personnel working in STEM-related positions are defined as the R&D engineers working in the areas of research and development.
Note 6: The company specializes in IC design, and the talents needed are mainly engineering backgrounds such as electronics, electrical engineering, and information engineering. Since the number of women studying in the engineering department is small, the increase in the target proportion is also small.

Employing People with Disabilities

Year	2019 Minimum Number of Employees as Legally Required	2019 Number of People Actually Employed	2019 Weighted Percentage	2020 Minimum Number of Employees as Legally Required	2020 Number of People Actually Employed	2020 Weighted Percentage
Number of People	18.47	14	1.03%	21.78	16	0.96%

7.1.2 Percentages of New Hires and Terminated Employees

In 2020, there was a total of 489 new employees joining Phison's permanent staff in Taiwan, accounting for 22.5% of our workforce, of which 369 were male and 120 were female; in 2020, a total of 151 employees left our permanent staff in Taiwan, accounting for 6.9% of our workforce, of which 114 were male and 37 were female. With our diligent execution of a performance evalution system, we aim to increase our retention rate of quality talents by improving employee benefits and satisfying their career development, thereby continuously injecting new energy into our company.

Gender	Male			Total Male	Female			Total Female	Total New Hires	Total Employees	New Hires Percentage (%)
Age	< 30	30-50	> 50		< 30	30-50	> 50				
New Hires	216	153	0	369	63	57	0	120	489	2,178	22.5%
Gender	Male			Total Male	Female			Total Female	Total Termination	Total Employees	Terminated Employees Percentage (%)
Age	< 30	30-50	> 50		< 30	30-50	> 50				
Terminated Employees	29	81	4	114	12	23	2	37	151	2,178	6.9%

Item	2017	2018	2019	2020
New Hires Ratio (%)	17.6	19	23.8	22.5
Terminated Employees Ratio(%)	5.4	5.5	5.9	6.9
Voluntary Termination Ratio(%)	5.3	5.2	5.6	6.7
Internal Recruitment Ratio(%)	0	1.1	0.5	5.0

Note 1: New hires ratio = number of new hires for the year / total number of employees at the end of the year * 100.
Note 2: Terminated employees ratio = number of terminated employees for the year / total number of employees at the end of the year * 100.
Note 3: Voluntary termination: means employees who have decided to leave the company on their own accord (e.g. resignation, retirement, or early retirement).
Note 4: Voluntary termination ratio = number of voluntary termination for the year / total number of employees at the end of the 2020 * 100.
Note 5: Internal recruitment ratio = number of vacancies being filled by the existing employees for the year / total number of vacancies for the year * 100.

7.2 Talent Attraction & Retention

Material Topics	Talent Attraction & Retention
Significance and Materiality to the Organization	Employee turnover is critical to the stability of an organization's operations. Allowing employees to develop and use their talents in an appropriate way and giving them reasons to be willing to make a long-term commitment to the organization will enhance the efficiency of the organization's operations.
Management Approach	
Policy and Commitment	We are committed to the protection of human rights, and have provided excellent salary and benefits as well as a healthy and safe workplace to attract employees to be highly engaged in their works and develop their career together with the company.
Long-Term Goals	The average salary remains in the top 25% of the industry.
Performance	1. The median salary for full-time employees in non-managerial positions is NTD 2,332,000 and the average salary is NTD 2,869,000. 2. The expenses on employee benefits amounted to approximately NTD 6,556,720,000, or NTD 3,265,000 per employee.
Responsibility	Human Resources Department
Complaint Mechanism	Ms. Wang/Ms. Wu of Human Resources Department WeCan_8080@phison.com
Action plans	We will continue to improve our employee benefits and respond to employee needs, ensure the effectiveness of multiple communication channels, create an inclusive, friendly and healthy work environment, and enhance employee identification with the company, thereby reducing turnover rates.
Assessment Mechanism	The number of employee complaints

7.2.1 Salaries and Benefits

In the highly competitive semiconductor industry, quality talents are essential for our company to provide high quality products and services, and to maintain the vitality of corporate innovation; as such, we consider recruiting and retaining quality talents as a key issue in our business management. We actively implement industry-academia cooperation programs and participate in university career fairs in order to attract outstanding talents to join our company. For our employees, we continue to develop their professional functions to create workplace value and personal competitiveness, and at the same time achieving our goal of enhancing the overall competitiveness of Phison Group.

Phison's Regulations Governing Remuneration was established as required by the Labor Standards Act, and does not discriminate on the basis of gender, religion, race or political affiliation. Employee remuneration are reasonably determined based on individual job duties, and the complexity, required professional knowledge, experience, and skills of individual works, as well as remunerations offered by our competitors. Phison provides cash bonus quarterly; employee bonuses are offered in quarterly installments to encourage their continual contributions to the company.

Phison established the Employee Welfare Committee, which consists of 23 members, including the Chairman as an ex-officio member, along with senior managers of the products and operations business group as the members representing the employer. The other members, who represent the employees, are appointed by personnel at the level of manager or above and accounts for as high as 91% of all members.

The expenses on employee welfare in 2020 amounted to approximately NT$6,556,720,000, or NT$3,265,000 per employee. 2020 marked the 20th anniversary of Phison. To celebrate, we have spent NT$4,149,200 on designing and producing 2,024 jackets that are windproof, anti-splash, and soft-shell and were distributed complimentarily to employees.

Salary of full-time employees who are not in a managerial position

Item	2019	2020	2020 change compared with 2019
No. of non-managerial full-time employees	1.689	1,921	Increased by 232 personnel
Average salary of non-managerial full-time employees (in 1,000 NTD)	2,332(Note1)	2,869	Increased by 23.0%
Median salary of non-managerial full-time employees (in 1,000 NTD)	1,905	2,332	Increased by 22.4%

Note1: This number was input incorrectly in 2019, and has been corrected this year.
Note2: The ratio of the CEO's total annual compensation (including fixed salary and variable salary) to the average annual compensation of all employees (excluding the CEO) is 43:1.

Male-female employee remuneration ratios

Position	Male	Female
Executive level base salary	112%	100%
Executive level compensation (base salary + other cash incentives)	183%	100%
Mid-level and entry-level manager base salary	140%	100%
Mid-level and entry-level management compensation (base salary + other cash incentives)	146%	100%
General employee	138%	100%

Note 1: Executive level includes chairman, president, vice president, vice presidents of technology, division heads, deputy division heads, and senior manager.
Note 2: Mid-level includes deputy managers and department managers.
Note 3: Entry-level includes deputy section chiefs, section chiefs, deputy team leaders, and team leaders.

Phison specializes in IC designs. However, in reality, practitioners in this industry with relevant academic qualifications are predominantly male. According to the Ministry of Education's statistics in 2019, "females graduating from academic disciplines of science, technology, engineering and mathematics in higher education" only accounted for 25.03% of all graduates in the above disciplines. For these reasons, male employees account for the majority of Phison's managerial personnel. As our remuneration standards vary among different departments, managerial personnel in the R&D department (staffed mostly by males) are better remunerated than those in the same position in other administrative departments (staffed mostly by females). Hence, there is a gender pay gap.

Phison employs workers based on their merit without gender discrimination. With the R&D departments excluded, our female employees account for 56.3% of all employees. This number shows that the pay gap results from the long-term education system and the nature of the industry. In the future, Phison will continue to pay attention to gender pay gap to fulfill our corporate social responsibilities.

Better welfare policy than required by law

Item	Statutory standard	Phison policy
Holidays and leaves	According to the amended enforcement rules of the Labor Standards Act, the national holidays has been reduced to 12 days.	However, Phison still offers an extra seven bridge holidays.
Annual paid leave	An employee having worked continually for six months but less than one year shall be granted three days of annual paid leave.	An employee having worked continually for three months may take annual paid leave in advance. Those having worked for one year shall be granted eights days of annual paid leave.
Family care leave	The number of family care leave days shall be counted towards personal leave and may not exceed seven days in one year. Employees taking such leave will not be paid.	Family care leave shall be counted towards personnel leave, which may not exceed 14 days in total in one year. The employee taking such leave will be paid for the first three days.
Consultation services	No regulations	Offers free counseling and legal or financial consultation services
Flexible working hours	No regulations	Employees may apply for clock-in at half an hour earlier than the normal working hours according to individual needs.
Bonus	No regulations	Bonuses during the three holidays; birthday bonus; travel allowance; group meal subsidies; language learning subsidies; scholarships and grants; and subsidies for childbirths, marriages, and funerals. In 2020, bonuses totaling NT$66,684,510 were distributed.
Employee club	No regulations	According to Phison's rules, an employee club shall consists of 25 or more employees, and will be established after the approval of the Employee Welfare Committee. Upon being established, an club shall recruit members for at least one week. In 2020, we offered subsidies totaling NT$589,398 for the clubs.

Diversified events

Phison draws up annual event plans based on the available annual funds for employee welfare and the company's operating directions. This year, in response to the COVID-19 epidemic control policy, we canceled lectures, sports events and other indoor gatherings. In 2020, we organized one road running/ family day charity fair and one Christmas celebration event to strengthen employees' identification with the company.

Event name	Event contents	No. of participants
Phison 20th Anniversary Road Race & Charity Sales	The 2020 Family Day also marked the 20th anniversary of Phison. Phison combined environmental protection, charity, family and sports to organize a series of events (charity sales, team competitions, road races, and parent-child interactive games) that brought together employees and their families, cooperating customers, collaborative suppliers, and affiliate enterprises. During the events, the Chairman announced that each employee was offered a Family Day bonus of NT15,000.	3,200
Christmas Flash Event	During Christmas holidays, we hold Christmas gift event featuring girls in Christmas-themed costumes. Any employees wearing red or green clothes/accesories can queue up for a photo with them and receive gifts from them.For the gifts this year, we worked with the bakery workshops of the Children Are Us Foundation to distribute Christmas biscuits to spread love to Phison people.	1,000

2020群聯電子家庭日暨慈善路跑活動
2020群聯電子家庭日暨慈善路跑

2020 Phison Family Day &
Charity Road Race

Christmas Flash Event

Phison Farm Column

In order to continuously improve employee welfare and promote employee health, Phison has used the land (of an area of approximately 7,603 square meters) voluntarily offered by employees for the Phison Farm, and hired two full-time farmers to manage it and plant seasonal fruits and vegetables. Because we attach importance to the safety and healthiness of food, we use self-made eco-friendly enzymes such as vegetable leaves, milk from our employees that has passed its expiration date, yogurt drink, and the milk beverage Yakult, in order to improve crop quality and control pests and diseases. We also periodically issue internal letters to inform employees about the current condition of the farm and the feature types of plants.

In 2020, Phison Farm input a total of NT$1,231,560 and harvested a total of 7,136 kilograms of fruits and vegetables. We packed different types of fruits and vegetables into bags to be delivered to employees who request them via the online registration system. A total of 3,362 packs of fruits and vegetables were distributed to employees this year. In addition to the free supply of healthy fruits and vegetables, the farm also provides employees with opportunities to relieve stress and get close to nature. Every year, we offer one to two opportunities for employees to experience the fun of vegetable and fruit picking. As a themed farm of Phison, employees may also request fruits and vegetables with the approval of their superiors to offer customers or suppliers as gifts.

Pension Contribution

Phison's Regulations Governing Employee Retirement is applicable to all full-time employees. Phison formulated defined benefit plans in accordance with Taiwan's Labor Standards Act as well as defined contribution plans in accordance with Taiwan's Labor Pension Act, and contributes pension reserve funds as required by law to ensure employees' right to pension.

Welfare fund	Phison policy	2020 pension reservation
Defined benefit plan	According to the Labor Standards Acts, pension is calculated based on an employee's service period and his/her average salary six months before retiring. Phison's Labor Pension Supervisory Committee is tasked with depositing pension funds in the committee's name into separate accounts held under the Bank of Taiwan.	Phison allocated 2% of total employee salary into employee pension fund monthly.
Defined contribution plan	In accordance with the Labor Pension Act, we established our Regulations Governing Employee Retirement, and contribute pension funds to employees' personnel accounts at the Bureau of Labor Insurance.	Phison allocates 6% of each employee's monthly salary as their pension fund.

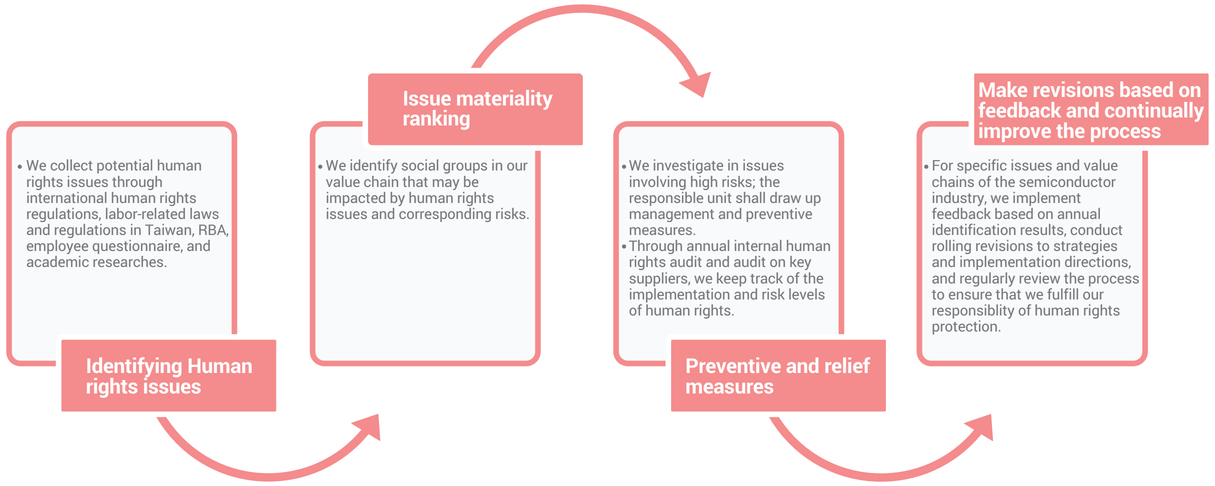
7.2.2 Human Rights

In accordance with internationally recognized human rights standards such as the International Bill of Human Rights, International Labor Organization Declaration of Fundamental Principles and Rights at Work, and Ten Principles of the United Nations Global Compact, Phison formulated its Human Rights Policy in 2020, and take actions in line with the Code of Conduct of the Responsible Business Alliance, thus treating all employees, contract and temporary personnel, and interns with dignity and respect.

Phison's human rights policy stipulates that child labor and forced labor are prohibited; that unlawful discrimination shall be eliminated; that equal job opportunities shall be ensured; that a communicative work environment shall be created for employees; that an open management model shall be established; that a safe and healthy work environment shall be provided; that employees shall be offered supports to maintain their physical and mental health and work-life balance; and that relevant systems and measures shall be regularly reviewed and evaluated. We are committed to eliminating any unlawful discriminations on the basis of gender, sexual orientation, race, nationality, religion, political affiliation, age, marital status, socioeconomic status, family condition, physical and mental disabilities, and appearance, thereby ensuring the equal rights of employees and their right to have a dignified job.

To implement our human rights policy, Phison adopts the human rights due diligence procedure. Following this procedure, we collect relevant human rights issues to be selected and evaluated based on their materiality, implement preventive and relief measures, and finally make adjustments and continually improve our due diligence based on the feedback, thereby fulfilling corporate social responsibilities. In addition, every year, our internal RBA responsible unit conducts one internal human rights audit in accordance with the latest RBA Code of Conduct, and reports the results to the Corporate Social Sustainability Committee, so that our management can understand the implementation and performance of our human rights policy.According to our human rights audit in 2020, the compliance rate was 86%. We have proposed plans within the time limit to improve on the weaknesses found in relevant responsible units. In the coming year, we will be committed to improving human rights and raising the compliance rate in the internal human rights audit, so as to promote the well-being of employees.

Human rights due diligence process



Identifying Human rights issues

- We collect potential human rights issues through international human rights regulations, labor-related laws and regulations in Taiwan, RBA, employee questionnaire, and academic researches.

Issue materiality ranking

- We identify social groups in our value chain that may be impacted by human rights issues and corresponding risks.

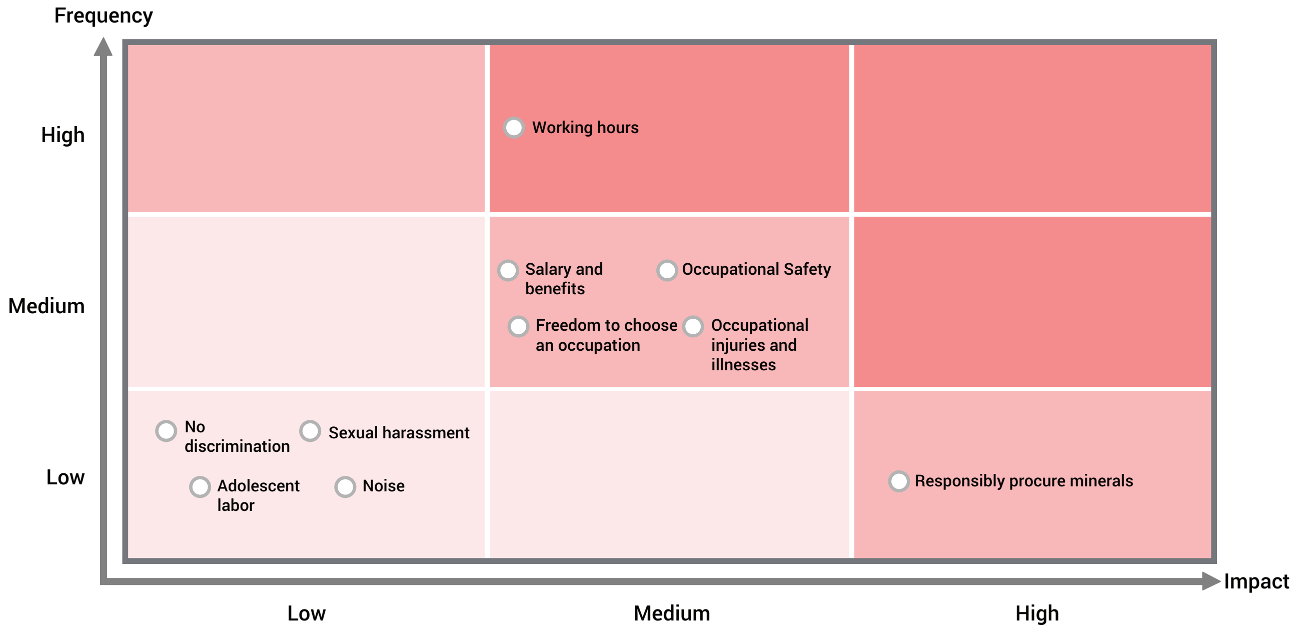
Preventive and relief measures

- We investigate in issues involving high risks; the responsible unit shall draw up management and preventive measures.
- Through annual internal human rights audit and audit on key suppliers, we keep track of the implementation and risk levels of human rights.

Make revisions based on feedback and continually improve the process

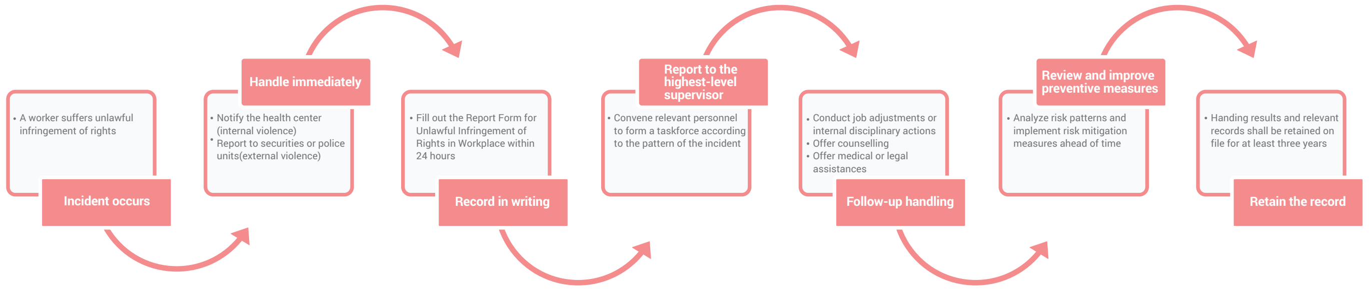
- For specific issues and value chains of the semiconductor industry, we implement feedback based on annual identification results, conduct rolling revisions to strategies and implementation directions, and regularly review the process to ensure that we fulfill our responsiblity of human rights protection.

Human rights risk matrix



The company held education and training on the prevention of unlawful infringements and the zero tolerance policy for unlawful infringements this year. A total of 78.88% of employees have completed training.This year, our employees submitted two complaints of unlawful infringment of rights, which were accepted and investigated by the Human Resource Department. Although neither of the complaints were established, we will still enhance internal communications and training to provide employees with a dignified and friendly workplace, thus fulfilling our human rights policy.

Flowchart of handling reports on unlawful infringement of rights



Incident occurs

- A worker suffers unlawful infringement of rights

Handle immediately

- Notify the health center (internal violence)
- Report to securities or police units(external violence)

Record in writing

- Fill out the Report Form for Unlawful Infringement of Rights in Workplace within 24 hours

Report to the highest-level supervisor

- Convene relevant personnel to form a taskforce according to the pattern of the incident

Follow-up handling

- Conduct job adjustments or internal disciplinary actions
- Offer counselling
- Offer medical or legal assistances

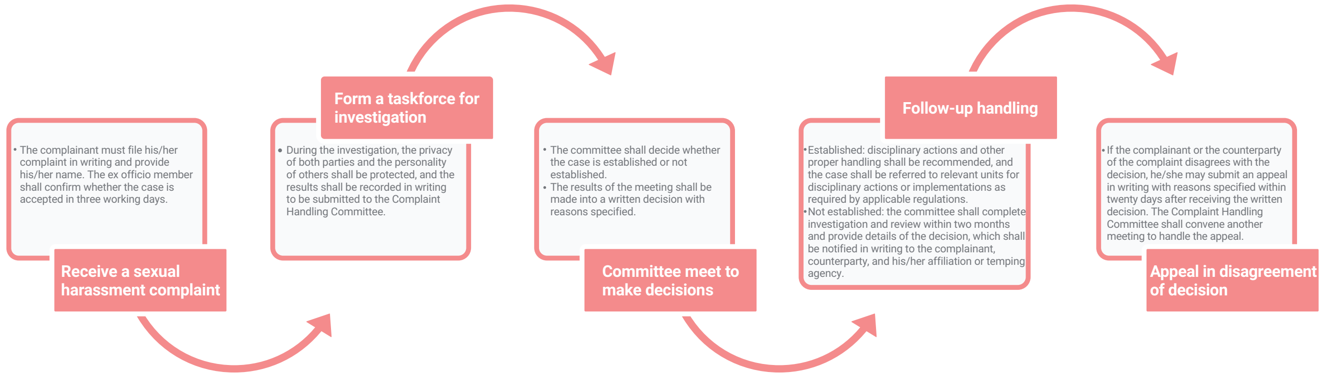
Review and improve preventive measures

- Analyze risk patterns and implement risk mitigation measures ahead of time

Retain the record

- Handing results and relevant records shall be retained on file for at least three years

Sexual harassment complaints handling flowchart



Receive a sexual harassment complaint

- The complainant must file his/her complaint in writing and provide his/her name. The ex officio member shall confirm whether the case is accepted in three working days.

Form a taskforce for investigation

- During the investigation, the privacy of both parties and the personality of others shall be protected, and the results shall be recorded in writing to be submitted to the Complaint Handling Committee.

Committee meet to make decisions

- The committee shall decide whether the case is established or not established.
- The results of the meeting shall be made into a written decision with reasons specified.

Follow-up handling

- Established: disciplinary actions and other proper handling shall be recommended, and the case shall be referred to relevant units for disciplinary actions or implementations as required by applicable regulations.
- Not established: the committee shall complete investigation and review within two months and provide details of the decision, which shall be notified in writing to the complainant, counterparty, and his/her affiliation or temping agency.

Appeal in disagreement of decision

- If the complainant or the counterparty of the complaint disagrees with the decision, he/she may submit an appeal in writing with reasons specified within twenty days after receiving the written decision. The Complaint Handling Committee shall convene another meeting to handle the appeal.

Phison has established the Regulations Governing Internal and External Communication and Complaint and Report Management, which is applicable to Phison's employees and external personnel having a business relationship with or stake in Phison. If the aforementioned personnel suffer or detect any unlawful infringement of rights, discriminations, improper punishments, violations of ethical management and conduct, violations of privacy and intellectual property rights, or other relevant matters, they may file complaints through the existing channels in which the complainants' names shall be provided, or through our new anonymous feedback box. All complaints will be reported to the representative of the Corporate Sustainability Committee immediately, followed by the investigation in due course. All complaint cases must be approved by the representative before closing. By providing diversified complaint channels and ensuring their smooth operation, we hope to effectively recover the damages to victims' rights and interests, and identify and mitigate potential human rights risks in our operations ahead of time.

Phison's role	As employer	As purchaser
Policy	Human rights policy	Phison's RBA code of conduct for suppliers
Stakeholders	Employees (including contract and temporary personnel and interns)	Suppliers (including raw material suppliers, packaging plants, testing plants, system plants, and labor agencies)
Human rights issues	Working hours Salary and benefits Sexual harassment Occupational Safety Occupational injuries and illnesses	Working hours Salary and benefits Occupational Safety Responsibly procure minerals Freedom to choose an occupation
Due diligence	1.RBA self-assessment questionnaire of each department 2.RBA internal human rights audit	RBA audit for suppliers
Mitigation measures	1.Regularly review and enlarge the workforce to meet project-specific and business needs and avoid overtime work caused by insufficient human resources. 2.Enhance the promotion of human rights-related training courses. 3.Implement the confirmation of compliance with local laws and regulations, and regularly review and amend the regulations for managing guides for employees.	1.For human rights risks in supply chains, Phison conducts annual RBA audits or RBA Validated Assessment Program (VAP) on suppliers to avoid such risks. 2.Require suppliers to take measures to improve on human rights risks and continuously track the progress of improvement.
Complaint Mechanism	1.Ms. Wang/Ms. Wu of Human Resources Department WeCan_8080@phison.com 2.Employee anonymous feedback box	Ms. Liu, Administrative Division whistleblower@phison.com

7.2.3 Parental Leave

In accordance with Taiwan's Act of Gender Equality in Employment and Regulations for Implementing Unpaid Parental Leave for Raising Children, Phison has specified the criteria and eligibility of unpaid parental leave in its Regulations Governing Unpaid Retention and Suspension, thus securing employees' right to unpaid parental leave. Employees who have worked continuously at Phison for six months and have children under 3 years old are eligible to apply for this leave for a maximum period of two years.

In 2020, a total of six Phison employees applied for unpaid parental leave. 75% of employees on parental leave returned in the year, while 100% of employees who returned in the previous year were have continued to work for the company.

Parental leave statistics

Year	2019			2020		
Type	Male	Female	Total	Male	Female	Total
No. of employees eligible for parental leave	198	65	263	75	41	116
No. of employees on unpaid parental leave	1	2	3	0	6	6
No. of employees expected to return in the year	2	4	6	0	4	4
No. of employees who actually returned in the year	2	2	4	0	3	3
Return rate (%)	100	50	66.7	N/A	75	75
No. of returned employees in the previous year	0	3	3	1	2	3
No. of employees retained after 12 months since their return in the previous year	0	2	2	1	2	3
Retention rate (%)	N/A	66.7	66.7	100	100	100

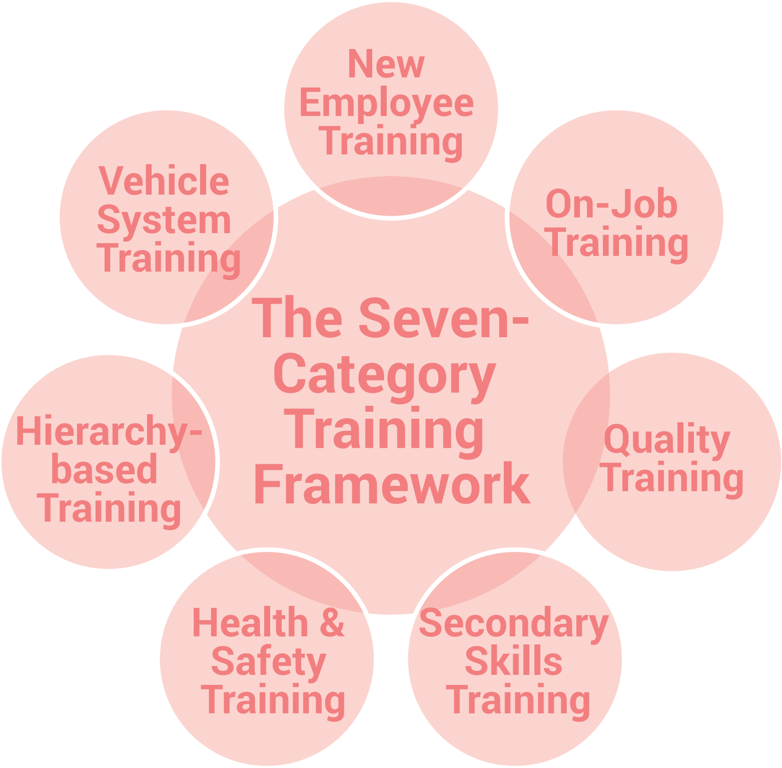
7.3 Talent Development and Training

Material Topics	Talent Development and Training
Significance and Materiality to the Organization	Talents are the foundation for an organization's operational development. Quality talents drive the growth of an enterprise, and are the source of its competitiveness.
Management Approach	
Policy and Commitment	Regulations Governing the Management of Training; Regulations Governing Employee Performance Assessment
Long-Term Goals	Maintain employee satisfaction score for the courses at no less than 90.
Performance	1. The total training expenses was NT$3,603,088. We have offered a total of 191 classroom-based courses, of which 173 received an average satisfactionscore of 94. 2. The total training hours reached 76,825.4 hours, or 35.3 hours per employee.
Responsibility	Human Resources Department
Complaint Mechanism	Ms. Wang/Ms. Wu of Human Resources Department WeCan_8080@phison.com
Action plans	The Human Resource Department understands the gap between expected goals and actual performance through gap analysis, and plans the directions and main subjects of annual training programs according to the specialized requirements of the organization and individual departments. Through continuous training in employees' professional competencies, we create employees' value in the workplace and raise their individual competitiveness.
Assessment Mechanism	1. Expenses on training 2. Average employee training hours 3. Satisfaction for training courses

7.3.1 The Seven-Category Training Framework

Phison remains committed to workforce training. The Human Resources Department drew up the annual training plan according to the strategic objective set by chairman: a year for breakthroughs. Gap analysis is used to estimate the difference between the goal and the actuality, and the directions and main subjects of an annual training plan are drawn up according to the specialized requirements of the organization and individual departments. To support business development and improve the caliber of personnel to ensure the efficiency of human resources, the Human Resource Department and other related departments hold regular and irregular training of various types to strengthen employee's knowledge and skills for work. All relevant procedures are implemented in accordance with Phison's Regulations Governing the Management of Training.

Phison formulated annual training plans mainly based on the seven categories of training: new employee training, on-job training, quality training, secondary skills training, health and safety training, hierarchy-based training, and vehicle system training. Moreover, Phison provides self-inspiration training and subsidies for certification according to individual career needs.



7.3.2 Phison's Training Processes

To ensure the training effect, Phison evaluates training courses on the basis of the four stages of the Kirkpatrick Model: reaction, learning, behavior, and results. We conduct questionnaire survey on satisfaction for non-online training courses as a basis for follow-up improvements.

In 2020, our expenses on training totaled NT$3,603,088. We have offered a total of 191 classroom-based courses, of which 173 received an average satisfaction score of 94. We also offered a total of 162 online courses, which 19,924 individuals have completed and 41.9% of which have implemented assessments (written exams).

In 2020, Phison's training hours totaled 76,825.4 hours, and the average employee training hours reached 35.3 hours. There is no significant difference in the percentages of the company's male and female employees' training hours.

Type		2020	
		Total hours	Average hours
Gender	Male	59,752.00	33.8
	Female	17,073.40	32.4
Position	Top-level management	1,714.7	26.2
	Middle-level management	6,235.3	33.8
	Entry-level management	14,000	47.5
	General employee	54,875.4	29.5

Note 1: Top-level managers include chairman, president, vice president, vice presidents of technology, division heads, deputy division heads, and senior manager.
Note 2: Middle-level managers include deputy managers and department managers.
Note 3: Entry-level managers include deputy section chiefs, section chiefs, deputy team leaders, and team leaders.

7.3.3 Employee Performance Assessment

Phison established its Regulations Governing Employee Performance Assessment, and implements performance assessment through target management and performance ranking. Performance is assessed biannually based on the work plan targets and quantifiable performance indicators proposed by the employees and subject to discussions and confirmation with their supervisors. After six months, employees shall submit self-assessment forms, while their supervisors shall assess the attainment of their performance targets and compare their performance with other employees of the same category to implement personal performance assessment. In 2020, 100% of Phison employees regardless of gender, job category and position, have received regular performance assessment.

Note: Performance assessment is not applicable to contract workers for a term of three months or shorter, part-time student workers, and employees on unpaid leaves.

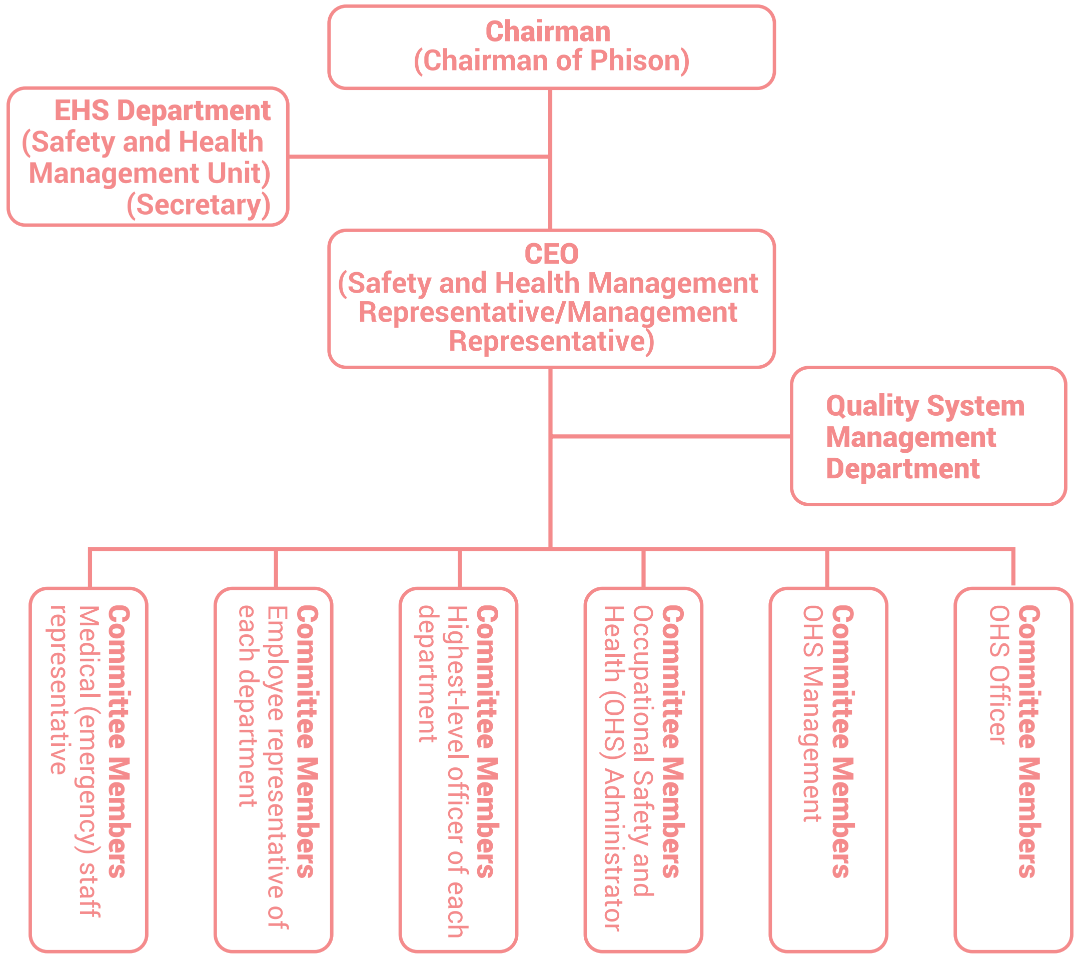
7.4 Occupational Safety and Health

7.4.1 Occupational Health and Safety (OHS) Management System

Phison is committed to providing employees with a safe and health work environment. We introduced the Occupational Health and Safety Assessment Series 18001 (OHSAS 18001) in 2014, and completed conversion to its new version, i.e., ISO 45001 Occupational Safety and Health Management System, in 2020. The company continues to identify OHS regulations applicable to all operating locations, implement standardized management procedures and training, adhere to the principles of formulating safety regulations, regularly assess risks, audit and confirm effects of implementation and principles of continuous improvement, so as to strengthen the existing OHS management system.

7.4.2 Organization for Safety and Health Implementation

Phison has established its safety and health organizations as required by law (OHS management unit/ commitee) and appointed personnel to carry out safety and health management affairs (see the chart below). The occupational safety and health management unit (OHS Unit) is the organization of Phison in charge of formulating, planning, promoting and supervising OHS-related businesses. It is dedicated to identifying hazards in the work environment or operations, maintaining the safety of contractor operations, implementing OHS trainings and OHS performance assessment, and other relevant management affairs, thereby attaining the "prevention" of occupational injuries and "protecting" employee health. The Safety and Health Committee is the company's organization for reviewing, coordinating and recommending on OHS-related affairs. The committee has 12 members (serving a term of 2 years). While the Chairman of the Board of Director serves as the Chairman of the Committee, five employee representatives (elected in employee-employer meetings) shall also be appointed. The other members shall be designated from OHS-related personnel by the Chairman according to actual needs (see the chart below for details). Committee meetings are held on a quarterly basis.



Safety and Health Implementing Category

Item	2020 results
Statutory identification	1. Regularly identify relevant laws and regulations and track the compliance in all factory areas. 2. 45 OHS-related regulations adjusted.
Standardized management procedure	1. 12 documents of standardized OHS management procedure. 2. Completed the conversion to the new ISO 45001 Occupational Safety and Health Management System.
Training	1. New employee safety and health training completion rate: 100%. 2. On-the-job safety and health training completion rate: 100%.
Hazard identification	Identified 1,358 potential safety and health hazards in the work environment and operational modes. Zero potential hazards identified involved high risk.
Chemicals control	1. Zero types of new chemicals introduced based on evaluations. 2. Declared priority chemicals. 3. Implemented worker operating environment monitoring.
Contractor management	Contractors have implemented a total of 28 high-risk operations within the factories, 100% of which are completed in accordance with the regulations of factory operations.
Implementation audit	1. A total of 82 improvement recommendations from internal audit. 2. All recommendations completed within the period.
Emergency drills	1. Two false alarms occurred due to accidental touches of smoke detectors during the renovation. Made broadcasts to inform employees of the context of these events to avoid panic. 2. Implemented two emergency drills, including factory-wide fire evacuation drills and chemical leakage drills. 3. Implemented one fire extinguisher drills.

7.4.3 Health Risk Identification and Management

The physical and mental health of employees is the foundation for a company's productivity. Every year, Phison implements better health check-ups than required by law, and the expenses are fully borne by the company. Through the check-ups, we identify health-related risks and plan follow-up activities of health promotion. Phison has set up a health center staffed by two full-time nurses dedicated to worker health services and contract doctors who offer in-house worker health services to implement health-related services and operations three times per month and three hours each time.

After reviewing health check-up reports and analyzing the processes of relevant operations, we identified four health risks that pose the greatest threat to employees, including: traffic accidents in travel to/from work; metabolic syndrome; anomalous workload; and human-factors hazards. We carefully regarded these four risks and proposed preventive measures, as well as continually evaluated and improved on the measures.

Rank	Risk/Hazard	Level of impact	Preventive/Corrective measures
1	Traffic accidents during travels to / from work	High	1. Offer compulsory online courses on transportation safety for new employees. 2. Environmental safety departments offers information of traffic accidents and preventive training.
2	Health risks/metabolic syndrome	High	1. Medical care personnel offer health advice. 2. Implement health seminars and health promotion: body weight loss activities. 3. Ensure the healthiness and safety of group meal ingredients and cookery and avoid using processed and fried food. 4. Encourage sports association activities and the use of sports areas.
3	Health risks/anomalous workload	High	1. Formulate plans to prevent and manage anomalous workload. 2. Control employees' overtime work. 3. Track and manage three highs (high blood pressure, high cholesterol and high blood sugars). 4. Implement health seminars. 5. Promote health passbooks (monthly measurements of body weight, body fat, waist, and blood pressure).
4	Health risks/human factors hazards (office working posture)	Medium	1. Formulate human-factors hazard preventive management plans. 2. Help improve office environment and working posture. 3. Arrange interviews with doctors and health advice from medical care personnel. 4. Employ visually impaired massage therapists, whose service can help employees relax their bodies. 5. Associational activities: the yoga association, in which yoga teachers lead yoga exercise to stretch and relax the muscles of the entire body.

For employees performing operations that are particularly hazardous to health (lead-related operations and ionizing radiation operations) in factory areas, Phison provides health check-ups for such specialized operations every year to track and ensure the health of the operators. Tiered management is implemented in accordance with the Worker Health Protection Rules. The management methods can be divided into 4 levels: Level 1 (no anomalies); Level 2 (anomalies are found but are unrelated to work); Level 3 (anomalies are found, but their relation to work cannot be confirmed); and Level 4 (anomalies are found and confirmed to be related to work). For any case of Level 2 or above, health consultation will be arranged for during the doctors' on-site services. According to the 2020 statistics of health check-ups for employees performing extraordinary operations, no employees engaging in two or more operations that are hazardous to health were classified as subjects for Level 3 or 4 management.

Health Promoting Activities

Phison continues to promote diverse health promotion seminars and employee assistance programs. When major diseases or epidemics occur, the company will also inform employees of important matters and response measures via internal mails to raise employees' preventive awareness and improve their ability to respond. In the first half of 2020, Phison gave priority to COVID-19 pandemic control. Health seminars and promotional activities only began in the second half of the year when the pandemic appeared to slow down. The number of individuals participating in health promoting activities reached 1,945.

Type	Event name	No. of participants
Weight-loss activity	Weight-Loss Contest	171
	Sharing My Signature Dish	25
	Behavioral Change in Twenty-one Days	6
Seminar	Common Dietary Traps and My Meal Composition	33
	Introduction to Sleep Apnea, Its Examination and Improvement	75
	Common Periodontal Problems in Adults and Permanent Tooth Eruption in Children	36
	EAP Promotion: Know Yourself by Following Your Heart	24
	Beware Health Warning Signs to Avoid Sudden Death	42
	Modern Tai-Chi and Health: Mitigating Diseases of Civilization	54
	Seasonal Skin Care and Common Skin Issues in Children	27
	Sharing Parent-Child Reading	30
	First Aid Training & Using AEDs	11
Health passbook	Blood Pressure and Body Fat Measurement (October Session)	184
	Blood Pressure and Body Fat Measurement (November Session)	173
	Blood Pressure and Body Fat Measuring (December Sesson)	163
Health check-up	Sleep Apnea Test (October Session)	62
	Sleep Apnea Test (November Session)	95
	Sleep Apnea Test (December Session)	147
	Abdominal Ultrasound & Carbon-13 Urea Breath Test Screening	527
	Screening Tests for Women: Cervical Smear Test & Mammography	60

Sleep Apnea Seminar

Tai-Chi Seminar

Employee Assistance Programs(EAPs)

Since 2011, Phison has been cooperating with consulting companies for employee assistance programs for the long term to plan and provide counseling services. Over the years, the scope of counseling services has extended to work, family, interpersonal relationships, physical and mental health, mental illness, finance, law, and management consulting, and the service subjects include all Phison employees (no limit on the number of times using the services) and second-degree relatives or relatives of higher degrees (three times per person per year; additional times may be applied for according to individual needs). We also explain the services to employees encourage them to use the services via non-periodic courses and publicities.

In 2020, of those who used EAPs, a total of 369 individuals used the first-stage telephone consultation (with case managers), and 67 used the second-stage consultation (with professional consultants), thus making total number of consultations 436. The annual average score of user satisfaction is 88.5. We will continue this service to assist employees and their families in overcoming difficulties in work and life or emotional issues, thus helping to maintain their mind-body balance.

7.4.4 Analysis of Occupational Injuries

In 2020, there were no deaths resulting from major industrial accidents in Phison. There were a total of nine occupational injuries, all of which resulted from traffic acceidents during employees' travels to/from work. The injury rate (IR) was 0.41; occupational disease leave rate (ODR) was 0; disabling injury frequency rate was 2.35; disabling injury severity rate (SR) was 24.75; and frequency-severity indicator (FSI) was 0.241. Below is the statistical information of occupational injury in recent years:

Item		2017	2018	2019	2020
Injury category	**Injury at work**	0	0	0	0
	Injury during business trips	0	0	0	0
	Injury during travel to/from work	9	7	7	9
Total lost day		12	9	73.7	75
Total working hours		2,241,459	2,541,052	2,977,212	3,639,410
Injury rate		0.80	0.55	0.47	0.49
Lost day rate		1.07	0.70	4.95	4.12
Disabling injury frequency rate		4.02	2.75	2.35	2.47
Disabling injury severity rate		5	3	24	20
Frequency-severity indicator		0.14	0.09	0.24	0.22
Absence rate		0.61	0.56	0.66	0.70

Note 1: Total working hours are the working hours of all employees.
Note 2: Injury rate (IR) = number of occupational injuries × 200,000 / total working hours.
Note 3: Lost day rate (LDR) = total lost days × 200,000 / total working hours
Note 4: Disabling injury frequency rate (FR) = number of occupational injuries × 1,000,000 / total working hours.
Note 5: Disabling injury severity rate (SR) = total lost days × 1,000,000 / total working hours.
Note 6: Frequency-severity indicator (FSI) = (FR × SR/1000) ^1/2
Note 7: IR, LDR, FR, and SR are rounded down to the nearest hundredth.
Note 8: Disabling injury severity rate is rounded down to the nearest integer.
Note 9: AR (Absence rate) = total absence days / (number of employees × total working hours) × 100%

Occupational Injury Handling and Reporting System

Phison established the Regulations Governing the Reporting and Investigation of Occupational Injuries. When a major occupational incident occurs, we will implement handling procedures in accordance with the regulations and applicable labor laws, and report the incident to the local labor inspection agency (Occupational Safety and Health Center in central Taiwan) within 8 hours of its occurrence. In addition, we conduct statistical analysis of investigation reports and propose corrective and preventive measures.

7.5 Employee-Employer Communication

Phison values employees' right to form associations, and set up Employee Code of Conduct, which stipulates employees' right to participate in associations, which will not affect their remuneration, promotion, and employment.

Phison adheres to the principle of reciprocal communications between the employer and employees. In order to strengthen mutual communication and cooperation, we set up diversified communication channels. For example: employee feedback box, complaint hotline, complaint email address, and other diverse channels are set up to ensure the immediacy, accuracy, transparency, and efficiency of information delivery. In the meantime, we collect employee feedback as reference for the company's improvement of management effectiveness.

Channels and frequency of communication

Type	Timing	No. of sessions in 2019	No. of sessions in 2020
New employee opinion survey	Prior to new employee symposium	1	1
New employee symposium	Held biannually, in which the Chairman communicates with new employees	1	1
Employee symposium	Held from time to time to hear feedback from employees	3	1
Employee seminar	Held after the investor conference to inform employees of Phison's operations and future goals	0	2
Employee-employer meeting	Held by the Human Resource Department on a quarterly basis to facilitate communications between employees and the employer	4	6

Note: This year, we encouraged employees to express their opinions online to reduce mass gatherings for the sake of pandemic control.

8. Social Participation

8.1 Charity Events and Phison Group Strategies

Phison fully understands that the sustainable development of an enterprise relies on the prosperity and stability of society. Therefore, we develop our strategies of social investment in pursuit of common good by leveraging our core businesses in combination with internal and external resources, and committing to five social work themes, namely "support for students", "support for the disadvantaged", "promotion of arts and culture", "community care", and "social innovation." In doing so, we hope to use our specialties to help solve social issues and exert Phison's unique social influence.

Our General Affairs Department of the Administration Division is in charge of the planning and implementation of social participation. We are also active in building a volunteer culture in Phison, hoping in doing so to not only facilitate social integration but also improve our employees' cohesion and our brand image.

To sum up Phison's annual charity performance, we we contributed a total of NT$15,586,288 (including donations of funds and resources) towards charitable causes, with 72 volunteers, 3,413 participants, 249 volunteer hours[12] , and 26 collaborative partners. Such is our contribution to the cause of common good.

[12] Of the 249 volunteer hours, 192 were in office hours, and the remaining 57 were in off-hours and on holidays.

Social innovation
Support for the disadvantaged
Promotion of arts and culture
Support for students
Community care

Support for students

4 QUALITY EDUCATION

- Donated to the Miaoli Country Excellent Athlete Development Program
- Donated funds and supplies for the anniversary event of the Taiwan Police College
- Sponsored the graduation presentation of the 38th Overseas Youth Vocational Training Programs, Journalism & Mass Communication, Ming Chuan University
- Donated to National Tsing Hua University's 2020 Freshmen Camp/student scholarships and grants
- Donated to the Chu Ming Foundation for the NCTU Soft Power Fund; donated to Lin Shu Lectures, Spring Foundation of NCTU
- Sponsored the College of Artificial Intelligence/Graduation Student Association of the National Yang Ming Chiao Tung University

Donations in cash totaled NT$3,026,600, while the total value of supplies donated reached NT$894,002.

Community care

3 GOOD HEALTH AND WELL-BEING

- Donated to the Taiwan Health Foundation
- Donated to the Foundation for Women's Health and Urogynecology of Taiwan
- Donated to the Hsinchu County Police Bureau
- Donated to the Hsinchu City Volunteer Fire Brigade
- Donated to the Aviation Police Bureau

Donations in cash totaled NT$5,700,000, while the total value of supplies donated reached NT$127,826.

Promotion of arts and culture

4 QUALITY EDUCATION

- Contributed to the fund for the National Yang Ming Chiao Tung University Arts Center
- Sponsored the charity performances of the Labor and Youth Development Department, Miaoli County Government

Donations in cash totaled NT$1,300,000.

Support for the disadvantaged

1 NO POVERTY

2 ZERO HUNGER

- Donated to the fund for the National Yang Ming Chiao Tung University Fund for Economically Disadvantaged Student Grants
- Reading Kaohsiung - Financial Assistance for Study of Disadvantaged Children in Kaohsiung
- Donated to the Taiwan Fund for Children and Families to purchase COVID-19 prevention packs
- Sponsored the 1919 Food Bank of the Chinese Christian Relief Association (TPEx event)
- Sponsored the event of a trip around Taiwan by rail and iron horse with police escort, organized by the Taipei Orphan Welfare Foundation
- Donated to the 2020 Family Day Charity Road Race
- Donated to the Yoyo Charity Foundation

Donations in cash totaled NT$2,875,560, while the total value of supplies donated reached NT$162,300.

Social innovation

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

17 PARTNERSHIPS FOR THE GOALS

- Sponsored the 31st VLSI Design/CAD Symposium
- Contributed to the fund for development of the Epoch Foundation
- Sponsored the 2020 Mobile Heroes - 5G Innovation Challenge organized by the Institute for Information Industry

Donations in cash totaled NT$1,500,000.

8.2 Annual Charity Performance

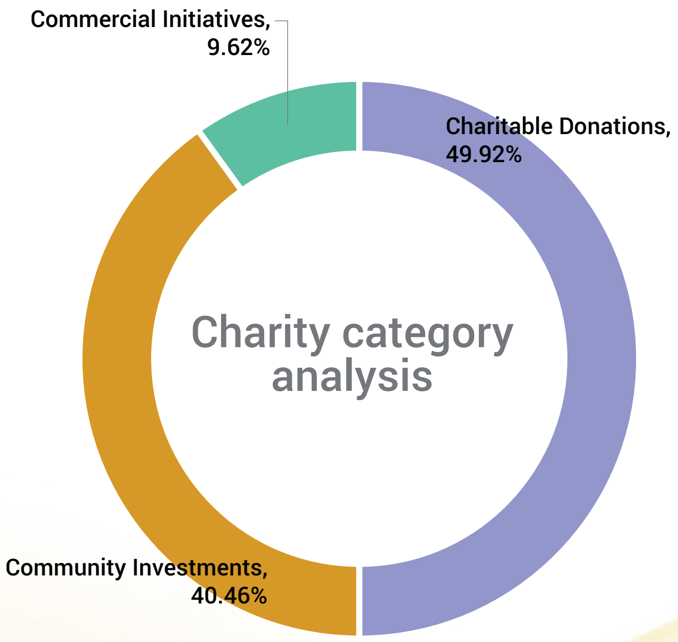
Charity category analysis

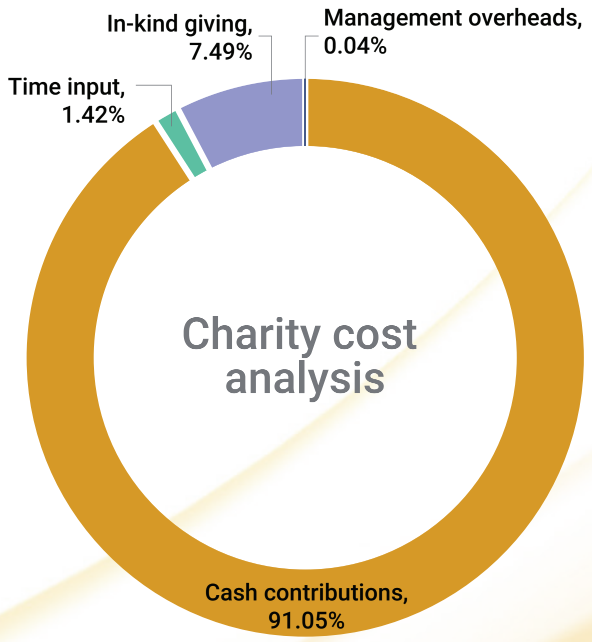
Type	Amount	Percentage (%)
Charitable Donations	7,780,860	49.92
Community investments	6,305,428	40.46
Commercial Initiatives	1,500,000	9.62
Total money input for annual charity activities	15,586,288	100

Charity cost analysis

Type	Amount	Percentage (%)
Cash contributions	14,402,160	91.05
Time input	224,771	1.42
In-kind giving	1,184,128	7.49
Management overheads	6,855	0.04
Total cost of annual charity activities	15,817,914	100

Note1: Time input calculation method is as follows
Volunteer hourly salary = (median non-managerial salary / working days in 2020)/working hours per day
Total value of volunteer time = number of volunteer hours * volunteer hourly salary





2020 抗疫物資捐贈專案
家扶基金會
苗栗家庭扶助中心
#苗栗家扶
感謝有您
群聯電子
台灣兒童暨家庭扶助基金會 × PHISON
2020 抗疫物資捐贈專案
苗栗家扶中心
捌拾參萬元整
NT$ 830,000
群聯電子股份有限公司
PHISON
Knows What You Need
群聯電子股份有限公司

做公益、散播愛
群聯電子動起來
把愛心與溫暖，傳送到偏鄉
群聯電子響應2020聖誕鞋盒活動
PHISON
群聯電子股份有限公司
做公益、散播愛
群聯電子動起來

Highlight Project 1: Supported the COVID-19 Control Supply Donation Project of family support centers

The COVID-19 pandemic has disrupted the normal social and economic life of the world and impacted on the economy of many families. The economically disadvantaged families whose incomes are solely reliant on entry-level jobs in factories or temporary works are particularly vulnerable to such impact.

Through the reports from the Miaoli Family Support Center, Phison understood that economically disadvantaged families have suffered from reduced income from wages under the pandemic, and even faced the shortage of the most basic daily supplies. For this reason, Phison called on its employees to express love by donating money and providing daily supplies for disadvantaged families to cope with such emergency, thereby helping the Taiwanese society overcome the difficulties brought by the pandemic.

The Company eventually raised a total of NT$830,000. Since this fundraising achieved a better result than expected, we raised our supply budget of NT$500/family to NT$700/family. We commissioned family support centers to procure noodles, canned food, salad oil, soy sauce, biscuits, toilet paper, and other daily necessities to be delivered to disadvantaged families by the end of May, which are expected to help 1,100 disadvantaged families and benefit nearly 2,000 children.

Highlight Project 2: Continual Support for IC Broadcasting Christmas Shoe Box Event

Phison has supported the Christmas shoe box event of the IC Broadcasting for four consecutive years. We provided 245 shoe boxes filled with gifts, along with Christmas gift cards filled with warm greetings.

The COVID-19 pandemic continue to ravage the world in 2020. To remind everyone to keep practicing COVID-19 prevention by washing hands frequently and using alcohol for disinfection, this year's Christmas shoe box included not only useful stationery sets, crayons, highlighters, sticky notes, and isothermic lunch bags, but also provided antibacterial wipes, so that children can take care of hand hygiene at any time. In addition, as the event was held in a high season of flu, we also provided water cups and sox as a reminder for everyone to drink more warm water and keep their body warm to reduce the chance of catching flus and colds.

As the Chairman of Phison pointed out, children are Taiwan's future hope, but those from the remote rural areas have less access to resources.For this reason, we traveled around Taiwan to offer supports to those areas in the hope of attracting more enterprises and philanthropists from the public to join us in narrowing the gap in resource between urban and rural areas. We also used this opportunity to motivate schoolchildren around Taiwan to make contributions to the society some day in return for people's supports.

Appendix 1 Index to GRI Guidelines

Disclosures			Related Report Section(s)		Page(s)	Reasons for Omission
【Core】	102-1	Name of the organization		About this Report	2	
【Core】	102-2	Activities, brands, products, and services	1.2	Primary Products and Sales Regions	14	
【Core】	102-3	Location of headquarters	1.2	Primary Products and Sales Regions	14	
【Core】	102-4	Location of operations	1.2	Primary Products and Sales Regions	14	
【Core】	102-5	Ownership and legal form	1.1	Company Profile	10	
【Core】	102-6	Markets served	1.2	Primary Products and Sales Regions	14	
【Core】	102-7	Scale of the organization	1.1 7.1	Company Profile Employment Overview	63	
【Core】	102-8	Information on employees and other workers	7.1	Employment Overview	63-64	
【Core】	102-9	Supply chain	5.1	Supply Chain Management	46-51	
【Core】	102-10	Significant changes to the organization and its supply chain	5.1	Supply Chain Management	46-51	
【Core】	102-11	Precautionary Principle or approach	3.5	Risk Management	32-33	
【Core】	102-12	External initiatives		N/A	N/A	No external initiative
【Core】	102-13	Membership of associations	1.3	Participation in External Organizations	15	
【Core】	102-14	Statement from senior decision-maker		Words from Chairman	4-5	
【Core】	102-15	Key impacts, risks, and opportunities	3.5 6.1	Risk Management Climate Change Management	32-33,53	
【Core】	102-16	Values, principles, standards, and norms of behavior	3.3	Ethical Corporate Management	28	
【Core】	102-18	Governance structure	3.2	Corporate Governance	23	
【Core】	102-40	List of stakeholder groups	2.	Stakeholder Engagement	18-19	
【Core】	102-41	Collective bargaining agreements		N/A	N/A	No collective bargaining agreements
【Core】	102-42	Identifying and selecting stakeholders	2.1	Materiality Assessment Procedures	16	
【Core】	102-43	Approach to stakeholder engagement	2.2	Communication with stakeholders	18-19	
【Core】	102-44	Key topics and concerns raised	2.1	Materiality Assessment Procedures	16-19	
【Core】	102-45	Entities included in the consolidated financial statements	3.6	Economic Performance	34-36	
【Core】	102-46	Defining report content and topic Boundaries		About this Report	2	
【Core】	102-47	List of material topics	2.1	Materiality Assessment Procedures	17	

Disclosures			Related Report Section(s)		Page(s)	Reasons for Omission
【Core】	102-48	Restatements of information	6.2	Engery Resources Management	54	1.The figures for electricity consumption between 2017 and 2019 failed to include the data from Taipei office, Zhubei office and parking lot, the data was corrected this year.
			7.2	Talent Attraction & Retention	67	2.Average salary of non-managerial full-time employees was input incorrectly in 2019, and has been corrected this year.
【Core】	102-49	Changes in reporting	2.1	Materiality Assessment Procedures	16	
【Core】	102-50	Reporting period		About this Report	2	
【Core】	102-51	Date of most recent report		About this Report	2	
【Core】	102-52	Reporting cycle		About this Report	2	
【Core】	102-53	Contact point for questions regarding the report		About this Report	2	
【Core】	102-54	Claims of reporting in accordance with the GRI Standards		About this Report	2	
【Core】	102-55	GRI content index		Appendix	88-92	
【Core】	102-56	External assurance		N/A	N/A	No external assurance

Topic-specific Disclosures		Related Report Section(s)		Page(s)	Reasons for Omission
GRI 201: Economic Performance					
201-1	Direct economic value generated and distributed	3.6	Economic Performance	34	
201-3	Defined benefit plan obligations and other retirement plans	7.2	Talent Attraction & Retention	71	
GRI 205: Anti-corruption					
205-2	Communication and training about anti corruption policies and procedures	3.3	Ethical Corporate Management	28-29	
205-3	Confirmed incidents of corruption and actions taken	3.3	Ethical Corporate Management	28	
GRI 206: Anti-competitive Behavior					
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	3.4	Regulatory Compliance	30	
GRI 207: Tax					
207-1	Approach to tax	3.6	Economic Performance	35	
207-4	Country-by-country reporting	3.6	Economic Performance	36	

Topic-specific Disclosures		Related Report Section(s)	Page(s)	Reasons for Omission
GRI 302: Energy				
302-1	Energy consumption within the organization	6.2 Energy Resources Management	54	
302-3	Energy intensity	6.2 Energy Resources Management	54	
302-4	Reduction of energy consumption	6.2 Energy Resources Management	56	
302-5	Reductions in energy requirements of products and services	6.4 Green Design	60	
GRI 303: Water and Effluents				
303-1	Interactions with water as a shared resource	6.2 Energy Resources Management	55	
303-2	Management of water discharge-related impacts	6.2 Energy Resources Management	58	
303-3	Water withdrawal	6.2 Energy Resources Management	55	
303-4	Water discharge	6.3 Effluent and Waste Management	57-58	
303-5	Water consumption	6.2 Energy Resources Management	55	
GRI 305: Emissions				
305-1	Direct (Scope 1) GHG emissions	6.1 Climate Change Management	54	
305-2	Energy indirect (Scope 2) GHG emissions	6.1 Climate Change Management	54	
305-4	GHG emissions intensity	6.1 Climate Change Management	54	
305-5	Reduction of GHG emissions	6.2 Energy Resources Managemen	56	
305-6	Emissions of ozone-depleting substances (ODS)	N/A	N/A	No ozone-depleting substances were used or discharged during the reporting period
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	N/A	N/A	No nitrogen oxides (NOX), sulfur oxides (SOX), and other major gases were used or discharged during the reporting period
GRI 306: EFFLUENTS AND WASTE				
306-1	Water discharge by quality and destination	6.3 Effluent and Waste Management	58	
306-2	Waste by type and disposal method	6.3 Effluent and Waste Management	58	
306-3	Significant spills	N/A	N/A	No Significant spills duri the reporting period
306-4	Transport of hazardous waste	6.3 Effluent and Waste Management	59	
306-5	Water bodies affected by water discharges and/or runoff	6.3 Effluent and Waste Management	58	
GRI 307: Environmental Compliance				
307-1	Non-compliance with environmental laws and regulations	3.4 Regulatory Compliance	30	
GRI 308: Supplier Environmental Assessment				
308-1	New suppliers that were screened using environmental criteria	5.1 Supply Chain Management	48-50	
GRI 401: Employment				
401-1	New employee hires and employee turnover	7.1 Employment Overview	65-66	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	7.2 Talent Attraction & Retention	68	
401-3	Parental leave	7.2 Talent Attraction & Retention	74	
GRI 403: Occupational Health and Safety				
403-1	Occupational health and safety management system	7.4 Occupational Safety and Health	77-78	
403-2	Hazard identification, risk assessment, and incident investigation	7.4 Occupational Safety and Health	79	
403-3	Occupational health services	7.4 Occupational Safety and Health	80-81	
403-4	Worker participation, consultation, and communication on occupational health and safety	7.4 Occupational Safety and Health	78	
403-5	Worker training on occupational health and safety	7.4 Occupational Safety and Health	78	
403-6	Promotion of worker health	7.4 Occupational Safety and Health	80-81	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	7.4 Occupational Safety and Health	79	
403-8	Workers covered by an occupational health and safety management system	7.4 Occupational Safety and Health	78	
403-9	Work-related injuries	7.4 Occupational Safety and Health	81	
403-10	Work-related ill health	7.4 Occupational Safety and Health	81	
GRI 404: Training and Educatio				
404-1	Average hours of training per year per employee	7.3 Talent Development and Training	76	
404-3	Percentage of employees receiving regular performance and career development reviews	7.3 Talent Development and Training	77	
GRI 405: Diversity and Equal Opportunity				
405-1	Diversity of governance bodies and employees	7.1 Employment Overview	64	
405-2	Ratio of basic salary and remuneration of women to men	7.2 Talent Attraction & Retention	67	
GRI 406: Non-discrimination				
406-1	Incidents of discrimination and corrective actions taken	7.2 Talent Attraction & Retention	71-74	

Topic-specific Disclosures		Related Report Section(s)	Page(s)	Reasons for Omission
GRI 408: CHILD LABOR				
408-1	Operations and suppliers at significant risk for incidents of child labor	7.2 Talent Attraction & Retention	71	
GRI 409: Forced or Compulsory Labor				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	7.2 Talent Attraction & Retention	71	
GRI 412: HUMAN RIGHTS ASSESSMENT				
412-1	Operations that have been subject to human rights reviews or impact assessments	7.2 Talent Attraction & Retention	72	
412-2	Employee training on human rights policies or procedures	7.2 Talent Attraction & Retention	72	
GRI 413: Local Communities				
413-1	Operations with local community engagement, impact assessments, and development programs	8.1 Charity Events and Phison Group Strategies	83-84	
GRI 414: Supplier Social Assessment				
414-1	New suppliers that were screened using social criteria	5.1 Supply Chain Management	48-50	
GRI 415: Political contributions				
415-1	Political contributions	3.6 Economic Performance	34	
GRI 418: Customer Privacy				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	3.7 Information Security	37	
GRI 419: Socioeconomic Compliance				
419-1	Non-compliance with laws and regulations in the social and economic area	3.4 Regulatory Compliance	30	

Appendix 2 Comparison Table of the ISO 26000 Social Responsibility Guidance

Category	Core Subjects and Issues	Related Report Section(s)	Page(s)
Organizational governance	System for implementing decision-making and implementation	3.2 Corporate Governance	23
Human rights	Due diligence	7.2 Talent Attraction & Retention	72
	Human rights risk situations	7.2 Talent Attraction & Retention	72
	Avoidance of complicity	3.3 Ethical Corporate Management	28-29
	Resolving grievances	7.2 Talent Attraction & Retention	72-73
	Discrimination and vulnerable groups	7.2 Talent Attraction & Retention	71

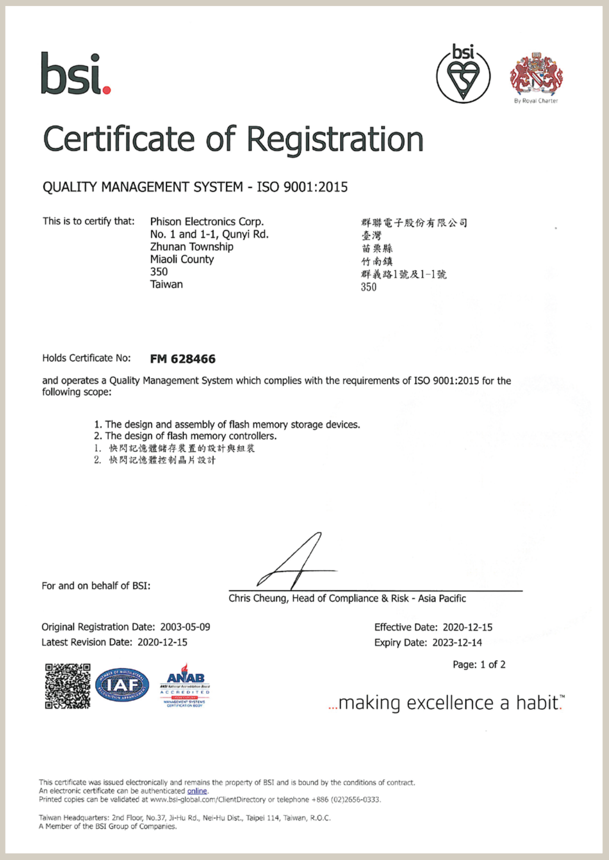
Category	Core Subjects and Issues	Related Report Section(s) and Explanatory Notes	Page(s)
Human rights	Civil and political rights	7.2 Talent Attraction & Retention	71
	Economic, social and cultural rights	7.2 Talent Attraction & Retention	84
	Fundamental principles and rights at work	7.2 Talent Attraction & Retention	71
Labour practices	Employment and employment relationships	7.2 Talent Attraction & Retention	66
	Conditions of work and social protection	7.2 Talent Attraction & Retention	68
	Social dialogue	7.5 Employee-Employer Communication	82
	Health and safety at work	7.4 Occupational Safety and Health	77-82
	Human development and training in the workplace	7.3 Talent Development and Training	75-77
The environment	Prevention of pollution	6.3 Effluent and Waste Management	60
	Sustainable resource use	6.2 Energy Resources Management	56
	Climate change mitigation and adaptation	6.1 Climate Change Management	53
	Protection of the environment, biodiversity and restoration of natural habitats	8.1 Charity Events and Phison Group Strategies	52
Fair operating practices	Anti-corruption	3.3 Ethical Corporate Management	28-29
	Responsible political involvement	3.6 Economic Performance	34
	Fair competition	3.3 Ethical Corporate Management	28-29
	Promoting social responsibility in the value chain	5. Responsible Supply Chain	49-50
	Respect for property rights	4.1 Innovative R&D	41
Consumer issues	Fair marketing, factual and unbiased information and fair contractual practices	6.4 Green Design	59-61
	Protecting consumers' health and safety	6.4 Green Design	59-61
	Sustainable consumption	5. Responsible Supply Chain	46-51
	Consumer service, support, and complaint and dispute resolution	4.3 Customer Relationship Management	44-45
	Consumer data protection and privacy	3.7 Information Security	37
	Access to essential services	4.3 Customer Relationship Management	44-45
	Education and awareness	4.3 Customer Relationship Management	44-45

Category	Core Subjects and Issues	Related Report Section(s) and Explanatory Notes		Page(s)
Community involvement and development	Community involvement	8.1	Charity Events and Phison Group Strategies	83
	Education and culture	8.1	Charity Events and Phison Group Strategies	84
	Employment creation and skills development	8.1	Charity Events and Phison Group Strategies	84
	Technology development and access	4.1	Innovative R&D	40
	Wealth and income creation	8.1	Charity Events and Phison Group Strategies	84
	Health	8.1	Charity Events and Phison Group Strategies	84
	Social investment	8.1	Charity Events and Phison Group Strategies	84

Appendix 3
Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies

Regulations	Items	Related Report Section(s)		Page(s)
The fourth subparagraph	**The first item** A listed company under Article 2 shall disclose the number of its full-time employees who are not in a managerial position, the average and medium of the salaries of the full-time employees who are not in a managerial position, and the difference of the three figures from the previous year.	7.2	Talent Attraction & Retention	67
	The second item The corporate governance of climate risks and opportunities, actual and potential climate-related impacts, how to identify, assess, and manage climate related risks, and indicators and targets used to assess and manage climate-related issues	6.1	Climate Change Management	53

Appendix 4



bsi.

By Royal Charter

Certificate of Registration

QUALITY MANAGEMENT SYSTEM - ISO 9001:2015

This is to certify that:
Phison Electronics Corp.
No. 1 and 1-1, Qunyi Rd.
Zhunan Township
Miaoli County
350
Taiwan

群聯電子股份有限公司
臺灣
苗栗縣
竹南鎮
群義路1號及1-1號
350

Holds Certificate No: **FM 628466**

and operates a Quality Management System which complies with the requirements of ISO 9001:2015 for the following scope:

1. The design and assembly of flash memory storage devices.
2. The design of flash memory controllers.
1. 快閃記憶體儲存裝置的設計與組裝
2. 快閃記憶體控制晶片設計

For and on behalf of BSI:
Chris Cheung, Head of Compliance & Risk - Asia Pacific

Original Registration Date: 2003-05-09
Latest Revision Date: 2020-12-15
Effective Date: 2020-12-15
Expiry Date: 2023-12-14
Page: 1 of 2

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An electronic certificate can be authenticated online.
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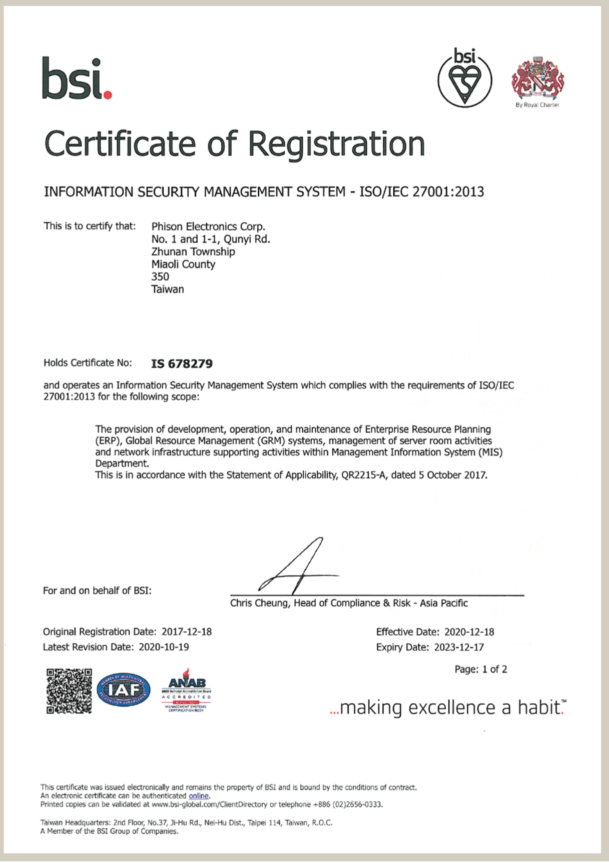

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By Royal Charter

Certificate of Registration

INFORMATION SECURITY MANAGEMENT SYSTEM - ISO/IEC 27001:2013

This is to certify that:
Phison Electronics Corp.
No. 1 and 1-1, Qunyi Rd.
Zhunan Township
Miaoli County
350
Taiwan

Holds Certificate No: **IS 678279**

and operates an Information Security Management System which complies with the requirements of ISO/IEC 27001:2013 for the following scope:

The provision of development, operation, and maintenance of Enterprise Resource Planning (ERP), Global Resource Management (GRM) systems, management of server room activities and network infrastructure supporting activities within Management Information System (MIS) Department.
This is in accordance with the Statement of Applicability, QR2215-A, dated 5 October 2017.

For and on behalf of BSI:
Chris Cheung, Head of Compliance & Risk - Asia Pacific

Original Registration Date: 2017-12-18
Latest Revision Date: 2020-10-19
Effective Date: 2020-12-18
Expiry Date: 2023-12-17
Page: 1 of 2

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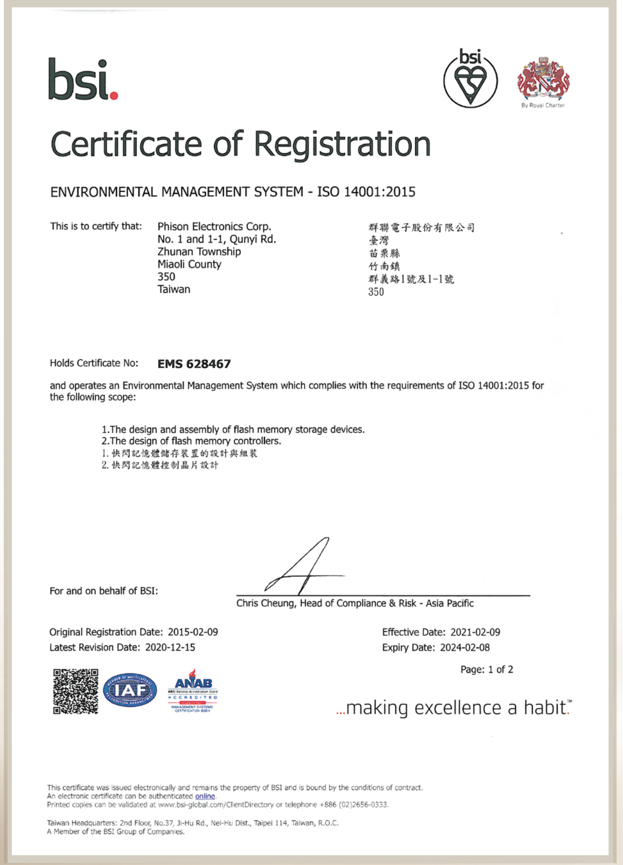

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By Royal Charter

Certificate of Registration

ENVIRONMENTAL MANAGEMENT SYSTEM - ISO 14001:2015

This is to certify that:
Phison Electronics Corp.
No. 1 and 1-1, Qunyi Rd.
Zhunan Township
Miaoli County
350
Taiwan

群聯電子股份有限公司
臺灣
苗栗縣
竹南鎮
群義路1號及1-1號
350

Holds Certificate No: **EMS 628467**

and operates an Environmental Management System which complies with the requirements of ISO 14001:2015 for the following scope:

1.The design and assembly of flash memory storage devices.
2.The design of flash memory controllers.
1.快閃記憶體儲存裝置的設計與組裝
2.快閃記憶體控制晶片設計

For and on behalf of BSI:
Chris Cheung, Head of Compliance & Risk - Asia Pacific

Original Registration Date: 2015-02-09
Latest Revision Date: 2020-12-15
Effective Date: 2021-02-09
Expiry Date: 2024-02-08
Page: 1 of 2

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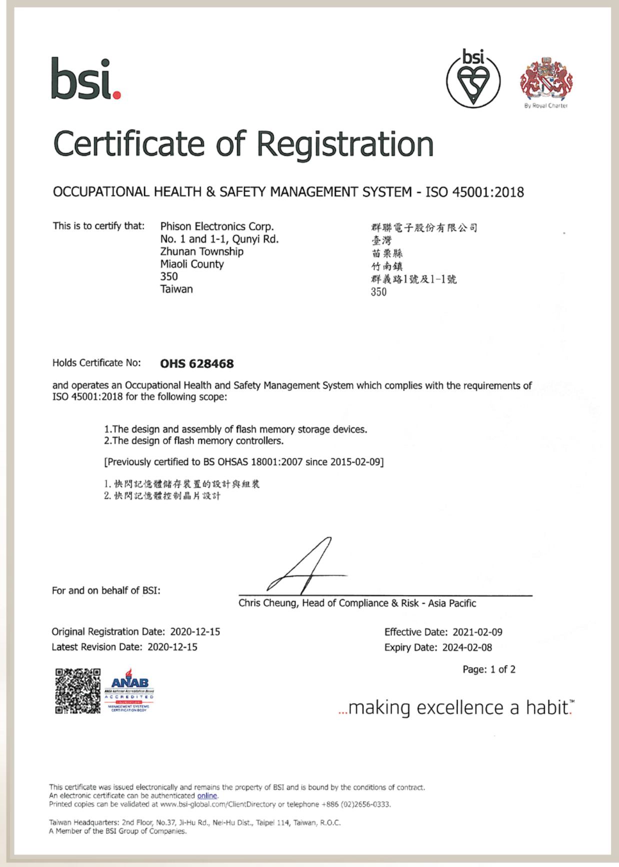

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By Royal Charter

Certificate of Registration

OCCUPATIONAL HEALTH & SAFETY MANAGEMENT SYSTEM - ISO 45001:2018

This is to certify that:
Phison Electronics Corp.
No. 1 and 1-1, Qunyi Rd.
Zhunan Township
Miaoli County
350
Taiwan

群聯電子股份有限公司
臺灣
苗栗縣
竹南鎮
群義路1號及1-1號
350

Holds Certificate No: **OHS 628468**

and operates an Occupational Health and Safety Management System which complies with the requirements of ISO 45001:2018 for the following scope:

1.The design and assembly of flash memory storage devices.
2.The design of flash memory controllers.

[Previously certified to BS OHSAS 18001:2007 since 2015-02-09]

1.快閃記憶體儲存裝置的設計與組裝
2.快閃記憶體控制晶片設計

For and on behalf of BSI:
Chris Cheung, Head of Compliance & Risk - Asia Pacific

Original Registration Date: 2020-12-15
Latest Revision Date: 2020-12-15
Effective Date: 2021-02-09
Expiry Date: 2024-02-08
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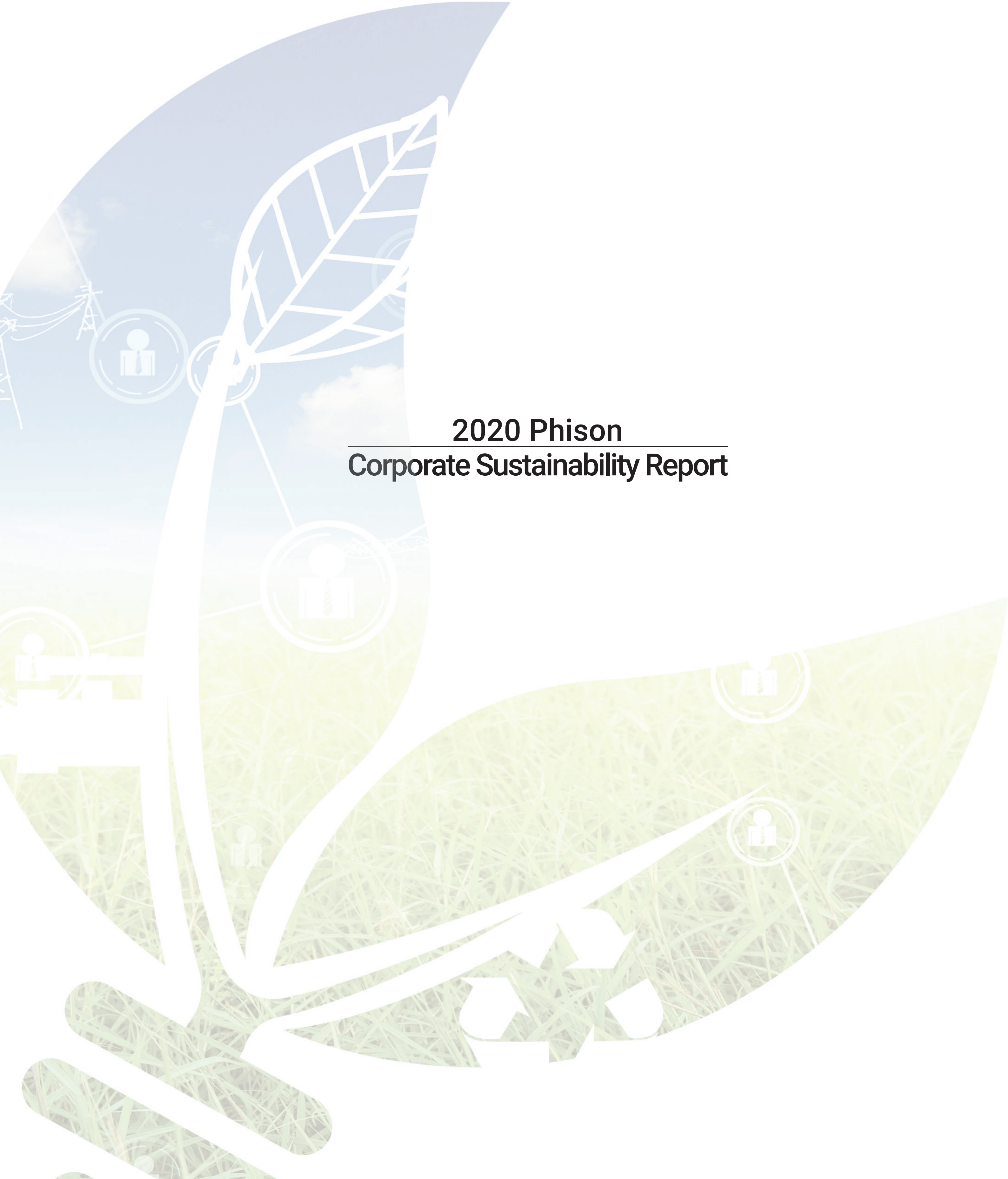

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Corporate Sustainability Report