PHISON

Corporate Sustainability Report

2021

https://www.phison.com
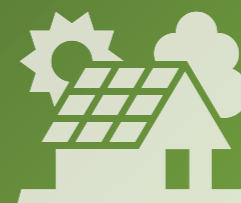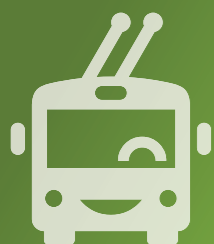
About this Report

Phison Electronics Corp. (hereby referred to as Phison Electronics/Phison/the Company) 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 2021 Corporate Sustainability Report" (here by referred to as "the Report") in June 2022, with Chinese and English versions posted under the CSR Section of our website for stakeholders 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, 2021. Phison has published 9 annual Corporate Sustainability Report since 2013.

Reporting Scope

The organizational boundaries set out in the chapter of this Report concerning economic performance are set according to the principles for consolidated reports. The reporting scope of other chapters covers all operating locations of Phison Electronics in Taiwan. Details and calculation methods of revisions or special disclosure requirements shall be noted in the relevant data and paragraphs.

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

Reporting Basis

This Report, which is compiled by adhering to the Taipei Exchange Rules Governing the Preparation and Filing of Sustainability Reports by TPEx Listed Companies, the core options of GRI Standards 2016 published by the Global Reporting Initiatives (GRI), and the Semiconductors Sustainability Accounting Standard 2018 published by the Sustainability Accounting Standards Board (SASB), has been attested by BSI Taiwan against AA1000 Assurance Standard (AA1000AS v3) and GRI Standards 2016. The Company's financial information was audited by KPMG. All financial information in the Report is disclosed in NTD, and all statistics are calculated based on indicators used internationally.

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

- Latest Version: June 2022 published
- Previous Version: Published June 2021
- Next Version: June 2023
- In response to environmental concerns, the Report was published in electronic form on our official website.

Contents

A Message from the CEO

Phison Core Value

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. As such, since its establishment, Phison Electronics has not only striven to develop its business, but also worked hard to maintain good relationships with stakeholders and pursue sustainable development through social participation, construction of an environmentally friendly supply chain, and fulfillment of its responsibilities as a corporate citizen.

2021 is a challenging year to the world and Phison alike, in that multiple factors interplayed to impact the direction and momentum of market growth: the persistent disasters brought by the COVID-19 pandemic; the overwhelming change in living patterns of mankind as a result of soaring demands for digital transformation driven by the pandemic, trade war, and shortage of semiconductor supplies; and particularly the world's re-examination of the importance of the semiconductor industry and supply chain. Phison will also continue close cooperation with global clients to create common prosperity.

Business Performance

Through its status as an industry leader and leading technology, Phison Electronics' annual revenue reached a record high of NT$62.557 billion in 2021. Such a brilliant business performance not only attests to Phison's success in transformation and Phison staff's common efforts, but also lays a solid foundation for business sustainable development.

In addition to ranking 4th at the IC design category in the CommonWealth Magazine Top 2000 Survey for 2021, Phison has also received from clients and the global media the various awards, including Best in SSD Controllers, the Best Memory Technology Partner and the Best Controller Innovation Award, attesting to Phison's solid technological strength. With its most cutting edge NAND controller technology, Phison will fight globally to attain another operational achievement.

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 2021, Phison Electronics held 12 Board meetings (with a 98.10% average attendance rate of Directors) and established 2 female independent directors (accounting for 25% 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, in 2021, Phison also appointed its first Chief Corporate Governance Officer to ensure shareholders' interest and enhance the Board of Directors' functions; Phison also established its Risk Management Committee and Corporate Sustainable Development Committee (both are a functional committee subordinate to the Board of Directors) and commenced the sustainable risk assessment of tier 1 suppliers, so as to continue to implement an open, ethical, efficient, and sustainable governance structure.

Environmental Protection

Phison Electronics completed the construction of phase 5 new buildings in November 2021 to expand its research and development space. Not only did Phison Electronics incorporate green building design into the phase 5 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, Phison joined the RE 10x10 Enterprise Initiative Program initiated by Greenpeace, signed the RE 10x10 Climate Declaration, and thereby committed to the goal of "transitioning at least 10% of total energy consumption to green electricity by 2025". With the support from the management team, Phison has been topping each year's budget for purchase of green electricity, in the hope that the purchase of green electricity will account for 20% of total electricity consumption by 2030, and that in doing so Phison can make its humble contribution to the Earth's sustainability.

In 2021, Phison kick started its "Coastal Forest Restoration Long-term Program" and planted 1,000 trees; this program will continue in 2022. In addition, Phison launched two in-plant energy-conservation projects, saving an estimated 421,257 kWh of electricity, equivalent to 211,471 Kg of CO_2 emissions. Phison also obtained its first ISO 14064-1 Greenhouse Gas certification from an independent third party. These efforts represent that Phison, while pursuing business growth, also continually attends to the issue of global warming and does 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 2021, Phison raised more than NT$15 million worth of donated materials and funds; it also kicks started its five-year assistance program, namely "Fun to Go to Schools", to contribute its humble efforts for social stability and common good.

Good work environment, compensation, and benefits is the way to build long-term development with employees. As such, in 2021, Phison for the first time commissioned external consultants to conduct an employee opinion survey. The results featured an employee engagement rate of 78%, which was higher than the 74% for the global technology industry, and also higher than the 76% for Taiwan's general industry. In 2021, Phison spent NTD3.09 million holding 606 sessions of training courses, for which the satisfaction score averaged 94.2 points. The average training hours per employee was 47.3 hours, up 34.1% from last year. All of the figures and results attest to Phison's commitment to building a happy enterprise. Phison will uphold our core corporate value to fight for the common good and sustainable development for employees, suppliers, customers, partners, the society, and the Earth.

潘健成

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

2021 Performance Highlights

External Recognition

Organizer	Award
China Flash Market Summit (CFMS)	CFMS Best Controller Innovation Award
CommonWealth Magazine	CommonWealth Magazine Taiwan Top 2000 - Ranked 4th in the IC Design category

Internal Optimization

Corporate Governance

- Held 12 Board meetings with an average Director attendance rate of 98.10%.
- Two female Board members, accounting for 25% of all Board members, which is higher than the proportion of female directors in Taiwan's public companies.
- Operating revenue constantly grew, to NTD62.557 billion, up 29% YoY, a record high.
- Ranked in the 6% - 20% in the corporate governance evaluation of Taiwan Stock Exchange.
- Appointed its first Chief Corporate Governance Officer to ensure shareholders' interest and enhance the Board of Directors' functions.
- Established its Risk Management Committee and Corporate Sustainable Development Committee. Both committees are a functional committee subordinate to the Board of Directors and composed of members of which a majority are independent directors.
- Conducted sustainable risk assessment on tier 1 suppliers for the first time, with the survey completion rate being 100%.

Environmental Protection

- Joined the RE 10x10 Enterprise Initiative Program initiated by Greenpeace, signed the RE 10x10 Climate Declaration, and thereby committed to the goal of "transitioning at least 10% of total energy consumption to green electricity by 2025".
- Began purchasing renewable energy (i.e., electricity generated from wind power) in 2021; expect to purchase renewable energy in the amount equal to 20% or more of total electricity consumption by 2030.
- Being certified against ISO 14064-1 Greenhouse Gas by a third party for the first time.
- Reduced water intake intensity (amount of water intake per million dollars of revenue) by 23.37% from the 2020 level. Reduced the energy use intensity (GJ/million revenue) by 4.47% from the 2020 level. Reduced greenhouse gas emissions intensity (greenhouse gas emissions/million revenue) by 6.27% from the 2020 level.
- Initiated the "Coastal Forest Restoration Long-term Program"; planted 1,000 trees in 2021 and will do so in 2022.
- Initiated two energy-saving programs, which are expected to save 421,257 kWh of electricity, which is equivalent to a reduction of 211,471 Kg of CO_2e.

Social Participation

- Commissioned external consultants to conduct an employee opinion survey for the first time.The results featured an employee engagement rate of 78%, which was higher than the 74% for the global technology industry, and also higher than the 76% for Taiwan's general industry.
- Spent NTD3.09 million holding 606 sessions of training courses, for which the satisfaction score averaged 94.2 points. The average training hours per employee was 47.3 hours, up 34.1% from last year.
- Once again obtained the Healthy Workplace Certification from the Ministry of Health and Welfare.
- In Employee Assistance Programs (EAPs), a total of 453 individuals used the first-stage telephone consultation (with case managers), and 82 used the second-stage consultation (with professional consultants), thus making total number of consultations 535. The annual average score of user satisfaction is 5.8 (with 6 being the full score).
- Contributed a total of NT$15,080,430 (including donations of funds and resources) towards charitable causes, with 200 volunteer hours.

PHISON 2021 Corporate Sustainability Report

About Phison Stakeholder Engagement Sustainable Governance Innovation & Service
Responsible Supply Chain Environmental Protection Employee Care Social Participation Appendix

Responding to UN SDGs

SDGs	SDGs Targets	Phison's Performance	Corresponding Chapters/Sections
3 GOOD HEALTH AND WELL-BEING	3.3 3.4	■ Donated supplies and funds for pandemic prevention purpose to improve the quality of public safety. ■ Donated to NGOs promoting healthcare.	CH8 Social Participation
4 QUALITY EDUCATION	4.4 4.5	■ Sponsored industry-academic cooperation, schooling, and student activities to improve education quality and support students' self-development. ■ Provided scholarships to financially needy students and went to two remote elementary schools to hold the "Fun to Go to Schools" activity, in which Phison volunteers inspired children's interest in sciences using self-developed teaching materials, thereby implementing education equality.	CH8 Social Participation
8 DECENT WORK AND ECONOMIC GROWTH	8.2 8.3 8.8	■ Annual operating revenue in 2021 reached NTD62.557 billion, up 29% from last year, a record high. ■ Achieved a staff growth rate of 31% in 2021 due to operational scale-up; established an R&D base in Tainan, and will do so in Kaohsiung, to expand our R&D deployment. ■ Conducted a salary structure adjustment for two consecutive years in response to the rising salary standard on the market; in 2021, employee's salary increased by 7%-10%, mainly contributed by the increment due to salary structure adjustment plus the increment due to annual salary adjustment, attesting to our practical feedback to employees' hard work. ■ Maintained the ISO 45001-Occupational health and safety management systems; promoted the maternity protection program; established an EHS license management platform; hosted diversified health-promoting activities to build a healthy workplace. ■ The median salary for full-time employees in non-managerial positions is NTD 2,176,000 and the average salary is NTD 2,677,000.	CH3 Sustainable Governance CH7 Employee Care
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	9.4	■ In 2021, annual R&D expenses topped NTD8.1 billion, or 13% of total operating revenue; total global patents obtained reached 1,791; in terms of patent quality, the Company's patent approval rate reached 90% or higher. ■ Taking the line of major developed product as an example, the latest generation products consumed 16%-20% less energy than their predecessor, saving 22,499,545 kWh of electricity a year, equivalent to a reduction of CO_2 emissions by 11,294.77 tons.	CH4 Innovation & Service
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.2 12.5	■ Constantly optimized the product performance early on at the design stage to develop more energy-saving and more compact products, thereby helping end users reduce their greenhouse gas emissions and waste generation. ■ Reduced water intake intensity (amount of water intake per million dollars of revenue) by 23.37% from the 2020 level. Reduced the energy use intensity (GJ/million revenue) by 4.47% from the 2020 level. ■ Prioritized the use of recyclable materials when designing product packaging for customers; adopted a simplified and light-weight packaging strategy to reduce the amount of waste generation at the back end. ■ Implemented green product management procedures to ensure that the products met domestic and foreign legal requirements and customers' requirements for restriction of hazardous substances; gradually improved products' green attributes to reduce the impact of product-related activities on health and environment.	CH4 Innovation & Service CH6 Environmental Protection
13 CLIMATE ACTION	13.1 13.3	■ Passed ISO 14064-1 Greenhouse gases Part 1 certification; adjusted energy structure; signed the RE 10x10 Climate Declaration, and thereby committed to the goal of "transitioning at least 10% of total energy consumption to green electricity by 2025". ■ Promoted energy-conservation programs and continued maintenance and upgrade of factory equipment to improve the resources and energy usage efficiency. Saved an estimated 421,257 kWh of electricity in 2021, which is equivalent to a reduction of 211,471 Kg of CO2e. ■ Initiated the Coastal Forest Restoration Long-term Program, through which we planted 1,000 trees along the coastal land, participating in every stage from purchase and planting of saplings at the early stage to soil improvement and care at the later stage.	CH6 Environmental Protection CH8 Social Participation
17 PARTNERSHIPS FOR THE GOALS	17.16	■ Donated a research fund to relevant industry associations and academic research foundations. ■ Donated computer equipment to the police station and the fire brigade for them to improve service quality and work efficiency.	CH8 Social Participation

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

Sustainability Management Indicators

Type of Sustainability Topic	Key Performance Indicator	Targets in 2021	Actual Performance in 2021	Progress	Medium-term Goals (2023)	Long-term Goals (2025)
Talent Attraction & Retention	■ Remuneration Standard	■ The average remuneration remains in the top 25% of the industry	■ The average remuneration remains in the top 15% of the industry	Achieved	■ The average remuneration remains in the top 25% of the industry	■ The average remuneration remains in the top 25% of the industry
	■ Percentage of Participation Rate and Engagement Rate of the Employee Opinion Survey	■ A survey response rate of at least 70%; An engagement rate of 70%	■ A survey response rate of 77%; An engagement rate of 78%	Achieved	■ 80% survey response rate; An engagement rate of 79%	■ 85% survey response rate; An engagement rate of 80%
Talent Development and Training	■ Score of Satisfaction with Training Courses	■ Maintain employee satisfaction score for the courses at no less than 90	■ Employee satisfaction score for the courses reached 94.2	Achieved	■ Maintain employee satisfaction score for the courses at no less than 92	■ Maintain employee satisfaction score for the courses at no less than 94
	■ Average Employee Training Hours	■ Average employee training hours reaching 47 hours	■ Average employee training hours reaching 47.3 hours	Achieved	■ Average employee training hours reaching 48 hours	■ Average employee training hours reaching 49 hours
Occupational Safety and Health	■ Health Promoting Activities	■ Host 6 sessions of activities annually	■ Hosted 11 sessions of activities	Achieved	■ Host at least 7 sessions of activities annually	■ Host at least 8 sessions of activities annually
	■ Participation Rate for Health Promoting Activities	■ An employee participation rate for health promoting activities at 30%	■ An employee participation rate for health promoting activities at 35.3%	Achieved	■ An employee participation rate for health promoting activities at no less than 33%	■ An employee participation rate for health promoting activities at no less than 35%
	■ Health Promotion Effectiveness	■ An activity completion rate of no less than 50%	■ An activity completion rate of 60.9%	Achieved	■ An activity completion rate of 55%	■ An activity completion rate of no less than 60%
	■ Employee Assistance Programs (EAPs) Usage Satisfaction	■ An employee satisfaction score for the programs at 5.5 (out of 6)	■ An employee satisfaction score for the programs at 5.8 (out of 6)	Achieved	■ Maintain employee satisfaction score for the programs at no less than 5.8 (out of 6)	■ Maintain employee satisfaction score for the programs at no less than 5.8 (out of 6)
Environmental Protection	■ Waste Generation Intensity (Waste generated per million dollars of revenue)	■ An annual waste generation intensity of no greater than 0.004 tons per million dollars of revenue	■ An annual waste generation intensity of 0.0031 tons per million dollars of revenue	Achieved	■ An annual waste generation intensity of no greater than 0.0035 tons per million dollars of revenue	■ An annual waste generation intensity of no greater than 0.003 tons per million dollars of revenue
	■ Water Intake Intensity (amount of water intake per million dollars of revenue)	■ An annual water intake intensity of no greater than 1.9 tons per million dollars of revenue	■ An annual water intake intensity of 1.589 tons per million dollars of revenuedollars of revenue	Achieved	■ An annual water intake intensity of no greater than 1.7 tons per million dollars of revenue	■ An annual water intake intensity of no greater than 1.6 tons per million dollars of revenue
	■ GHG Emissions Intensity (GHG emissions per million dollars of revenue)	■ An annual GHG emissions intensity of no greater than 0.195 tons per million dollars of revenue	■ An annual GHG emissions intensity of no greater than 0.182 tons per million dollars of revenue	Achieved	■ An annual GHG emissions intensity of no greater than 0.190 tons per million dollars of revenue	■ An annual GHG emissions intensity of no greater than 0.185 tons per million dollars of revenue
	■ Percentage of Renewable Energy Used	■ No less than 1% of total electricity consumption	■ Reached 1.17% of total electricity consumption	Achieved	■ No less than 3% of total electricity consumption	■ No less than 10% of total electricity consumption
	■ Environmental Education Lectures and Courses	■ This is a newly set target	■ Yet to be hosted	N/A	■ Host no less than two sessions per year	■ Host no less than three sessions per year
Supply Chain Management	■ Percentage of Tier 1 Suppliers Having Completed the "Sustainable Risk Assessment Questionnaire"	■ A completion rate of 70% for Tier 1 suppliers "Sustainable Risk Assessment Questionnaire"	■ A completion rate of 100% for Tier 1 suppliers "Sustainable Risk Assessment Questionnaire"	Achieved	■ Maintain a completion rate of 100% for Tier 1 suppliers "Sustainable Risk Assessment Questionnaire"	■ Maintain a completion rate of 100% for Tier 1 suppliers "Sustainable Risk Assessment Questionnaire"
	■ Percentage of Critical Suppliers Audited by Phison's RBA Professionals against the RBA Standard	■ 80% of critical suppliers receive the RBA audit	■ 100% RBA audit ratio	Achieved	■ 90% of critical suppliers receive the RBA audit	■ 100% of critical suppliers receive the RBA audit
	■ Percentage of Critical Suppliers Having Received An RBA Audit and Made An Improvement	■ 80% of critical suppliers having received an RBA audit make an improvement	■ All critical suppliers pass the audit	Achieved	■ 90% of critical suppliers having received an RBA audit make an improvement	■ 100% of critical suppliers having received an RBA audit make an improvement
	■ Percentage of Suppliers Having Signed the "Supplier Code of Conduct"	■ 100% of critical suppliers sign the "Supplier Code of Conduct"; 75% of tier 1 suppliers as a whole signs the document	■ 100% of critical suppliers have signed the "Supplier Code of Conduct";78% of tier 1 suppliers as a whole signs the document	Achieved	■ 85% of tier 1 suppliers sign the new version of "Supplier Code of Conduct"	■ 100% of tier 1 suppliers sign the new version of "Supplier Code of Conduct"
Social Welfare	■ Number of Sessions of the "Fun to Go to Schools" Activity	■ 2 sessions in the first year	■ Having hosted 2 sessions	Achieved	■ Host 3 sessions of activities annually	■ Host 4 sessions of activities annually
	■ Number of Trees Planted	■ Plant 1,000 trees	■ Having planted 1,000 trees	Achieved	■ Plant a total of 3,000 trees	■ Plant a total of 6,000 trees

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

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	Wee Kuan Gan
Capital	NT$1,970,740,000
Number of employees	2,967
Output	155,613 units of Flash Memory Module Product 33,223 units of ICs 344,194 units of controllers
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", the Company has specialized in the development and design of NAND Flash Memory controller ICs. Starting from the world's first system-on-a-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, Embedded ODM, servers, and all high-end NAND application markets, delivering a full range of NAND storage solutions with highly flexible and customized services to customers.

To reserve the R&D capacity needed for the constantly growing storage market, the Company continues to expand our R&D deployment. Aside from expanding our R&D team in Banqiao, New Taipei City, we also established an R&D unit in Tainan and will do so in Kaohsiung, so as to allocate different product lines to different regions.

Development
Flash Memory Controller ICs

Phison's core competitiveness

Integration
NAND Flash Solutions

Design
NAND Flash Memory System Products

PHISON 2021 Corporate Sustainability Report

About Phison Stakeholder Engagement Sustainable Governance Innovation & Service
Responsible Supply Chain Environmental Protection Employee Care Social Participation Appendix

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 Stock Exchange

TAIWAN STOCK EXCHANGE

Enhanced Core Competencies

2006
Launched SD 2.0 Card controller IC

2007
Launched controller IC for 50-nm USB flash drives

2019
World First PCIe Gen4x4 NVMe SSD

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

2021
Launched the industry's best-performing PCIe Gen5 SSD controller PS5026-E26

Develop Strategic Alliances

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

Kingston TECHNOLOG

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.

2021
Joined the Automotive Edge Computing Consortium (AECC) and the MIH EV Open Platform to expand the deployment in the in-vehicle storage market.

Expand Markets Positioning

2012
eMMC reached 1 million units cumulative

2014
microSSD design-win in servers

2017
Announced world's fastest UFS 2.1 Dual Lane Controller

2019
Massively focusing on AIOT, automotive, servers, and high-end NAND storage application markets

2020
Tapped into the gaming console market, positioned firmly on the customized storage market

2021
Entered the high-speed transmission interface IC market
Assisted in NASA's Mars mission by installing uSSD on the Perseverance rover, laying a foundation for leading the high-end storage technology

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

1.2 Primary Products and Sales Regions

1.2.1 Primary Products

Through our world-leading flexible operating model of R&D, Design, and Integration, the Company 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. The Company's primary products include USB flash drives, SD/microSD memory cards, eMMC, PATA / SATA / PCIe SSD and UFS and other NAND controllers. The Company's products have widespread applications, including consumer applications, embedded applications, industrial control and storage applications, vehicle storage applications and enterprise-level applications.

1.2.2 Sales Market

Phison is headquartered in Miaoli, Taiwan, and establishes subsidiaries in Japan 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 timeliest technical support and deepen international partnerships.

Operation Distribution of Phison Electronics

Headquarters	• Miaoli, Taiwan
Technical support center	• Republic of China Hsinchu/Taipei • US San Jose/Boise/Colorado • China Shenzhen • Japan Tokyo
Service location	• Japan/US

Distribution of major sales regions

Region	Taiwan	Asia (excluding Taiwan)	North America	Europe	Central / South America	Oceania	Total
(%)	27.59	48.53	16.74	5.91	1.00	0.23	100

1.3 Participation in External Organizations

The Company actively participates in relevant industry organizations to interact with others in the industry, discuss trends, and get a grasp of world trends. As of 2021, the Company has participated in 18 industrial organizations.

Serial no.	Name of Organization	Year joined	Form of Participation
1	PCI-SIG (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 committee member
11	Mobile Industry Process Interface Alliance	2012 - present	Member
12	UNH-IOL	2014 - present	Member
13	Intelligent Terminal Memory Association (ITMA)	2020 - present	Board member
14	MIH EV Open Platform	2020 - present	Member
15	Automotive Edge Computing Consortium (AECC)	2020 - present	Member
16	IEEE Smart Device Standards Committee	2020 - present	Voting member
17	Storage Networking Industry Association (SNIA)	2020 - present	Member
18	Open Compute Project (OCP)	2021 - present	Member

PHISON 2021 Corporate Sustainability Report

About Phison **Stakeholder Engagement** Sustainable Governance Innovation & Service
Responsible Supply Chain Environmental Protection Employee Care Social Participation Appendix

2. Stakeholder Engagement

2.1 Material Topics Identification Procedures

The Company cares about stakeholders' voices and is committed to integrating stakeholders' feedback into its decision-making procedures through more timely and transparent communication channels in order to respond to social expectations and fulfill our corporate social responsibilities. The Company follows AA 1000 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, 8 major themes by analyzing how much main stakeholders pay attention to economic, social, and environmental issues and the level of impact that the Company's operations 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

2 Step 2
Analyze: Materiality

3 Step 3
Confirm: Responsiveness

After consideration, the Company's Corporate Sustainable Development Committee identifies 6 types of major stakeholders and 19 categories of sustainable themes by referencing the stakeholder questionnaire of 2019, the feedback derived from communication with stakeholders in the past year, the sustainable trends at home and abroad, and the requirements of the competent authorities.

- **International Standards and Regulations:**
  GRI Standards; Sustainable Development Goals (SDGs); Responsible Business Alliance (RBA); and Sustainability Accounting Standards Board (SASB)

- **Sustainable Investment Assessment:**
  Dow Jones Sustainability Index (DJSI); Morgan Stanley Capital International ESG Index (MSCI ESG Index); Financial Times Stock Exchange Index (FTSE Index); Sustainalytics

- **Peers in Semiconductor Industry:**
  collect the sustainable information from the company selected in sustainable investment assessment

Following GRI Standards and using the feedback on the stakeholder questionnaires, media coverage contents, and contents identified against laws, along with discussions and motions from the Corporate Sustainable Development Committee, the Company identified 8 material themes based on the extent of how each theme concerns stakeholders and how each theme impacts the economy, society, and the environment. The remaining 11 themes are the Company's potential sustainable development themes, which we will continue to manage and make relevant disclosures as necessary.

There are 19 themes in the 2021 Material Issue Matrix, and the Company eventually settled on 8 major themes. Compared to the previous year, "Innovation Management", "Risk Management", and "Green Products" are added while "Compliance" and "Waste & Hazardous Substances Management" were changed into a mildly material theme and a moderately material theme, respectively, using the materiality analysis. 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 Stakeholder Engagement

Stakeholders	Issues Concerned	Communication Channel & Frequency	Key Achievements in 2021	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 23 RBA/Corporate sustainability questionnaires ■ Sign 3 Customer Code/Statement of Conduct ■ Customer Satisfaction Survey score of 7.55 (out of 10) ■ No complaints for privacy violation or data loss in 2021	3.3 Ethical Management 4.3 Customer Relationship Management 5. Responsible Supply Chain
Employees	■ Ethical Corporate Management ■ Economic Performance ■ Labor-Management Relation ■ Talent Development	■ Labor-Management Committee (quarterly/irregularly) ■ New Employee Forum (semi-annually) ■ Employee suggestion box (any time) ■ Employee forum (irregularly) ■ Employee opinion survey (once every two years) ■ Company Journal (annually) ■ Email announcement (any time) ■ Social media (irregularly)	■ 3 Labor-Management Committee meetings ■ 1 new employee suggestion survey and 1 new employee forum ■ 2 employee forum ■ Held four employee conferences after the investor conference to inform employees of the Company's operations. ■ Commissioned external consultants to conduct an employee opinion survey	3.3 Ethical Management 3.6 Economic Performance 7. Employee Care
Supplier	■ Ethical Corporate Management ■ Supply Chain Management	■ Tier 1 suppliers fill out the "Sustainable Risk Assessment Questionnaire" (Annually) ■ Critical suppliers fill out RBA SAQ (annually) ■ Critical suppliers receive the RBA audit (annually) ■ Supplier online platform (any time) ■ Complaint mailbox (any time) ■ Business review/Technical review (quarterly)	■ Retrieved a total of 205 pieces of "Sustainable Risk Assessment Questionnaire" from suppliers ■ Complete the RBA audit of 28 suppliers ■ Collect the RBA SAQ of 28 suppliers	3.3 Ethical Management 5. Responsible Supply Chain
Shareholders/investors	■ Economic Performance ■ Ethical Corporate Management ■ Regulatory Compliance ■ Supply Chain Management	■ Shareholder general meeting (annually) ■ Interim shareholders meeting (irregularly) ■ Investor conferences (quarterly/irregular invitations) ■ Annual Report / Corporate Sustainability Report (annually) ■ Investor mailbox (any time) ■ Domestic and foreign analyst interchange and investment forums (irregularly) ■ Market observation post system - press releases, major news (irregularly)	■ Hold shareholder general meetings ■ Attended 17 investor conferences ■ Published 63 pieces of major news on the Market Observation Post System ■ Published 17 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	■ Official documents (any time) ■ Public hearings (irregularly) ■ Industry policy questionnaire feedback (irregularly) ■ Proactively report to government department websites (irregularly)	■ Attended 2 public hearings ■ Assisted in filling our and sending back 12 pieces of industry questionnaires issued by the government	3.3 Ethical Management 3.4 Regulatory Compliance
Community (NGOs, media)	■ Regulatory Compliance ■ Waste & Hazardous Substances Management ■ Social Welfare	■ Company telephone number (anytime) ■ Social media (irregularly) ■ Market observation post system - press releases, major news (irregularly)	■ Held 9 charity sales ■ Published 63 pieces of major news on the Market Observation Post System ■ Published 17 press releases on the Company website	3.4 Regulatory Compliance 6.3 Effluent and Waste Management 8. Social Participation

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

Material Topics & Phison Value Chain

Extent of impact: ■ Direct impacts; ◆ Indirect impacts; ▲ Impacts from business relationships

Material topic	Operational importance						GRI Standards	Upstream Procurement stage	Operation R&D	Operation Outsource manufacturing	Downstream Use	Corresponding chapters/sections
	R&D	Revenue	Cost	Customer satisfaction	Brand	Risk						
Economic Performance		●					GRI 103: Management Approach 201-1 Direct economic value generated and distributed 201-3 Defined benefit plan obligations and other retirement plans		■			
Ethical Corporate Management					●	●	GRI 103: Management Approach 205-2 Communication and training about anti-corruption policies and procedures 205-3 Confirmed incidents of corruption and actions taken	▲				3. Sustainable Governance
Risk Management					●	●	GRI 103: Management Approach	▲	■	▲	◆	
Innovation Management	●	●			●		GRI 103: Management Approach		■		◆	4. Innovation & Service
Green Products	●	●	●	●	●		GRI 103: Management Approach 302-5 Reductions in the energy requirements of products and services		■		◆	
Supply Chain Management			●		●	●	GRI 103: Management Approach 308-1 New suppliers that were screened using environmental criteria 414-1 New suppliers that were screened using social criteria	■		■		5. Responsible Supply Chain
Talent Attraction & Retention		●	●				GRI 103: Management Approach 401-1 New employee hires and employee turnover 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees 401-3 Parental leave		■			7. Inclusive Workplace
Talent Development and Training	●	●	●				GRI 103: Management Approach 405-1 Diversity of governance bodies and employees 405-2 Ratio of basic salary and remuneration of women to men		■			

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

3. Sustainable Governance

3.1 Sustainability Strategies and Management

Since incorporation in 2000, the Company has not only worked hard to pursue the greatest profits and operational success, but also devoted ourselves to creating social values and 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 Electronics: Corporate Sustainable Goals

Trust and Transparency
The Company values long-term sustainable operations. By building a comprehensive corporate governance structure, we strengthened the transparency of 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
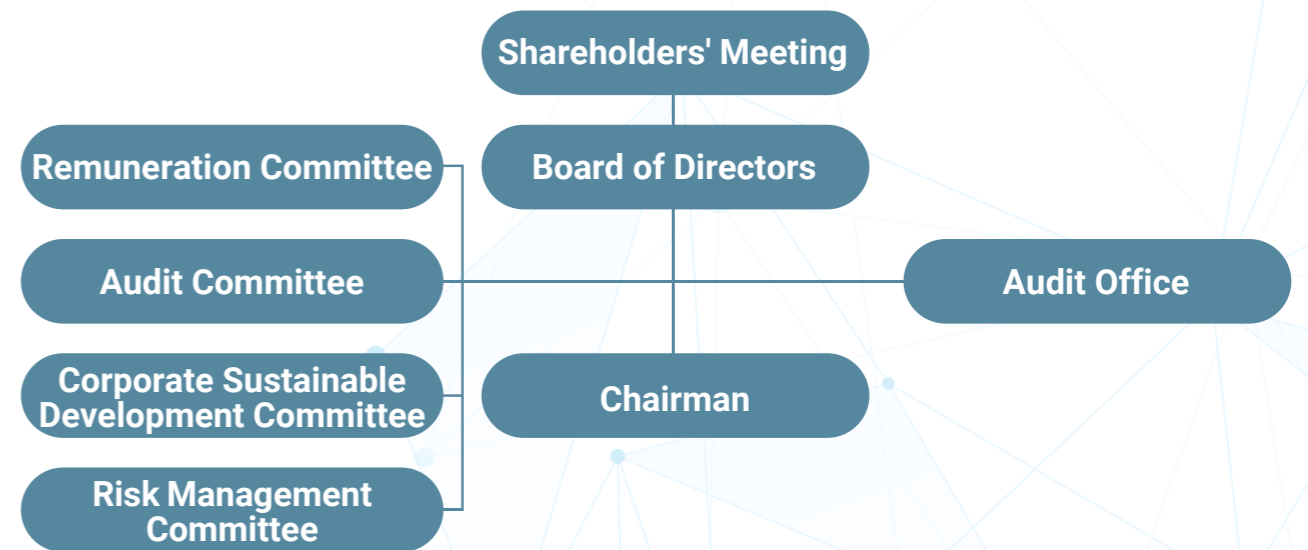Upholding the philosophy of "giving back to society", and by leveraging our core businesses in combination with internal and external resources, the Company commits to five social work themes, namely "support for students", "support for the disadvantaged", "environmental protection", "community care", and "social innovation." In doing so, we hope to use our specialties to help solve social issues and exert Phison's unique social influence.

Green Operation
The Company is committed to environmental sustainability, continuously 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

The Company established its Articles of Incorporation, Regulation and Procedure for Shareholders' Meetings, Rules of Procedure for Meetings of Board of Directors, Procedures of Election of Directors, and Code of Ethics in compliance with the Company Act, the Securities and Exchange Act, and other relevant laws, to perfect its corporate governance system and implement accountable management policies.

To ensure the effectiveness, integrity, and reasonableness of risk management to protect shareholders' equity, achieve sustainable development, and implement corporate governance, the Company established the Risk Management Committee in 2021, which is a functional committee under the Board of Directors, as is the Corporate Sustainable Development Committee, and reports its operation status to the Board of Directors once a year. In addition, in 2021 the Board of Directors resolved to appoint Antonio Yu, senior special assistant and COO of the Company, to be the first Chief Corporate Governance Officer responsible for protecting shareholders' equity and enhancing the Board of Directors' functions.

Shareholders' Meeting

Remuneration Committee   **Board of Directors**

Audit Committee   **Audit Office**

Corporate Sustainable Development Committee   **Chairman**

Risk Management Committee

Encouraging senior management personnel to hold the Company's shares will link their performing duties to the Company's long-term performance and align their interest and actions with those of the Company's shareholders, thereby enhancing corporate governance. To achieve this end, the Company set out a regulation demanding that the CEO and the President, from the fourth calendar year after assuming their offices, hold the Company's shares at an year-end in an amount of no less than twice their fixed annual salary for that given year. We will apply such regulation to management personnel at the vice president level.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

3.2.2 Structure of the Board of Directors

The Company has eight 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 8 Board members in the Company's current Board of Directors, two are female directors, accounting for 25% 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 2021, the average age of directors is 54.64; the average seniority is 6.43 years.

Title	Name	Gender	Education	Other positions at the Company or elsewhere
Chairman	Representative of Cheng He Investment Co. Ltd.: Wee-Kuan Gan	Male	Department of Electronics and Electrical Engineering, National Yang Ming Chiao Tung University	Deputy General Manager of Phison Electronics Corp.; Representative Director of Ostek Corp., Super Storage Technology Corp.; Representative Supervisor of Phisontech Electronics Taiwan Corp.
Board member	Chee-Kong Aw Yong	Male	Master's Degree in Electrical and Control Engineering, National Yang Ming Chiao Tung University	General Manager of Phison Electronics Co.; Legal Representative Director and Chairman of Super Storage Technology Co.; Representative Director of Lianxudong Investment Co. and Phisontech Taiwan Electronics Co.; Directors of Global Flash Limited and Core Storage Electronic (Samoa) Limited.
Board member	Tzung-Horng Kuang	Male	Master of Business Administration, Greenwich University	Legal Representative Director and Chairman of Emtops Electronics Corp.; Legal Representative Director of Microtops Design Corp., Ostek Corp.; Director of Phison Electronics Japan Corp., Power Flash (Samoa) Limited
Board member	Jiunn-Yeong Yang	Male	Postdoctoral Researcher, Institute of Electrical and Control Engineering, National Yang Ming Chiao Tung University	None
Board member	KIOXIA Corporation Representative: Hiroshi Miyauchi	Male	Bachelor of Science in Electro-Communications, University of Electro-Communications	Part-time contractor, KIOXIA Corporation Part-time contractor, Toshiba Materials Corporation Director of Property Management, Toshiba Co., Ltd
Independent director	Wen-Chiu Chung	Female	M.S. in Accounting, Chung Yuan Christian University	Director of Xu Yuan Packaging Technology Co., Ltd.
Independent director	Chen-Wei Wang	Male	Department of Electronics Engineering, National Yang Ming Chiao Tung University	Independent director of Simplo Technology Co.,Ltd. Independent Director of Innolux Corporation
Independent director	Yu-Lun Huang	Female	Ph.D., Department of Computer Science, National Yang Ming Chiao Tung University	Associate Professor, Department of Electrical Engineering, Associate Dean of Academic Affairs, National Yang Ming Chiao Tung University, Taiwan Open Course and Education Consortium Consultant

[1]According to the information released by the Corporate Governance Center of the Taiwan Stock Exchange, in 2021, TWSE-Listed percentage of female directors is 13.90%, and TPEx-Listed percentage of female directors is 14.57%.

Board meeting attendance rate

The Company held 12 Board meetings in 2021 with an average attendance rate of 98.10%.

Title	Name	Term	Attendance in person	Attendance by proxy	Number of meetings one should attend	Attendance rate[2](%)
Chairman	Khein-Seng Pua	2020.06.03-2021.11.18	9	0	9	100
Chairman	Cheng He Investment Co. Ltd. Representative: Wee-Kuan Gan	Representative newly appointed on November 18, 2021	3	0	3	100
Board member	Chee-Kong Aw Yong	Re-elected on June 3, 2020	12	0	12	100
Board member	Tzung-Horng Kuang	Re-elected on June 3, 2020	12	0	12	100
Board member	Cheng He Investment Co. Ltd. Representative: Chih-Jen Hsu	2020.06.03-2021.11.18	9	0	9	100
Board member	Jiunn-Yeong Yang	New appointed on June 3, 2020	12	0	12	100
Board member	KIOXIA Corporation Representative: Hiroshi Miyauchi	Representative newly appointed on November 13, 2020	10	2	12	83.33
Independent director	Chen-Wei Wang	Re-elected on June 3, 2020	12	0	12	100
Independent director	Wen-Chiu Chung	New appointed on June 3, 2020	12	0	12	100
Independent director	Yu-Lun Huang	New appointed on June 3, 2020	12	0	12	100

Board of Directors Self-Improvement

2021 Board Member Training Courses and Hours

Course name	Total training hours[3]
Intellectual Property Management Emerged as A New Topic of Corporate Governance	3
The 13th Taipei Corporate Governance Forum	9
Insider Trading Prevention	27
Compliance with Trade Control Regulations in Taiwan and China	27
Listed/OTC-traded Companies - Seminar on Corporate Sustainable Management and Use of Futures Hedging	3
Case Study of Financial Reporting Fraud by Enterprises	3
Total	72

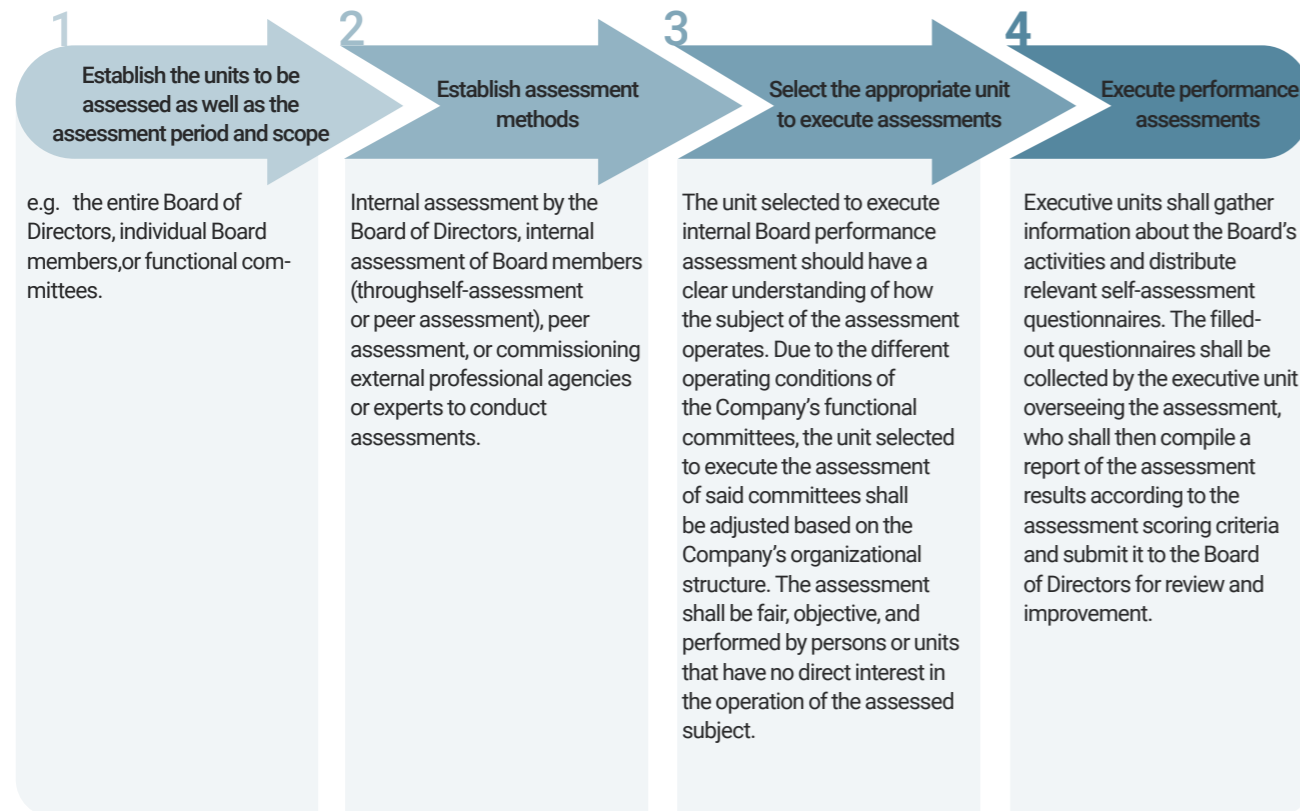[2]Attendance rate = attendance in person/number of meetings one should attend*100.
[3]Total training hours = Course Duration * Number of Trainees

PHISON 2021 Corporate Sustainability Report

About Phison　Stakeholder Engagement　Sustainable Governance　Innovation & Service
Responsible Supply Chain　Environmental Protection　Employee Care　Social Participation　Appendix

Board of Directors 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 of Directors's efficiency. In November 2020, following Article 37 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, the Company established the "Board of Directors Performance Assessment Procedures", which specified the Board of Directors' 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.

In 2021, the Company conducted the assessment through an internal self-assessment, with the scope of assessment covering the Board of Directors as a whole, individual Board member, and the functional committees, namely the Remuneration Committee and the Audit Committee; all of the assessment results indicate an "Excellent" rating.

Board of Directors 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 Execute 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 (throughself-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.

Board of Directors Performance Assessment Items
1. Participation in the Company's Operations.
2. Raising the Quality of the Board of Directors' Decisions.
3. Structure and Composition of the Board of Directors
4. Director Election and Continuing Education
5. Internal Control

Board Member Performance Assessment Items
1. Understanding of the Company's Objectives and Tasks.
2. Awareness of Directors' Responsibilities.
3. Participation in the Company's Operations.
4. Management and Communication of Internal Relations.
5. Directors' Expertise and Continuing Education.
6. Internal Control

Functional Committees Performance Assessment Items
1. Participation in the Company's Operations.
2. Awareness of the Functional Committee's Responsibilities
3. Raising the Quality of the Functional Committees' Decisions.
4. Composition and Membership of the Functional Committee.
5. Internal Control

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 2021, 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 managerial 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, Yu-Lun Huang, 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 6 meetings were convened in 2021, 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, Yu-Lun Huang, 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 11 meetings were convened in 2021, with an average attendance rate of 100%.
Corporate Sustainable Development Committee[4]	2021	1. Promote and enhance corporate governance and the ethical corporate management system. 2. Promote and develop matters related to corporate sustainability. 3. Supervise sustainability tasks resolved by the Board of Directors.	■ Appointed independent directors Wen-Chiu Chung and Yu-Lun Huang, and Senior special assistant and COO Antonio Yu as committee members, with Mr. Antonio Yu as the convener. ■ The Committee shall convene at least annually, with additional meetings held whenever necessary. ■ A total of 1 meeting was convened in 2021, with an average attendance rate of 100%.
Risk Management Committee	2021	1. Formulate operating procedures for relevant risks; establish risk management standards; regularly review the implementation of the Company's risk management mechanism; assess the various risks; and improve the operating procedures. 2. Execute the risk management decisions made by the Board of Directors and regularly review the development, establishment, and implementation effectiveness of the Company's risk management mechanism as a whole. 3. Approve risk response strategy and action plans, and demand that each unit responsible for risk management effectively identify, measure, monitor, and control the various risks. 4. Review and consolidate the Company's risk control reports of various types and timely report the status of risk management implementation to the Board of Directors.	■ Appointed independent directors Wen-Chiu Chung and Yu-Lun Huang, and the manager of Legal Office Chein-Hsun Chiu as committee members, with Mr. Chein-Hsun Chiu as the convener. ■ The Committee shall convene at least annually, with additional meetings held whenever necessary. ■ A total of 1 meeting was convened in 2021, with an average attendance rate of 100%.

[4]In November 2021, the Company upgraded the Corporate Sustainable Development Committee to be a functional committee directly under the Board of Directors.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

3.3 Ethical 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	"Rules of Procedure for Meetings of Board of Directors"; "Corporate Governance Best Practice Principles"; "Procedures for the Prevention of Insider Trading"; "Ethical Corporate Management Best Practice Principles"; "Code of Business Practices and Ethics"; "Code of Ethics"; "Supplier Code of Conduct"; and "Regulations for Whistleblowing."
Long-Term Goals	Maintain zero cases of corruption or unethical behavior
Performance	1. There was no case of corruption or unethical behavior in 2021. 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 100%. 4. 100% of employees signed a consent letter, agreeing to abide by the "Code of Business Practices and Ethics".
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	1.Disseminate information on "Insider Trading Prevention" and related laws and regulations to incumbent directors, managers, and employees at least annually; dissemination of such information to new employees will be made by the Human Resource Department at the orientation training. 2.The Corporate Sustainable Development Committee summarizes the implementation status of ethical corporate management within the Company and regularly (at least annually) reports to the Board of Directors.
Assessment Mechanism	Number of confirmed internal and external ethical complaints.

The Company 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 of Directors' 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 2021, the Company organized training courses on "Insider Trading Prevention" for all directors, managers, and employees; the trainees totaled 1,909 people and the training hours totaled 2,793 hours. Meanwhile, the Company organized internal and external trainings on subjects relating to ethical corporate management (including courses on compliance with ethical corporate management laws and regulations, anti-corruption, insider trading, the accounting system, and the internal control). The trainees totaled 5,970 people and the training hours totaled 4,494 hours. All in-service employees and new employees completed the training on ethical corporate management. In addition, all employees have signed a declaration, agreeing to abide by the "Code of Business Conduct and Ethics".

Internal employees	Supplier
■ Rules of Procedure for Meetings of Board of Directors ■ Code of Ethics ■ Procedures for Preventing Insider Trading ■ Corporate Governance Best Practice Principles ■ Ethical Corporate Management Best Practice Principles ■ Code of Business Conduct and Ethics ■ Regulations for Whistleblowing ■ Regulations for RBA Cases and Investigation	■ Supplier Code of Conduct

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

3.4 Regulatory Compliance

In order to implement a system of ethical and legal compliance, the Company 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 have 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 2021.

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 knowledge.

The dispute over the Company's financial statements in 2016 was still under legal proceeding. In November 2021, Taiwan Hsinchu District Court concluded the case and sentenced an imprisonment of one year and 10 months for deceiving the public servant into recording the false information, which may be commuted to fines. In addition, the court sentenced an imprisonment of 2 years for the violation of Article 171, Paragraph 1, Subparagraph 1 of the Securities and Exchange Act. Mr. Khein Seng Pua of the Company discussed with his lawyers and determined the manner to be taken for related matters, and appealed to the appeal court.

In addition, the Company received notices from the Hsinchu District Court in November 2019 and December 2019 separately, stating therein that the Securities and Futures Investors Protection Center ("SFIPC" hereinafter) had filed two civil lawsuits against the Company, which are disclosed as follows:
1. Lawsuit intended to dismiss Mr. Khein Seng Pua from the office of director ("dismissal lawsuit" hereinafter);
2. Civil lawsuit against Mr. Khein Seng Pua and others for damage compensation in the amount of NTD697,389,000 ("compensation lawsuit" hereinafter)

Both the dismissal lawsuit and the compensation lawsuit were derived from the dispute over the Company's financial statements in August 2016. The Company already commissioned a lawyer to defend ourselves and asked the court to deny the lawsuit. The dismissal lawsuit was sentenced in February 2022, in which the Hsinchu District Court rejected SFIPC's case; the SFIPC dissented and appealed to the Taiwan High Court. Nonetheless, Mr. Khein Seng Pua already resigned as the Company's director and chairman in November 2021, and has no influence over the Company. In addition, regarding the compensation lawsuit, the Company was still unable to assess the subsequent development or impact; however, it has no material impact on the Company's business and financial matters so far.

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, the Company shall notify them immediately and formulate or revise documents as needed.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

3.5 Risk Management

Material Topics	Risk Management
Significance and Materiality to the Organization	Ensure the effectiveness, integrity, and reasonableness of the Company's risk management to protect shareholders' equity and effectively achieve the Company's business strategy and goals.

Management Approach	
Policy and Commitment	"Phison Electronics Corp. Risk Management Policy and Procedures"
Long-Term Goals	Effectively identify, measure, monitor, and control the various risks and, through proper assessment and operating procedures, control potential risks to an acceptable level to achieve the goal of reasonable risks and rewards.
Performance	1. Established the Risk Management Committee in 2021. 2. Completed the preliminary risk identification; enhanced the management of high risk factors such as information security, risks associated with water and electricity, and communicable disease control. 3. 100% of the employees completed all of the risk management courses.
Responsibility	Risk Management Committee; all departments
Complaint Mechanism	Stakeholder contact section of the official website
Action Plans	1. Perform a business impact analysis (BIA) for shortage of water and electricity. Aside from the regular load bank tests conducted on the diesel generator, a drill on replenishing water tanks with water from water wagons should be implemented, and water storage facilities for emergency use should be installed on the rooftop. 2. Introduce two-factor authentication, a web application firewall (WAF), an information security risk analysis system, and an advanced persistent threat (APT) protection system for emails, so as to enhance the information security protection capability. 3. Constantly revise the Company's pandemic-prevention policy whenever needed; hold an emergency drill for working staggered shifts, for a suspected confirmed case, and for the upgrade of the pandemic alert level. 4. Add two sessions of courses on Business Continuity Management (BCM) to the teaching materials for employees, and demand that all employees finish the courses.
Assessment Mechanism	1. Annual supervision and recommendations from the Corporate Sustainable Development Committee. 2. Number of sessions of risk-related training courses and the completion rate therefor.

3.5.1 Risks and Management/Control Strategies

The Company 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.

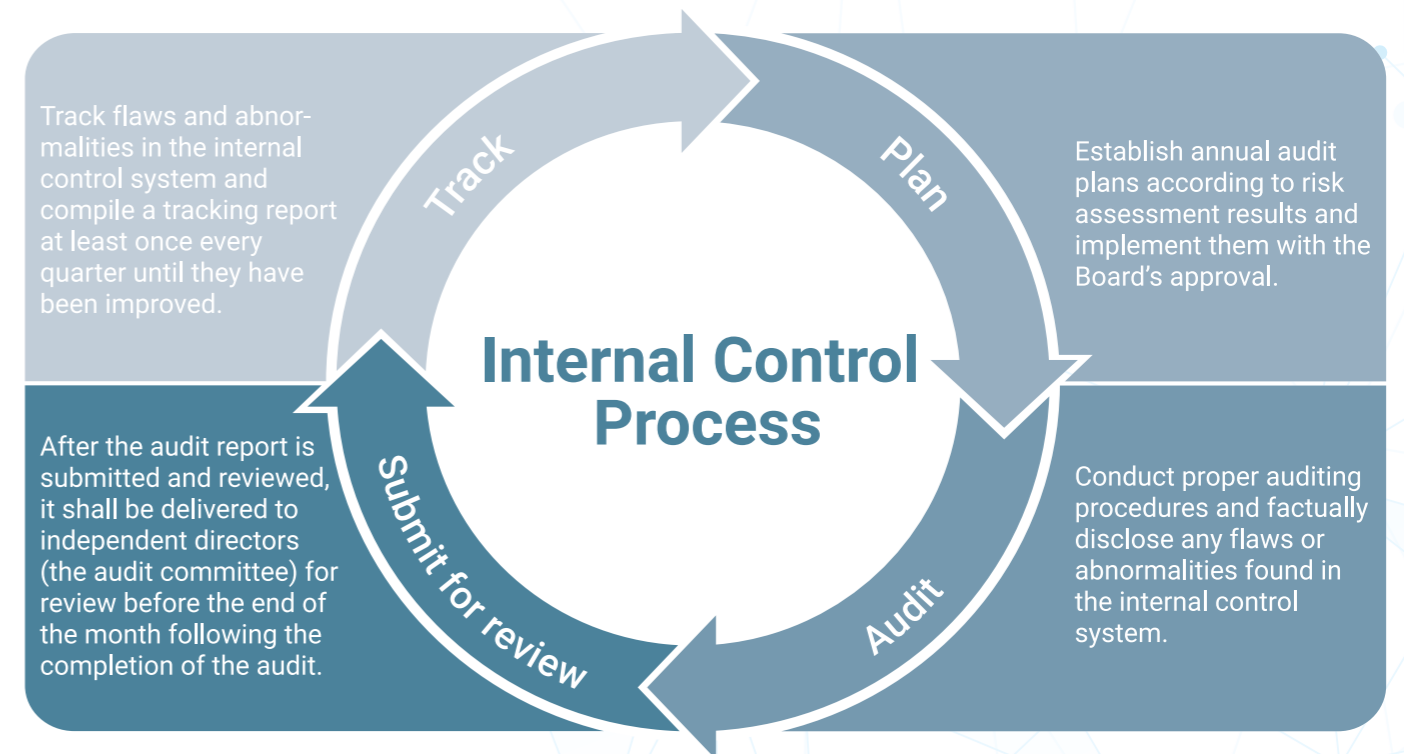| Dimension	Risk factor	Operational Impact	Countermeasures
Market risks	Changes in interest/exchange rate	Changes in interests/exchange rate affects financial revenue and expenditures and impacts financial gains and losses.	■ The accounting department carefully evaluates and responds to reduce losses.
	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 accounting department, legal affairs department, and relevant 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 reputation 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, claim, and protect intellectual property rights.
Occupational Safety	Physical risks in the workplace	Improper management of workplace safety causes the physical risks to employees and hinders work efficiency.	■ Continue to obtain the certification of ISO 45001 Occupational health and safety management systems. ■ Regularly identify, evaluate, and control risks.
Information Security	Cyber attacks or Unexpected outage of information and communication caused by major natural disasters	Cyber-attacks and information leak will impact the protection of the internal and external intellectual property rights, disrupt operations, cause serious problems such as financial damage or breach of laws or contracts, and, in the long term, will damage the goodwill and customer relations, thereby adversely impacting the foundation of an enterprise's sustainable development.	■ Have important information system certified against ISO 27001. ■ 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.
Public health	Outbreak of a large-scale infectious disease	Suspension of work and business activities due to the outbreak of a large-scale infectious disease, 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.	■ The pandemic control team plans and implements the pandemic control policy based on the pandemic situation. ■ Prevent the infectious risk through inquiry into the health declaration, and through the high risk reporting mechanism. ■ Hold an emergency drill for working staggered shifts, for a suspected/ confirmed case, and for the upgrade of the pandemic alert level. ■ Enhance the environmental disinfection work and the disinfection work done for goods admitted into the factory. ■ Constantly adjusting the Company's pandemic control policy to situation and, by announcement or posting a notice, remind in-factory workers to implement pandemic prevention measures.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

Dimension	Risk factor	Operational Impact	Countermeasures
			■ Implement the policy that stipulates staggered work shifts in case of the announcement of a Level 3 pandemic alert. ■ Announce the eligibility for vaccination registration and reservation; provide leaves to encourage employees to have themselves vaccinated and thus better protected. **2022 Program:** ■ Constantly adjust the pandemic control policy and response measures to situation to prevent the infectious risk; establish business plans that would ensure a smooth materials and distribution channel along the supply chain. ■ Systematic pandemic control and health management (e.g., Systematic questionnaires for high-risk settings investigation, and for contact tracing) ■ Implement supplementary measures that encourage employees to be vaccinated. ■ A new pattern of living in the post-pandemic era, i.e., living with the virus (e.g., Continue wearing a face mask; always carry sanitizer; enhance environmental disinfection in the public areas; provide rapid test kit for high-risk groups, and so on).
Climate Change Risk	Water Rationing/Outage	Water rationing and water outage will hinder operations, incapable of cooling down MIS server rooms and testing machines, and disrupt the work of personnel.	■ Sign a service agreement with water wagon suppliers. ■ Reduce the water supply pressure and increase water reservation. ■ Add two 5-ton water tanks to Phase I and Phase II domestic drinking water tanks. ■ Hold a drill for replenishing water tanks with water from water wagons. **2022 Program:** ■ Establish a water level situation monitoring mechanism. ■ Modify the supply pipelines of city water, and modify them to the effect that they can supply water to equipment and machinery whenever needed.
	Electricity rationing/ electricity outage/ electricity outage due to a circuit breaker tripping	Electricity outage, whether due to power cut or a tripping circuit breaker, interrupts the operation of critical machine rooms and machinery, and may jeopardize personnel safety.	■ Conduct a load bank test on the generator every month. ■ Regularly maintain the UPS every quarter to ensure the stable operation of critical machine rooms and machinery. ■ At present, the in-factory generator is capable of backing up the power supply for 4 hours to those life-sustaining equipment, e.g. fire safety equipment, the MIS server room, elevators, and lighting fixtures. **2022 Program:** ■ Purchase oil pumps and empty oil drums.
Supply Chain Management	An abnormality or disaster emergency including incidents (such as a malicious price increase exploiting insufficient capacity in the economic cycle, infectious disease, earthquake, Typhon, flood, fire, and explosion); vandalism due to riots.	An abnormality may interrupt the supply of parts, suspend the production lines of processing plants, therefor delay shipments to customers, and thus cause the Company's having to compensate for breach of contract and sustaining a loss due to suspension of production lines.	■ Implement emergency investigation and short-, medium-, and long-term risk assessment: Short-term risk assessment assesses the risks associated with the inventory level of suppliers, the ability of agents to allocate and mobilize products, replacement with substitute materials, rush purchase on the spot market, product origin investigation, and capacity investigation. Medium- and long-term assessment assesses the potential risks that suppliers determine the abnormalities will have on their company by inferring from the abnormalities' extent of worsening and impact presumed by them. ■ An emergency response meeting may be convened by the head of the procurement staff whenever needed; the extent of impact as indicated in the emergency investigation results may serve as a reference for response to be made by the relevant units.

3.5.2 Internal Audit

The Company conducts internal audits according to the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and other relevant laws or regulations, and establishes the "Audit Office" under the Board of Directors.

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

| Internal Control Process

Internal Control Process

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

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

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

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

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

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. An operating revenue of NT$62,557,192,000, with an annual growth rate of about 29%. 2. Annual operating gross profit of NT$19,099,784,000. 3. Basic EPS of NT$41.34
Responsibility	The Company's managers and governance units
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

The world is still raged by the pandemic. However, having successfully transitioned to the high-end storage market and therefore embarked on the global trend of digital transformation, the Company's operating revenue in 2021 boomed, to NTD62,557,192,000, a record high, with an annual growth rate near 29%; Our annual operating gross profit even reached NTD19,099,784,000, another record high, growing year on year.

Consolidated statement of comprehensive income

(unit: NT$1,000)

Item/year	FY2018	FY2019	FY2020	FY2021
Operating Revenue	40,788,105	44,693,441	48,496,522	62,557,192
Operating Cost	31,656,151	33,544,166	36,236,716	43,402,812
Gross Profit	9,131,954	11,149,275	12,247,475	19,099,784
Income Tax Expense	687,062	805,097	986,678	1,590,399
Net Income	4,318,119	4,545,837	8,706,751	8,147,215
Basic EPS	21.91	23.05	44.14	41.34

Note: Entities comprising the Company's consolidated financial statements include the Company and all entities controlled by the Company (i.e., subsidiaries). For details, refer to the financial statements.

Economic performance in the last 4 years

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix
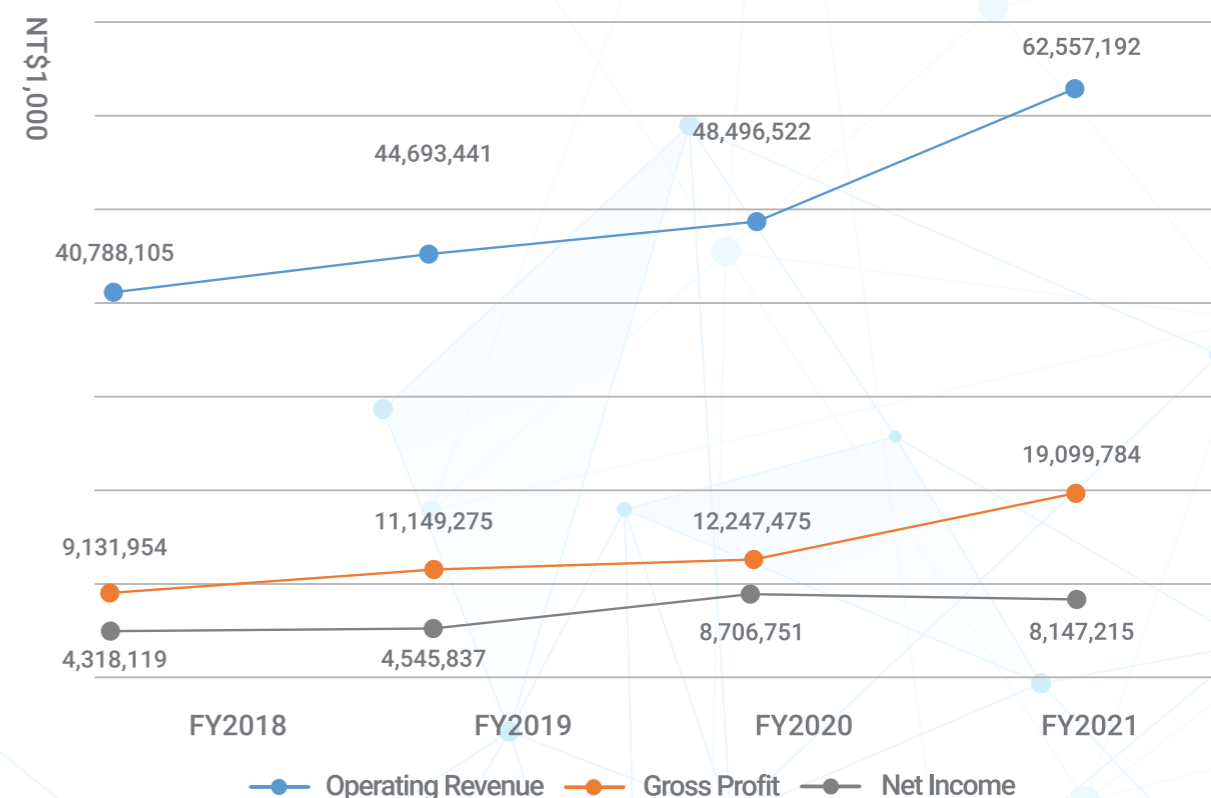
3.6.2 Tax Management

The Company 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, assessments of tax relating to decision-making 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 2020 and 2021 is 20%, but because that the Company's research and development expenses are eligible for investment tax deductions stipulated in Article 10 of the Statute for Industrial Innovation, that it is eligible for the tax preferences specified in the Management, Utilization, and Taxation of Repatriated Offshore Funds Act and the laws which warrant deductions to substantive investment made with undistributed earnings, that its gains from disposal of investees are taxed separately, the effective tax rates for 2020 and 2021 are lower than the average effective tax rate and average cash tax rate for the "semiconductor and semiconductor equipment industry" published by the GICS.

| Tax Information

(unit: NT$1,000)

Financial reports	FY2020	FY2021
Pre-tax Profit	9,304,256	9,588,641
Income tax expense	605,212	1,441,426
Moderator	-243,836	261,441
Effective tax rate (%)	9.13%	12.31%
Income tax paid	875,411	590,006
Cash tax rate (%)	9.41%	6.15%

| 2021 Income tax expense

Country	Main business activities	Number of staff	Operating revenue (Thousand NTD)	Pre-tax profit (loss) (Thousand NTD)	Income tax paid (Thousand NTD)	Income tax breakdown
Taiwan	IC design	3,385	62,557,472	9,726,418	717,886	99.66%
USA	Investment/trade/ business service location	26	(417)	9,884	2,298	0.32%
Japan	Business service location	3	137	1,312	137	0.02%
Total		3,414	62,557,192	9,737,614	720,321	100%

3.7 Information Security

In 2017, the Company 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. The Company received no complaints of customer data leaks or privacy violations in 2021.

3.7.1 Information Security Committee

In 2017, the Company 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.

PHISON 2021 Corporate Sustainability Report

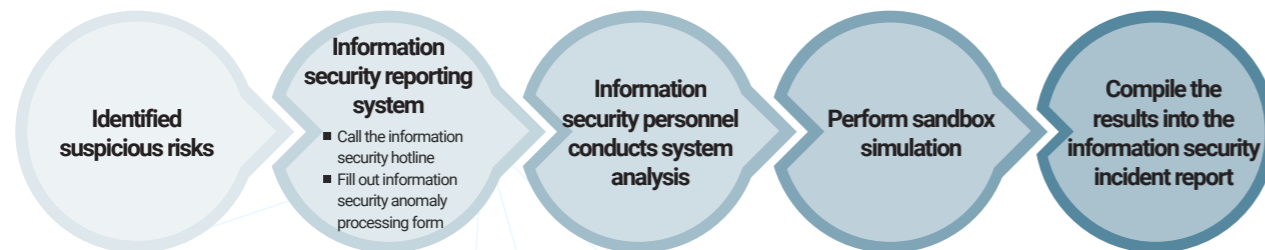About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix
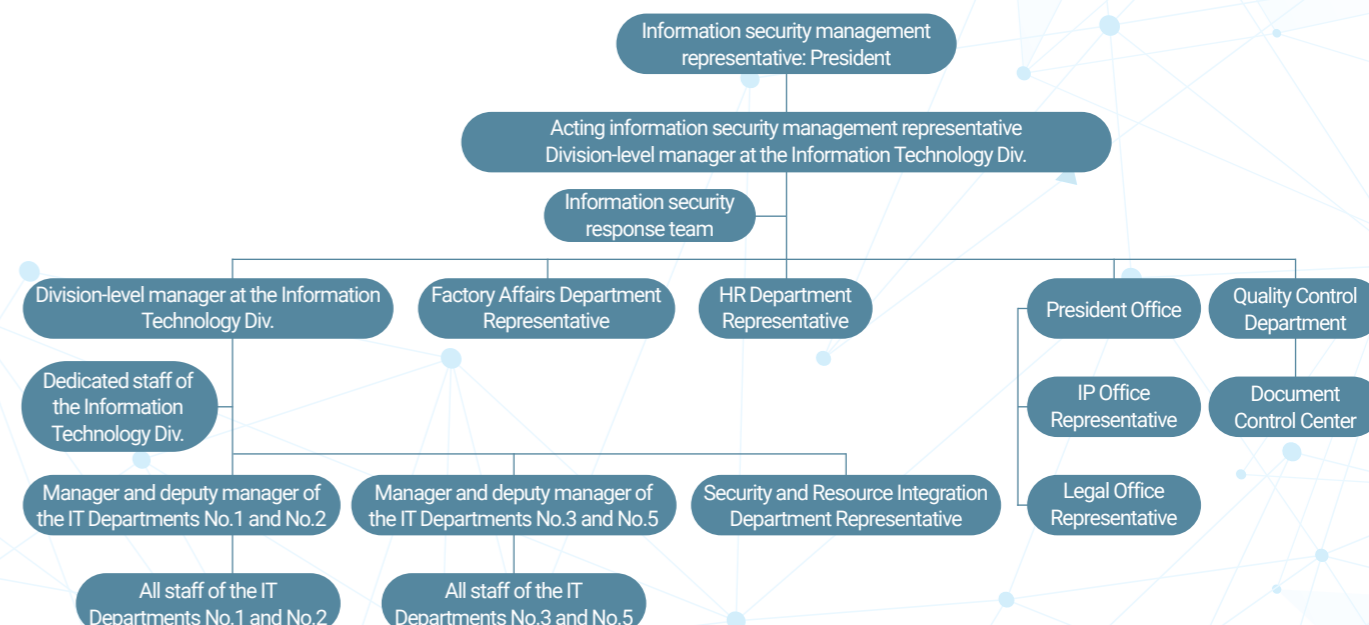
3.7.2 Information Security Policies and Emergency Response Mechanisms

To maintain the confidentiality, integrity, and availability of the Company's assets and protect user information privacy, we clearly stipulated in our information security policies that employees 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 Division through our reporting mechanism, at which point our Information Division 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 an annual internal audit, followed by an external audit conducted by a third-party certification. No major deficiencies have been found in recent years. The Company performs 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 have since maintained an A rating (a score of 90 or above).

Information security risk management plan

2021 Results	2022 Plans

■ Information Security Committee
  ■ Improve the information security risk reporting mechanism, and promptly investigate and deal with suspicious security vulnerability.
■ Enhance information security protection capability.
  ■ Introduce two-factor authentication to prevent hackers' intrusion and protect the account safety.
  ■ Introduce a web application firewall to filter suspicious data flow and deny access of malicious data flow.
  ■ Introduce the information security analysis system to perform real-time, effective, and continuous information security situation analysis.
  ■ Introduce the advanced persistent threat (APT) system for emails.
	■ Reset the information security control targets to include the hours of operations interruption incurred by an abnormality at the remote service platform provided for work-from-home purpose.
	■ Gradually expand the certification scope of ISO27001 to make the information security management systems comprehensive and complete.
	■ Establish a vulnerability screening and management platform.
	■ Establish a packet data analysis system on the internal network.
	■ Establish an email social engineering rehearsal, tracking, and management system.

3.7.3 Information Security Education and Training

The Company's Information Division organizes internal information security education and training, and quarterly announces and disseminates information about information security, so as to raise the information security awareness of all employees. The topics specified on the information security notification issued by the Information Technology Div. in 2021 include the alert for a fraud conducted through a phishing website, prevention and emergency response procedures for ransomware attacks, prevention of stealer software and melware, and information on prevention of fraud. In 2021, the contents of information security training courses include enterprise information security trends, dissemination of most recent cases, information security policy, and code of personnel information security conduct, while the contents of training courses on personal data/privacy include introduction of the Personal Information Protection Act, and EU's GDPR regulations and case review. 100% employees have completed the information security courses and the personal data/privacy protection courses.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

4. Innovation & Service

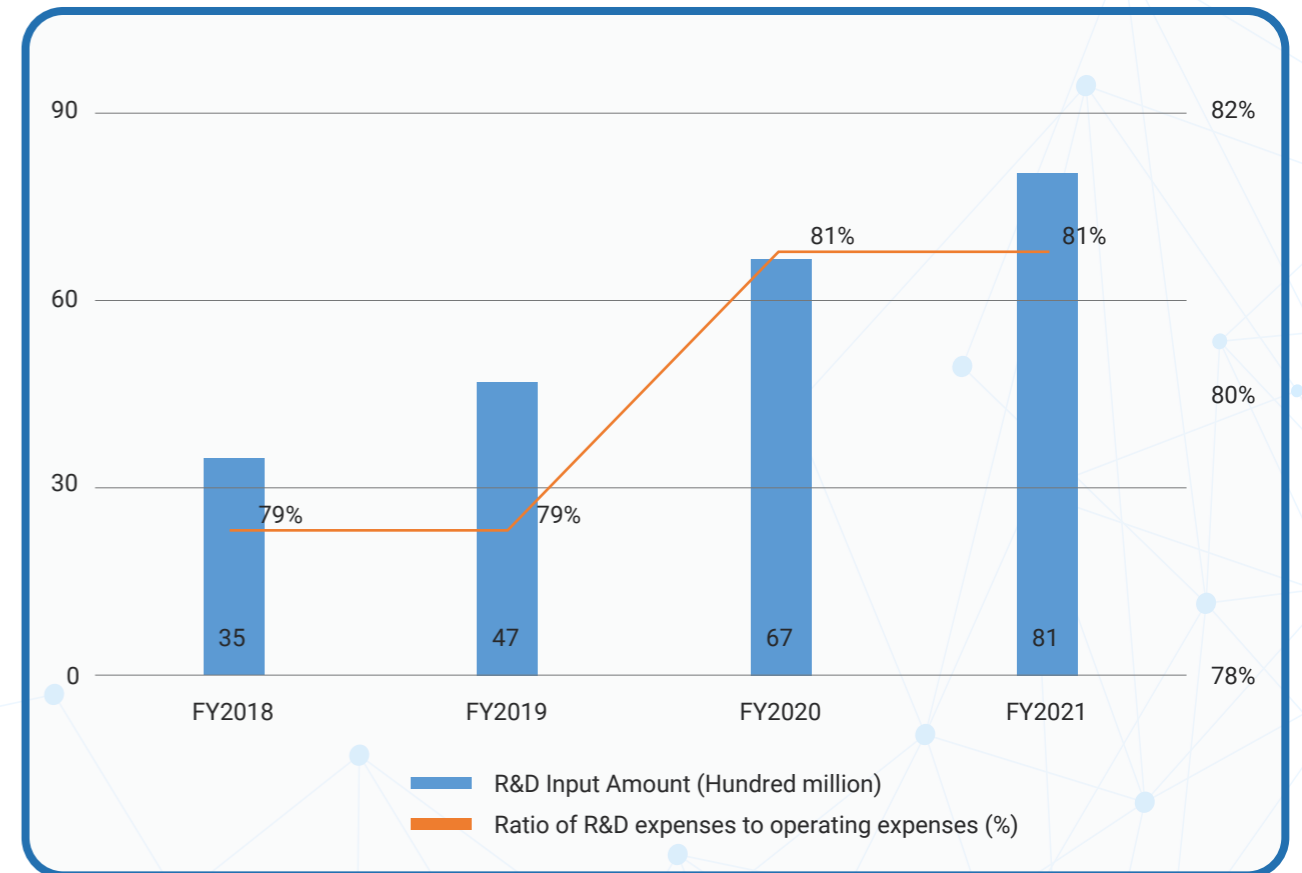| Material Topics	Innovation Management
Significance and Materiality to the Organization	Only by remaining a technological pioneer in the ever-evolving technological environment in the future can we ensure the sustainable operations of the Company.
Management approach	
Policy and Commitment	The Company commits to offering high-end NAND storage for applications respecting AIoT, embedded systems, automotive products, edge computing, e-gaming, and embedded ODM, servers, and in doing so delivering a full range of NAND storage solutions with highly flexible and customized services to customers.
Long-Term Goals	Strive to become the world's most influential independent NAND storage controller supplier.
Performance	1. Successfully developed 4 new technologies in 2021. 2. Accumulated a total of 1,791 patents worldwide in 2021.
Responsibility	Product R&D Department
Complaint Mechanism	■ Stakeholder contact section of the official website
Action Plans	Continue inputting R&D resources. The annual R&D expenses topped NTD8.1 billion, accounting for 81% of total operating expenses.
Assessment Mechanism	1. Total number of new technologies developed in the year. 2. Total number of patents accumulated worldwide in the year.

Material Topics	Green Products
Significance and Materiality to the Organization	Environmental issues have become the challenges facing mankind. As such, developing environmentally friendly products is not only a trend, but where the competitiveness of an enterprise lies.
Management approach	
Policy and Commitment	Strive to reduce energy consumption from the source through a design that constantly optimizes the product performance. Doing so improves the convenience for end users while reducing their carbon emissions.
Long-Term Goals	Constantly optimize product performance to reduce the environmental impact of the product at each stage of its life.
Performance	Taking the line of major developed product as an example, the latest generation products consumed 16%-20% less energy than their predecessor. Based on the statistics on the energy consumption data and the shipments data of the products of the latest generation in 2021, when used in terminal products, they help reduce electricity consumption by 22,499,545 kWh per year, representing a reduction of 11,294.77 tons of CO_2, which is equivalent to the annual electricity consumption of 5,530 households.
Responsibility	Product R&D Department
Complaint Mechanism	■ Stakeholder contact section of the official website
Action Plans	1. Develop more energy-saving and more compact products, thereby helping end users reduce their greenhouse gas emissions. 2. Adopt a simplified packaging strategy when designing product packaging for customers, so as to reduce the amount of waste generation at the back end.
Assessment Mechanism	The percentage of energy consumption reduced.

4.1 Innovative R&D

4.1.1 R&D Input

The Company 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, and Security USB controller, which are all pioneers in the industry.

In 2021, the Company continued inputting R&D resources. The annual R&D expenses topped NTD8.1 billion, accounting for 81% of total operating expenses. The number of our R&D staff increased to 2,212 people, up 45% from the previous year and accounting for 75% of total employees, attesting to our ambition to expand the R&D capacity.

Legend:
■ R&D Input Amount (Hundred million)
━ Ratio of R&D expenses to operating expenses (%)

	FY2018	FY2019	FY2020	FY2021
R&D Input Amount	35	47	67	81
Ratio	79%	79%	81%	81%

4.1.2 R&D Outcome

The Company is dedicated to improving the user experience, information security, and living convenience for high-tech products users. As the resolution of videotaping becomes even sharper, users require the removable storage devices to have not only a larger storage capacity but also a faster transmission speed. As such, the SD Association officially launched the SD Express/UHS-II Verification Program (SVP)[5]. The Company's SD Express storage solution was the world's first-ever product that passed the SVP certification, and is currently put into mass production, expecting to bring another wave of momentum to the operations next year. In addition, as remote work and cloud services become increasingly predominant, the issue of cyber-security has once again drawn attention. The cyber-security issue has posed a significant threat to all information security personnel and enterprises, especially given the recent string of incidents of ransomware attacks, data thefts, and malicious theft of sensitive data by an insider of an enterprise. In view of this, jointly with Cigent Technology, our partner who dedicates to cyber-security, the Company launched Phison Crypto-SSDTM and Cigent Secure SSDTM, two SSD storage solutions that have a self-protection function and an autonomous encryption function. Through leveraging our multi-patented technology that consolidates hardware, firmware, and hardware patents, our solutions protect the valuable data of general users and enterprises from being subject to data theft, data damage, or the threat of ransomware attacks, thereby upgrading the overall cyber-security to a new level.

[5]Ever since its official launch of the SD Express/UHS-II Verification Program (SVP) in late 2021, the SD Association has become an independent third party that dominates the verification of the compatibility of the computer systems with the SD card.

■ Phison worked with Cigent to launch an SSD solution that has a self-protection function

■ Phison's SD Express storage solution became the world's first-ever product to pass the SVP verification

In addition, through constantly developing and improving product performance, our R&D team helped reduce the GHG emissions generated by end users, and in doing so contributed our humble effort to alleviate global warming. Taking the line of major developed product as an example, the latest generation products consumed 16%-20% less energy than their predecessor. Based on the statistics on the energy consumption data and the shipments data of the products of the latest generation in 2021, when used in terminal products, they help reduce electricity consumption by 22,499,545 kWh (equal to 80998.36 gigajoule) per year, representing a reduction of 11,294.77 tons of CO_2, which is equivalent to the annual electricity consumption of 5,530 households[6].

[6]According to Taiwan Power Company 2021 Statistics Data, the average electricity consumption per household was 339 kWh in Taiwan.

Chip energy consumption variation trend
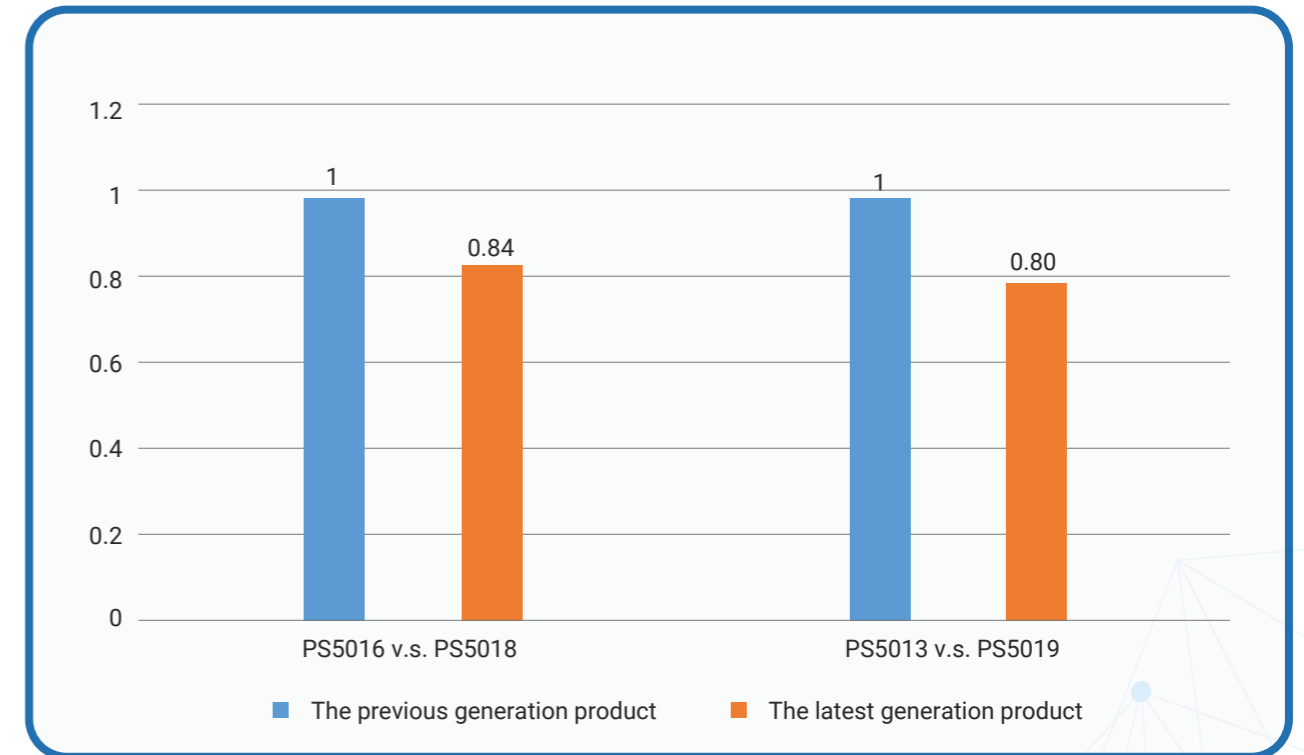
In the future, the Company will continue to invest its R&D resources into embedded industrial systems, in-vehicle systems, and enterprise storage solutions to construct even more robust, reliable, secure, and energy-saving NAND storage solutions. In 2021, Phison successfully developed 4 new technologies:

Category	Description
Transmission interface IC	Launched PCIe 5.0 Redriver high-speed interface IC
SSD	Launched the industry's best customized PCIe 5.0 SSD E26 controller
SD memory card	Launched the world's first SD Express card PS5017
SSD	Launched FIPS 140-2 certified SSD storage solution

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

4.1.3 Intellectual Property Management

The Company'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 2021, the Company has a total of 1,791 patents, putting it in the top 100 of the Taiwan Patent ranking in patent applications filed by enterprises and approved patents filed by enterprises.
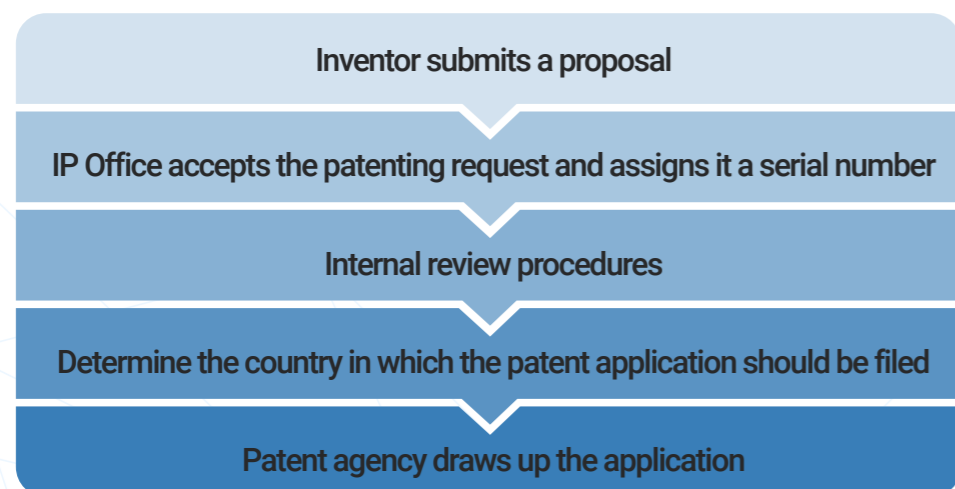
Country	Taiwan	China	USA	Other	Total
Patent Output	668	513	580	30	1,791

2021 Patent Ranking	
Taiwan's top 100 invention patent applications list	72
Taiwan's top 100 invention patent grants list	70

Patent Development Process

The Company values innovation and patent development. We offer patent bonuses to encourage employees to apply for new patents. The continuous accumulation of technical value will facilitate future product development and generate more competitive products.
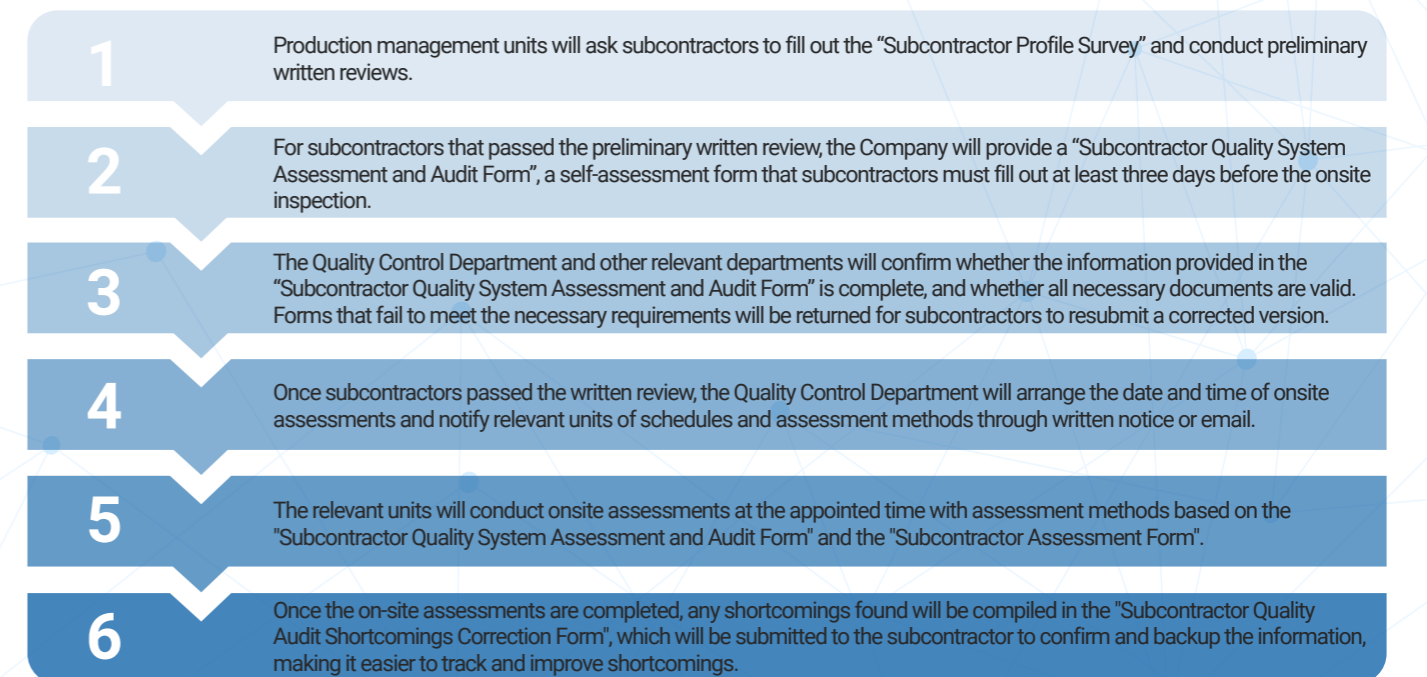
Inventor submits a proposal

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

The Company 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 related operating procedures, which detail requirements for quality inspections and record-keeping, document management and education and training, sample control, personnel management, and abnormal response and instrument calibration management.

To satisfy the requirements for quality and the demands for ever-expanding production capacity, the Company assesses and audits 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 Subcontractors" for production units. Conditionally approved subcontractors must submit an improvement plan within 7 working days. Relevant units must conduct an onsite reassessment after the improvement and response measures have been implemented, and the subcontractor will only be deemed officially approved if their score meets the "approved" standards. Rejected suppliers must continuously improve their deficiencies and submit an improvement plan within a week. The Company's personnel should go onsite to reassess the deficiencies. If they are rejected for two consecutive times, the Company will suspend the transactions with them, withdraw the orders placed with them, reduce the production percentage commissioned to them, or deduct payments based on the contractual terms.

In 2021, the Company audited a total of 31 suppliers, all of which met the "approved" standard, thus making an approval rate of 100%. In 2021, the Company did not recall any products.

Assessment process

1	Production management units will ask subcontractors to fill out the "Subcontractor Profile Survey" and conduct preliminary written reviews.
2	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.
3	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.
4	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.
5	The relevant units will conduct onsite assessments at the appointed time with assessment methods based on the "Subcontractor Quality System Assessment and Audit Form" and the "Subcontractor Assessment Form".
6	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.

PHISON 2021 Corporate Sustainability Report

About Phison　Stakeholder Engagement　Sustainable Governance　**Innovation & Service**
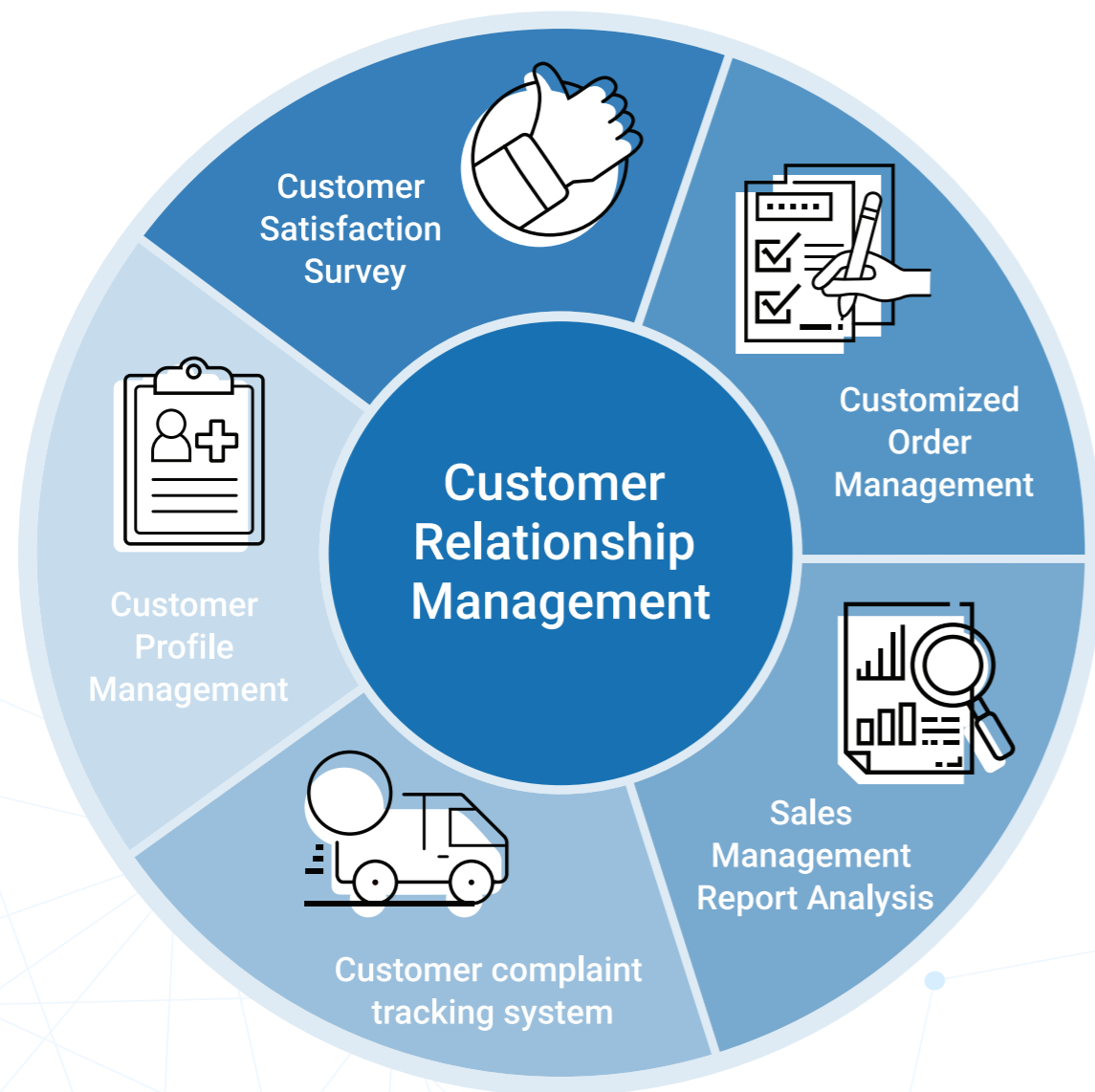Responsible Supply Chain　Environmental Protection　Employee Care　Social Participation　Appendix

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 serve as a basis for providing customers with premiums products and services, and to ensure that we provide consistent quality services, thereby 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

The Company's customers manly comprise those in the semiconductor industry and the electronics industry. To further understand their needs and expectations, in 2021, the Company expended the scope of our customer satisfaction survey to cover 80% of our revenue and the largest 50 customers.

The Company's customer satisfaction survey[7] includes four aspects, namely Q (quality), D (delivery), S (service), and T (technology), for 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 4 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 score of the customer satisfaction survey for 2021 averaged 7.55 points. One thing worth mentioning is that 31 customers gave a satisfaction score of no less than 7 points. The satisfaction rate was 62%, which met our target of 60%.

Customer satisfaction	2018	2019	2020	2021
Score	7.34	7.93	7.09	7.55
Satisfied customers (%)	52	56	44	62
Percentage of the total revenue from surveyed customers (%)	65.86	58.43	62.13	80

[7] After consulting external advisers, the Company ceased to score the aspect of cost (C) on the customer satisfaction survey questionnaire for 2021, but still kept it as a survey item.

4.3.2 Customer Complaints Management

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

Of the 32 pieces of confirmed customer complaint form, 31 were closed on December 31, 2021, making a settling rate of 97%. The remaining 1 piece yet to be closed at the end of year was due to longer communication time with customers, and was already closed on January 6, 2022.

Customer Complaints Management Process

Customer
- A customer reports a quality anomaly or make other complaints.

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

Quality Control
- Distinguish the problem, assign the responsible division.
- Submit an anomaly analysis report to the customer(within 10 working days).

Sales
- Make sure the customer is satisfied.

Sales/Product Division/ Quality Control
- Repair management.
- Return management.

Quality Control
- Analyze and confirm the quality anomalies.
- Take measures to improve quality anomalies and confirm the efficacy of such measures.
- Submit an anomaly analysis report to the customer.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

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	Benchmarking against the Responsible Business Alliance (RBA) Code of Conduct, the Company formulated the "Supplier Code of Conduct", with which we assess suppliers' sustainable risks annually and perform an RBA audit for critical suppliers to implement related regulations.
Long-Term Goals	1. 100% of tier 1 suppliers have signed the Supplier Code of Conduct. 2. Annually demand that tier 1 suppliers complete the "Sustainable Risk Assessment Questionnaire", with the completion rate being 100%. 3. 90% of critical suppliers receive the RBA audit by 2023, and 100% by 2025. 4. 90% of the critical suppliers having received the RBA audit successfully improve their deficiencies by 2023, and 100% by 2025.
Performance	1. 100% of critical suppliers have signed the "Supplier Code of Conduct". 124 tier 1 suppliers have signed the "Supplier Code of Conduct", making a completion rate of 78%. 2. A completion rate of 100% for the "Sustainable Risk Assessment Questionnaire". 3. We performed an RBA audit of 28 critical suppliers, with a passing rate of 100% for their audit results. 4. The number of our quality suppliers has reached 252, with a ratio reaching 98%.
Responsibility	Procure Department; Quality Engineering Department of suppliers; Quality Systems Management Department; Quality Engineering Department of IC subcontractors.
Complaint Mechanism	Ms. Liu of Administration Division at whistleblower@phison.com Complaint channels available on the Supply Chain Management platform
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. Enable SAMP Online, the supply chain management platform, to convey the Company's important policy to suppliers along the supply chain. 3. Add the aspect of sustainability performance to the supplier assessment aspects. A supplier's sustainability performance is graded based on the Sustainable Risk Assessment Questionnaire filled out by a supplier each year, and accounts for 5% of total assessment scores. The Company will then formulate management policy pertinent to different risk level, and in doing so help suppliers improve their sustainability performance. 4. Establish the "RBA Vendor Management Policy", demanding that critical suppliers fill out and send back the RBA Self-assessment Questionnaire, and that critical suppliers with an audit score under 75 points submit an improvement plan containing corrective measures.
Assessment Mechanism	1. Percentage of suppliers having signed the Supplier Code of Conduct. 2. The percentage of suppliers having filled out and sent back the Sustainable Risk Assessment Questionnaire and the percentage of suppliers identified as highly risky. 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

The Company 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. The Company assesses suppliers against the criteria, namely Quality, Cost, Delivery, Service, and Sustainable Risks, by using our business influence to demand that they disclose sustainability information and improve their sustainability performance.
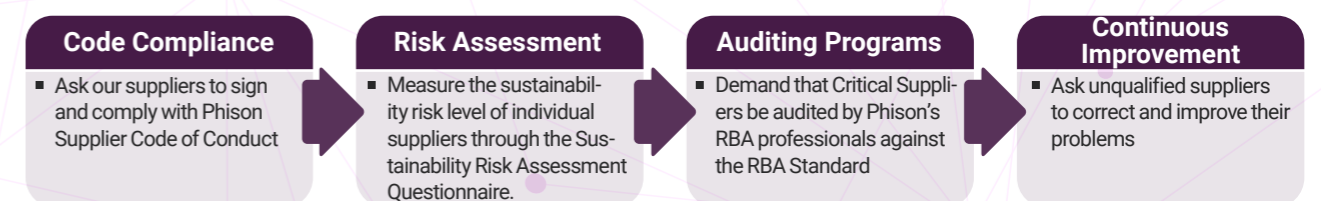
Upholding the spirit of accountability, the Company has built a responsible supply chain in accordance with the four major principles of supply chain management, namely Code Compliance, Risk Assessment, Auditing Programs, and Continuous Improvement, so as to implement a responsible supply chain management. Of all purchase contracts the Company have signed with suppliers, the Company stipulates thereon that suppliers comply with the "Code of Conduct- Responsible Business Alliance, RBA". We also demand that tier 1 suppliers fill out the "Sustainable Risk Assessment Questionnaire", the contents of which covering five aspects, namely Labor, Occupational Health and Safety, Environmental Protection, Supply Chain Management, and Sustainability and Risk Management. The Company's personnel will review the questionnaire and grade the suppliers into different sustainability risk level according to their scores. The Company then performs supply chain management and optimization according to their long-term sustainability performance. New suppliers also need to pass basic corporate social responsibility assessment; only after they pass the assessment are they allowed to do business with the Company. Subsequently, they also need to fill out the "Sustainability Risk Assessment Questionnaire". 100% of the new suppliers are screened against environmental standards and social criteria.

Meanwhile, considering the purchase value and non-substitutability, the Company screens out critical suppliers[8] based on the risk identification results. Critical suppliers must sign the "Supplier Code of Conduct" and receive an RBA audit performed by the Company's professionals at least annually. In the future, all tier 1 suppliers will be urged to sign the "Supplier Code of Conduct" and fulfill their sustainable management responsibilities respecting human rights, occupational safety, environmental protection, ethical management, and operational continuity.

In 2021, the Company established the SAMP Online, a supply chain management platform, on which the Company provides important regulations such as human rights and supplier code of conduct, and encourage suppliers to click to read. The platform also provides a complaint channel for suppliers' employees. If the labor or employee of a supplier discovers or suspects that his/her employer violates Phison's "Supplier Code of Conduct", he/she may whistleblow the violation. The Company will then start investigation and, as required by law, protect the personal information and privacy of such a whistleblower.

[8]Critical suppliers are the three largest suppliers in terms of purchase value by category, taking into account their non-substitutability; critical suppliers may be subcontractors or system providers.

❙ Four Major Principles of Supply Chain Management

Code Compliance	Risk Assessment	Auditing Programs	Continuous Improvement
▪ Ask our suppliers to sign and comply with Phison Supplier Code of Conduct	▪ Measure the sustainability risk level of individual suppliers through the Sustainability Risk Assessment Questionnaire.	▪ Demand that Critical Suppliers be audited by Phison's RBA professionals against the RBA Standard	▪ Ask unqualified suppliers to correct and improve their problems

PHISON 2021 Corporate Sustainability Report

About Phison Stakeholder Engagement Sustainable Governance Innovation & Service
Responsible Supply Chain Environmental Protection Employee Care Social Participation Appendix

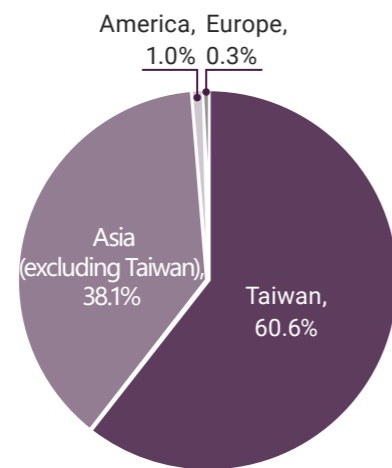## 5.1.2 Sustainable Procurement

Local purchases

The Company's upstream suppliers are mainly suppliers of electronics parts, PCBs, wafers, flash memories, mechanisms, packaging materials, or finished products; our downstream suppliers are mainly suppliers of SMTs and testing and packing services. At the end of 2021, Phison already has 257 suppliers. We procure mainly the following types of raw materials: printed circuit boards, packaging materials, finished products, mechanisms, and electronics. With local procurement as the primary principle of our procurement, 83.3% 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.
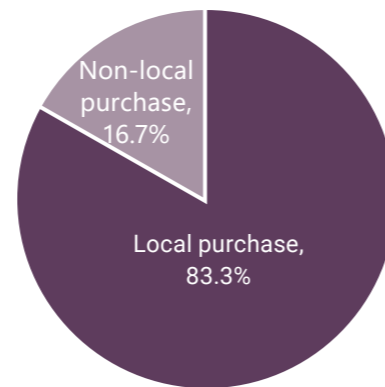
Supplier Percentage by Category

- PCBs, 3.5%
- Packaging materials, 20.2%
- Outside purchasing, 15.2%
- Electronics, 43.6%
- Mechanisms, 17.5%
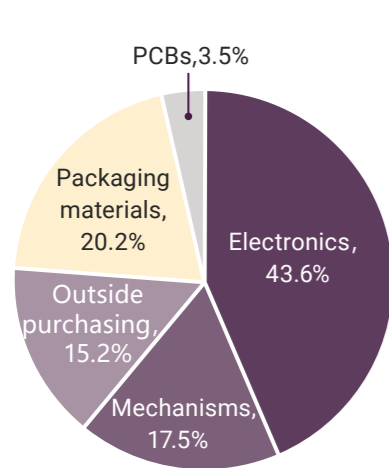
Percentage of Procurement Expenses by Territory of Origin

- America, 1.0%
- Europe, 0.3%
- Asia (excluding Taiwan), 38.1%
- Taiwan, 60.6%

Supplier Percentage by Local

- Non-local purchase, 16.7%
- Local purchase, 83.3%

Note : 1. Finished products mean any products procured by enterprises which are ready to be sold immediately without further processing
2. Local purchase means any purchase made from a Taiwan-based supplier.

Critical materials management

In 2021, the Company inventoried the materials that wield a risk and have an impact on our products/operations and in doing so identified 89 critical materials. The risk factors include long lead time, no multiple alternative sources, single supply source, market oligarchy, insufficient market supply, rare metals, and in-vehicle application. Currently, the risk-mitigation measures taken by the Company include diversifying suppliers and stocking up materials. In the future, we will continue to launch other risk management programs to enhance the resilience of our supply chain.

Green procurement

The Company has formulated the "Green Procurement Policy", which takes the environmental performance into account for the procurement decision-making process. Doing so reduces the adverse environmental impact and exerts influence on the upstream and downstream suppliers to an extent that they are willing to jointly deliver a positive environmental impact. Before conducting procurement, the Company will assess the necessity of procurement, and will prioritize the procurement of products and services that fit the definition of a green product. Products and services that fit the definition of green procurement include but are not limited to the following: Products and services that consume low energy; of low pollution; recyclable; or made from recycled materials; or packaging materials made from the minimal amount of materials, or from recycled/recyclable materials.

In 2021, the Company purchased servers, displays, personal computers, and refrigerators that are certified with an environmental friendly mark or an energy-efficient mark recognizable at home or abroad; the purchase amount reached NTD43,974,030.

5.1.3 Suppliers Assessment

Having reliable suppliers as the Company's procurement partners is the key 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 criteria, namely Timely Delivery, Price, Services, and Quality, and Sustainability Performance 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 them of the results of 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 qualified 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, thereby gradually improving the overall quality of our suppliers without affecting the company's operations.

At the end of 2021, the Company has a total number of 257 suppliers, 252 have been rated as quality suppliers (Grade A+B), which accounts for 98% 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 ~ 89points	70 ~ 79points	<70points
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	10	242	3	2
Percentage (%)	3.89	94.16	1.17	0.78

In 2021, we continued to implement the "supplier consolidation" strategy. We gradually concentrated our orders 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 continue to promote our "strategic suppliers" project, which requires our selected suppliers to provide production plans to ensure their ability to deploy and reconfigure production capacity at their production sites.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

5.1.4 Suppliers Assessment

To reduce the sustainability risk in our supply chain, the Company has established the "RBA Vendor Management Policy", with an annual audit being conducted on all of our critical suppliers 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 submit the improvement plan containing corrective actions within one week.
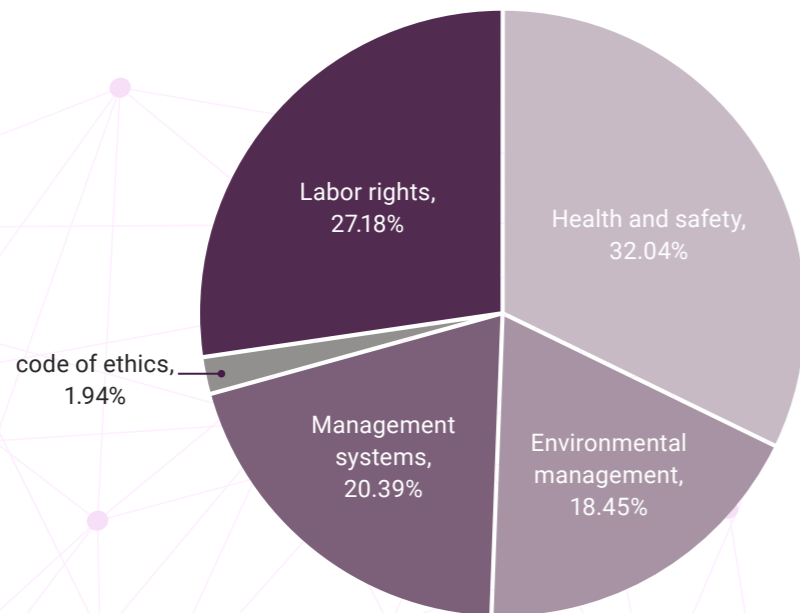
In 2021, the Company identified a total of 28[9] critical suppliers; 100% of them have received and passed an audit[10]. However, there were still 103 deficiency items. The causes for such deficiencies include incomplete management regulations, obscure complaint procedures and anonymous reporting mechanism that hinder employee's understanding, overtime work, failure of mechanical safety safeguards, and a management system not implemented. The Company's audit representatives have communicated the audit findings and discussed possible improvement plans with each supplier. The Company did so because according to the management regulations if a deficiency is not considered material, the Company's audit representatives and the supplier may agree on a deadline for improvement completion. If the supplier fails to improve before the deadline, the Company will reduce or suspend the orders to be placed with it, or remove it from the List of Approved Suppliers.

[9]Include 9 raw materials suppliers, 13 subcontractors and system providers, and 6 services producers.
[10]Critical suppliers are considered qualified if their total score reaches 75 points or more; however, they may still have deficiencies, which they are required to improve within an agreed period.

Item	Number of Acceptable Suppliers	Number of Unacceptable Suppliers	Audit Passing Rate
Critical suppliers	28	0	100%

▌Defect Analysis for Supplier Audit

- Labor rights, 27.18%
- Health and safety, 32.04%
- code of ethics, 1.94%
- Management systems, 20.39%
- Environmental management, 18.45%

5.2 Conflict Minerals Control

To ensure we are not sourcing any conflict minerals which were mined through abuses of human rights or under the coercion of armed groups, the Company has established the Phison Conflict-free Minerals Management Policy and required suppliers and subcontractors to sign a letter of commitment for avoidance use of conflict minerals or non-use of conflict minerals before they become qualified supply chain partners. 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, Extended Minerals Reporting Template-EMRT). If the supplier is found to be in breach of the Phison Conflict-free Minerals Management Policy, we will cease all purchases from such supplier immediately. The supplier will be required to provide its plans for corrective and preventive measures.

▌Conflict Minerals Control Process

Conflict Minerals Guidelines
- Compliance with the "Phison Conflict-free Minerals Management Policy"
- Declaration of avoidance use of conflict minerals or non-use of conflict minerals

Conflict Minerals Survey
- Conflict Mineral Reporting Template(CMRT)

Survey Result
- Inquiry results confirmed

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

▌Reasonable Country of Origin Inquiry (RCOI)

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

Our RCOI includes the following steps:
1.Conduct inquires into suppliers to identify the smelters and their sources of 3TG, cobalt, and mica through Conflict Minerals Reporting Template (CMRT), Cobalt Reporting Template (CRT), and Extended Minerals Reporting Template (EMRT).
2.Suppliers are asked to sign a letter of commitment confirming their compliance with the Phison Conflict-free Minerals Management Policy.

Since 2012, an annual inquiry has been performed by the Company 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 2021, we surveyed 64 suppliers, and completed 341 product part numbers by conflict minerals management process to confirm the original place of Gold (Au), Tantalum (Ta), Tin (Sn), Tungsten (W), Cobalt (Co) and Mica. 100% of the minerals purchased by the Company are non-conflict minerals.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

6. Environmental Protection

Joined the RE 10x10 Enterprise Initiative Program

To respond to global climate change and demonstrate our value for green energy, the Company has been procuring renewable energy since 2021. We have signed a 10-year renewable electricity procurement agreement with Foxwell Power. We have also declared to join the RE 10x10 Enterprise Initiative Program initiated by Greenpeace, signed the RE 10x10 Climate Declaration, and thereby committed to the goal of "transitioning at least 10% of total energy consumption to renewable electricity by 2025".

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.

6.1.2 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 ▪ Hold a drill for replenishing water tanks with water from water wagons
	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, the Company has been conducting an annual GHG emissions inventory through the Environmental Protection Administration of the Executive Yuan with the Green House Gas Protocol tool provided by the Intergovernmental Panel on Climate Change (IPCC) of the United Nations. In 2021, the Company obtained the ISO 14064-1:2018 certification for the first time.

In 2021, we produced 11,375.26 metric tons of carbon dioxide equivalent (CO2e). Compared to 2020, our total emissions increased by 1,968.99 metric tons in 2021 due to an increased amount of purchased electricity; our emissions intensity in 2021 was 0.182 metric tons of CO2e per million dollars of revenue, a decrease of 6.27% compared to 2020. Every year the Company launches different energy-conservation programs and purchases renewable energy, constantly heading toward the goal of net zero emissions. However, the time taken to achieve such a goal may be subject to the supply capacity of renewable energy and the materiality of the government's carbon management policy.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

Type of Emission	Unit	2018	2019	2020	2021
Category 1	Metric tons of CO2e	118.46	140.31	158.77	150.53
Category 2	Metric tons of CO2e	7,921.56	8,779.17	9,247.49	11,224.73
Total	Metric tons of CO2e	8,040.02	8,919.49	9,406.27	11,375.26
Emissions Intensity	Metric tons of CO2e per million dollars of revenue	0.197	0.200	0.194	0.182
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). Since the Company has no manufacturing process, 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 are no emissions of VOC at Phison, therefore, no reporting of air pollution is required.
Note 3: Electricity carbon-emission factor is provided by Taiwan Power Company; global warming potential (GWP) is provided by IPCC The Fifth Assessment. Report (AR5).
Note 4: The data cover Phison Electronics Headquarters, Phison Electronics Hsinchu Office, Phison Electronics Taipei Office, Phison Electronics Tainan Office, and Phison Electronics Keyi Plant.
Note 5: The base year of emission is 2021. The GHG emissions inventoried against ISO 14064-1 in 2021 were 11,181.91 tons of CO2e, which differs from the above data. This is because the inventory scope of ISO 14064-1 did not include the operating locations and facilities yet to be officially operated, including the 6th and 7th floor of our Banqiao Office, the parking tower and Zone Z parking lot of our Zhunan plant, our Hsinchu plant, and our Tainan office.

6.2 Energy and Resources Management

6.2.1 Energy consumption statistics

To review and improve our energy usage efficiency, the Company inventories our energy consumption amount every year. In 2021, the Company's total energy consumption was 80,595 GJ, and our energy use intensity was 1.288 GJ per million dollars of revenue. Our energy use intensity has decreased by 4.47% from the previous year. Since 2021, the Company has been purchasing renewable energy (electricity generated from wind power) in order to actively respond to the call for emissions reduction. In order to carry out our energy transformation in a steady pace and to reduce the GHG emissions during operations, we aim to purchase 1% of our total electricity consumption at the beginning, and increase the amount to 3% by 2023, 10% by 2025, and 20% by 2030.

Energy Consumption Statistics

| Item	Unit	2018	2019	2020	2021
Petroleum	Liter	7,377	9,354	4,929	3,164.45
Diesel	Liter	200	200	1,000	4,800
Total Electricity Consumption	kWh	15,562,981	17,247,885	18,167,966	22,360,024
Renewable Energy	kWh	N/A	N/A	N/A	264,086
Total Amount of Energy Used	GJ	56,257	62,384	65,559	80,595
	MWh	15,583	17,280	18,160	22,325
Energy Use Intensity	GJ per million dollars of revenue	1.374	1.389	1.349	1.288
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 in the year as declared by the Bureau of Energy during the statistical period.
Note 5: The data of total energy consumption for 2018-2020 were incorrect, hence are corrected this year.

6.2.2 Water resources consumption statistics

The Company operates mainly in the fields of R&D. Our production process only involves simple assembly and packaging, and maintenance and testing processes. There is no water consumption for our production process[11], we use water only for general use. The sources of our water intake are city water and the private water supplier, Kuan Yuan. In 2021, the Company's total water intake was 99,419 tons, a decrease of 1,184 tons from the previous year, and our water intake intensity was 1.589 tons per million dollars of revenue, a decrease of 23.37% from the previous year. At the beginning of 2021, a large-scale drought occurred in western Taiwan, and the government stated rationing the water supply. The Company also reduce our water supply pressure accordingly. Meanwhile, we also maintained and modified our cooling water tanks and feng shui pond. In addition, the pandemic effected a three-month period of work from home and working staggered shifts. As such, the water consumption plummeted.

[11] Not having any production process, the water consumed by the Company is mainly water for domestic use and water for cooling the machinery. The water used in our in-factory labs is from the RO water system, and does not comprise any ultrapure water.

Total Water Intake and Water Intake Intensity
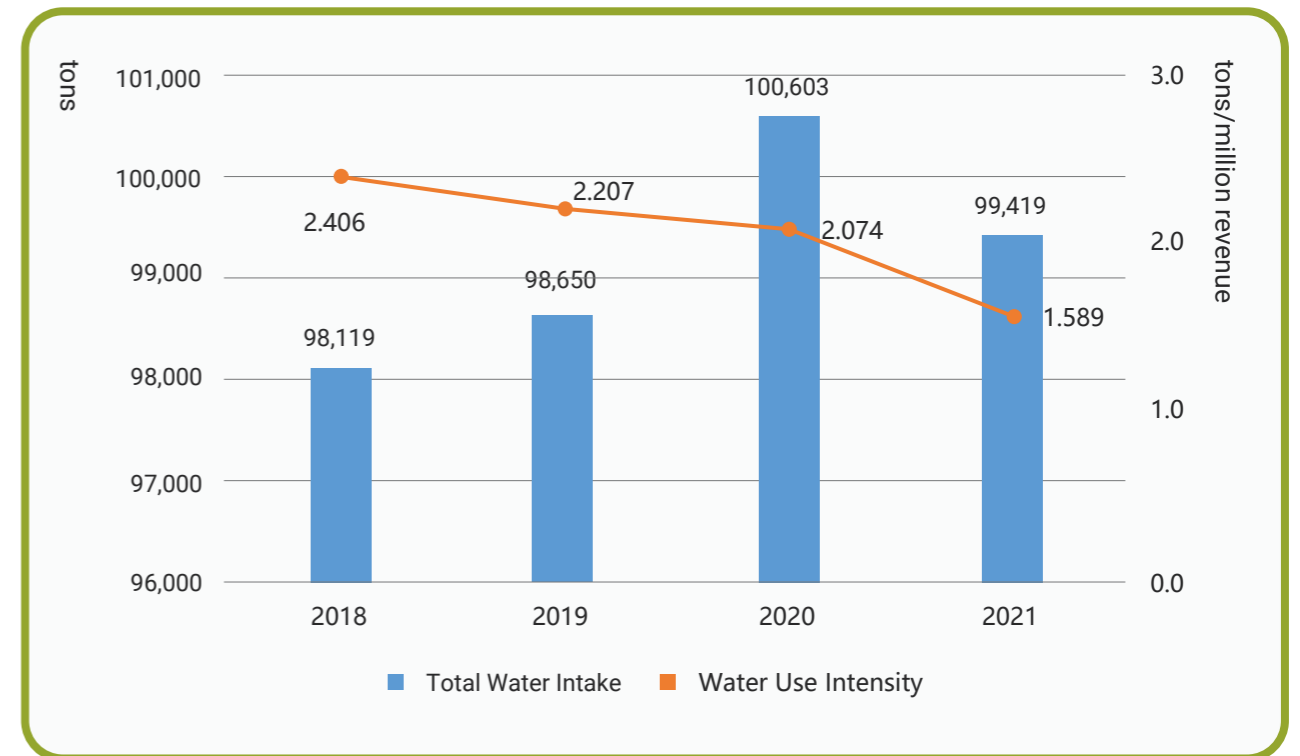
Note: If calculated against the headcount, the data coverage rate for 2018 through 2021 was 94.4%, 93.4%, 92.6%, and 100%, respectively.

Level of Water Stress

The water used in the Company's business activities was 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 our Taiwan operating locations were identified as low to medium.

Note: Operating locations include the Phison Electronics Headquarters, Phison Electronics Hsinchu Office, Phison Electronics Taipei Office, Phison Electronics Tainan Office, and Phison Electronics Keyi Plant.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   **Environmental Protection**   Employee Care   Social Participation   Appendix

6.2.3 Energy Saving Programs

In 2021, Phison initiated two energy-saving programs, which are expected to save 421,257 kWh of electricity (equivalent to a conservation of 1,516,525.2 MJ of energy) and NTD 1,137,395 in electricity charges, which is equivalent to a reduction of 211,471 Kg of CO_2e.

2021	Program Description	Estimated Amount of Energy Saved (kWh)	Estimated Amount of Costs Saved (NTD)
Energy Savings	Set the water dispenser to the sleep mode on holidays	15,897	42,923
	Replace the lighting fixtures with LED ones	405,360	1,094,472
	Total	421,257	1,137,395

Note: The estimated amount of costs saved was calculated by multiplying the average electricity rate by the estimated number of kWh saved.

6.3 Effluent and Waste Management

6.3.1 Wastewater Discharge Management

The wastewater in Miaoli region was conveyed to the sewage treatment plant in Kuan Yuan Science Park via the pipelines applied legally without treatment; Wastewater in Taipei region was conveyed to the public sewer system. A total of 79,443 tons of water and effluents was discharged from our Zhunan headquarter in 2021, a decrease of 0.06% compared to 2020. 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 Kuan Yuan Science Park's sewerage system, and our water and effluents does not cause any serious impacts to nearby water bodies.

Type	Item	Tons
Discharge by destination	Surface water + Groundwater + Seawater	0
	Third-party water (wastewater treatment plant)	79,443
	Third-party water sent to other organizations for use	0
Level of Treatment	No treatment	0
	Total Water Discharge (Tons)	79,443

Note 1: The volume of effluents is estimated according to the park regulations, and is calculated as total water consumption x 0.8
Note 2: All the wastewater of the Company 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 2021, we generated a total 194.26 tons of waste, including general industrial waste and domestic waste (excluding class E hazardous industrial waste), in which 47.39 tons (24.40%) of the waste were recycled, while 146.87 tons of waste could not be recycled. Total waste generation in 2021 decreased by 34.66 tons from last year. This is due to the reduction in the generation of domestic waste because the Company implemented work-from-home and working staggered shifts for three months in response to the pandemic. The waste generation intensity was 0.0031 tons per million NTDs of operating revenue in 2021, down by 35.75% from the previous year.

Amount of Waste Generated in 2021
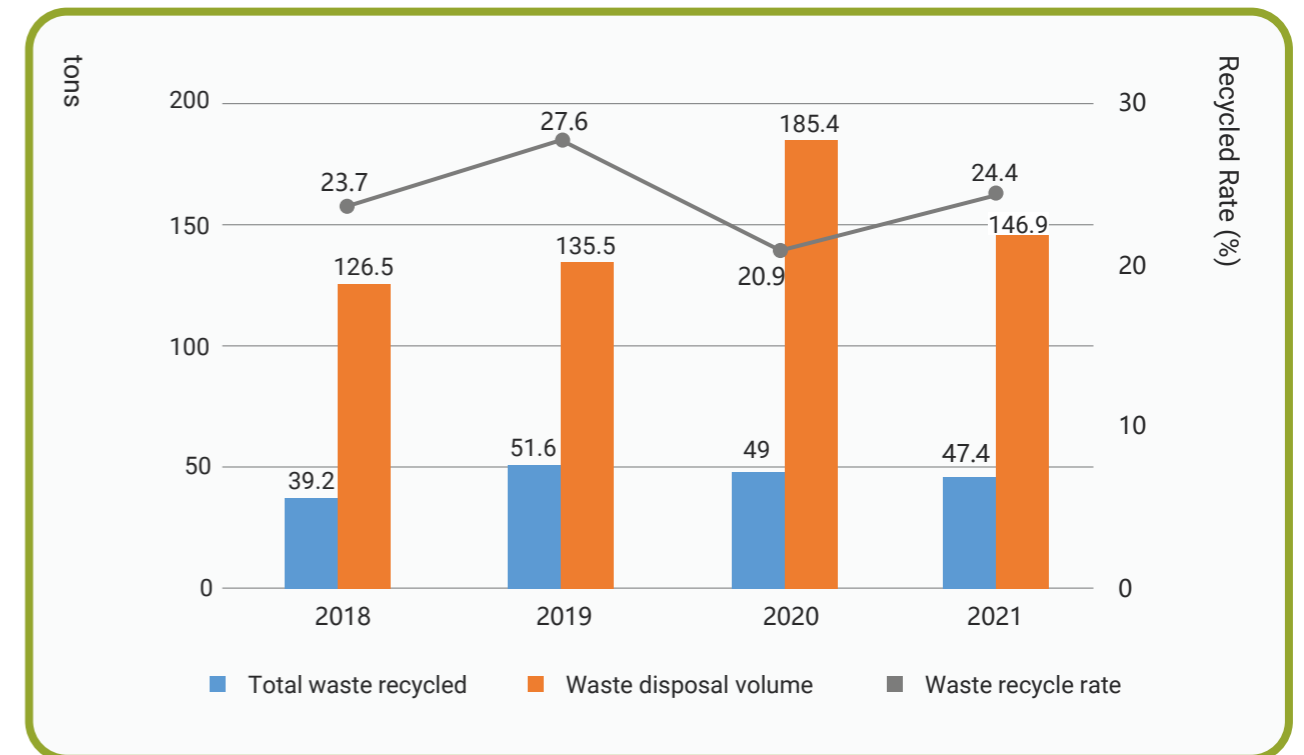
Note 1: If calculated against the headcount, the data coverage rate for 2018 through 2021 was 94.4%, 93.4%, 92.6%, and 90.5%, respectively.
Note 2: All of the Company's general industrial waste and domestic waste, except those recyclable, is incinerated, during which the waste treatment merchant recycles the heat energy recovered during the incineration process and sells it to the Taiwan Power Company.

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. The Company 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 2021, a total of 1.82 tons of hazardous industrial waste was produced by all of our operating sites in Taiwan; and all the waste has been completely removed at the end of 2021.

All of the Company's hazardous industrial waste is removed by qualified disposal and treatment vendors, and conveyed to a professional electronics recycling and treatment plant, which treats the waste physically and chemically. The crushed waste is then shipped abroad, where it is incinerated for metal extraction (there is no heat energy recovered during the course.) To ensure our hazardous industrial waste is handled properly by our contracted disposal and treatment vendors, the OHS personnel 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. Two onsite audits were conducted in 2021, and the vendors all passed the audit.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

6.4 Green Design

6.4.1 Environmental Management System

To respond to the sustainability trend and actively guide our internal sustainability programs, the Company announced the new version of "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 by devoting to energy conservation and autonomous carbon reduction. The Company continued to obtain ISO 14001 Environmental management systems for the design and assembly processes of our flash memory storage devices and flash memory controller chips. We also focus on recycling and energy conservation policies to reduce the impact of our business activities on the environment and fulfill our corporate social responsibility.

6.4.2 Green Management Process

The Company is 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. ■ Sony Green Partner Environmental Quality Approval Program. ■ Prioritize the procurement of products and services that consume low energy; of low pollution; recyclable; or made from recycled materials; or packaging materials made from the minimal amount of materials, or from recycled/recyclable materials.
R&D and Design	■ Constantly optimized the product performance to develop more energy-saving and more compact products, thereby helping end users reduce their greenhouse gas emissions and waste generation. ■ 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	■ Adopt a simplified and light-weight packaging strategy when designing product packaging for customers, so as to reduce the amount of waste generation at the back end. Replaced the bulky color box with a lean hanger tag in 2021, which is expected to reduce emissions of 769 Kg of CO2e. ■ Reuse packaging materials to reduce the amount of packaging materials used and waste generated. In 2021, we recycled 803,366 units of packaging materials (anti-static trays).
Transportation	■ In terms of 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, the Company 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 (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 (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 2021, we sent a total of 15 products 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 to Hazardous Substance Management

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 REACH

■ All our products conform to the requirements

Halogen Free

■ Conformity to customer requirements

WEEE

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

▌Hazardous Substance Management by Stage

R&D

■ Review of New Products
  ▪ Control Standards of Hazardous Substances
  ▪ Hazardous Substance Testing Report from Independent Third Party
  ▪ Safety Data Sheet (SDS)

Manufacture

■ Incoming Material Quality Control
  ▪ Acceptance standards
  ▪ Hazardous substance testing
■ Change Management
  ▪ Third-party hazardous substance inspection
  ▪ Safety Data Sheet (SDS)
■ Annual Hazardous Substance Testing
  ▪ Products sent to independent third party for testing

Supply Chain

■ Green Product Management System
■ Hazardous Substance Testing Report from Independent Third Party
■ Safety Data Sheet (SDS)

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

6.5 Environmental Investments

To analyze our environmental protection costs and benefits to provide a critical reference for decision-making, the Company breaks down our environmental protection costs and our environmental protection benefits as follows by adhering to the Industrial Green Accounting Guideline released by Taiwan Environmental Protection Administration.

(unit: NT$)

Cost breakdown		Description	2018	2019	2020	2021
Operating Cost	Pollution prevention cost	Wastewater processing	2,068,775	2,118,374	1,993,960	2,241,993
		Empty the septic tank	420,000	360,000	360,000	300,000
	Cost of sustainable use of resources	Waste disposal	894,240	894,240	894,240	894,240
	Global environmental protection costs	Purchasing renewable energy	0	0	0	977,118
Management costs		System verification	100,000	100,000	200,000	138,000
		Discharged water quality testing	300,000	300,000	300,000	15,225
		Soil and water conservation	0	0	32,609,250	0
		Greening and beautification	240,000	364,500	19,651,620	453,000
Social activity costs		Utilization of the farm environment	1,052,993	1,138,201	1,231,560	1,735,805
		Environmental protection activities	6,007	3,984	0	307,700
Total			4,842,015	5,033,299	56,994,630	7,063,081

Note: The particularly high amount of environmental protection costs in 2020 is due to the water and soil conservation work and the greening beautification work of the Phase 5 Plant.

(unit: NT$)

Benefits breakdown		Description	2018	2019	2020	2021
Cost savings	Energy conservation plan	Estimated electricity charges saved	0	1,158	32,457	1,137,395
	Waste recycled/ reused	Revenue from recycling	85,496	80,280	52,019	103,506
		Resale of anti-static trays	8,518,428	6,157,433	2,438,774	3,967,605
Total			8,603,924	6,238,871	2,523,250	5,208,506

PHISON 2021 Corporate Sustainability Report

About Phison Stakeholder Engagement Sustainable Governance Innovation & Service
Responsible Supply Chain Environmental Protection Employee Care Social Participation Appendix

7. Employee Care

7.1 Employment Overview

7.1.1 Employee Structure

In 2021, Phison Electronics Group had a total of 3,414 employees[12], up a whopping 808 employees from last year, with a staff growth rate being 31%. This attested to the continuous growth of our scale of operations and business and demonstrates our determination to actively reserve the R&D capacity. Taiwan Phison (excluding subsidiaries) had a total of 2,967 employees, accounting for 86.9% of total employees, in which there were 2,212 R&D personnel, 156 sales personnel, 431 production personnel, and 168 administrative personnel.

Phison Group Employee Headcount

Year		Taiwan	Overseas	Total
2018		1,581	151	1,732
2019		1,847	207	2,054
2020		2,572	34	2,606
2021	Male	2,365	26	2,391
	Female	1,020	3	1,023
	Total	3,385	29	3,414

[12]The number of employees in 2018 and 2019 includes employees in Phison, PJP, USA, Hefei Core Storage Electronic Limited, Qung Hong, Phisontech, and Ostek. The number of employees in 2020 and 2021 includes employees in Phison, PJP, USA, Super Storage Technology, and Ostek.

Employee Structure

Type		Male	Percentage	Female	Percentage	Total	Percentage
Position	R&D personnel	1,888	85.35%	324	14.65%	2,212	74.55%
	Sales personnel	39	25.00%	117	75.00%	156	5.26%
	Production personnel	221	51.28%	210	48.72%	431	14.53%
	Administrative personnel	77	45.83%	91	54.17%	168	5.66%
Type of Employment Contract	Permanent	2,182	76.05%	687	23.95%	2,869	96.70%
	Temporary	43	43.88%	55	56.12%	98	3.30%
Type of Employment	Full-time	2,223	75.00%	741	25.00%	2,964	99.90%
	Part-time	2	66.67%	1	33.33%	3	0.10%
Age	< 30	816	76.05%	257	23.95%	1,073	36.16%
	30-50	1,385	74.38%	477	25.62%	1,862	62.76%
	>50	24	75.00%	8	25.00%	32	1.08%
Education	High school diploma or below	25	36.76%	43	63.24%	68	2.29%
	Bachelor degree	478	54.69%	396	45.31%	874	29.46%
	Master degree	1,705	84.95%	302	15.05%	2,007	67.64%
	Ph.D.	17	94.44%	1	5.56%	18	0.61%
Nationality	Taiwanese indigenous people	1	100.00%	0	0.00%	1	0.04%
	Taiwanese national (non-indigenous people)	2,106	75.48%	684	24.52%	2,790	94.03%
	Foreign national	118	67.05%	58	32.95%	176	5.93%
Region	Taipei	247	87.59%	35	12.41%	282	9.51%
	Miaoli	1,915	73.18%	702	26.82%	2,617	88.20%
	Tainan	46	93.88%	3	6.12%	49	1.65%
	Hsinchu	15	88.24%	2	11.76%	17	0.57%
	Overseas	2	100.00%	0	0.00%	2	0.07%

When seen by gender structure, due to the change in the number of Board of Directors' seats, the percentage of female directors increased from 22% last year to 25% this year.

Diversity in Governance Boards

Item		2020		2021	
		Number of People	Percentage (%)	Number of People	Percentage (%)
Total Number of People in Governance Boards		9	100	8	100
Gender	Male	7	77.8	6	75
	Female	2	22.2	2	25
Age Range	< 30	0	0	0	0
	30-50	3	33.3	3	37.5
	>50	6	66.7	5	62.5

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 Vietnamese, respectively.

Nationality	Taiwan	Malaysia	Philippines	Vietnam	Other
Percentage in Total Workforce (%)	94.07	2.73	1.68	1.08	0.44
Percentage in All Managerial Positions	94.13	5.30	0.0	0.19	0.38

Among the permanent staff in Taiwan, female managers account for 18.4% of Phison's managerial positions. Among first-level managerial positions, 16.3% was females. Among top-level managerial positions, 18.3% was females. Among managerial positions in revenue-generating units, 15.3% was female. This year the Company recruited IC design talents on a large scale. However, subject to the reality at school and in the industry, R&D talents are mostly male. As such, the percentage of female in managerial positions this year dropped. Nonetheless, the percentage of female among R&D personnel increased, and early met the percentage target set for 2025.

Proportion of Female Employees

Type	2020	2021	Targets in 2025 in terms of Percentage
Percentage of Total Female Employees (%)	26.3	25.0	27.0
Percentage of Female Managers (%)	21.5	18.4	22.0
Percentage of Female in First-level Managerial Positions (%)	19.0	16.3	20.5
Percentage of Female in Middle-level Managerial Positions (%)	25.2	23.6	25.5
Percentage of Female in Top-level Managerial Positions (%)	24.2	18.3	25.0
Percentage of Female Managers in Revenue-generating Departments (%)	19.2	15.3	20.0
Percentage of Female Working in STEM-related Positions (%)	13.1	14.7	14.0

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: Revenue-generating departments do not include administrative departments (e.g. Human Resources, Legal, Finance).

Note 5: Personnel working in STEM-related positions are defined as the innovative products R&D engineers and system products R&D engineers.

Note 6: The increment of the percentage target set for female is smaller than that for male. This is because the Company specializes in R&D and design and so requires talents from the electronics/electrical/information engineering departments while in reality female rarely opt for such departments.

Employing People with Disabilities

Year	2020			2021		
	Minimum Number of Employees as Legally Required	Number of People Actually Employed	Weighted Percentage	Minimum Number of Employees as Legally Required	Number of People Actually Employed	Weighted Percentage
Number of People	21.78	16	0.96%	29.67	18	0.78%

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

7.1.2 Percentages of New Hires and Terminated Employees

In 2021, there was a total of 982 new employees joining Phison's permanent staff in Taiwan, of which 737 were male and 245 were female, accounting for 33.10% of our workforce; a total of 144 employees left our permanent staff in Taiwan, of which 98 were male and 46 were female, accounting for 4.85% of our workforce. With our diligent execution of a performance evaluation 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	New hires in total	Employees in total	New Hires Percentage (%)
Age	< 30	30-50	>50		< 30	30-50	>50				
Number of New Hires (Percentage)	456 (15.37%)	277 (9.34%)	4 (0.13%)	737 (24.84%)	154 (5.19%)	91 (3.07%)	0 (0%)	245 (8.26%)	982	2,967	33.10

Gender	Male			Total - Male	Female			Total - Female	Terminated employees in total	Employees in total	Terminated Employees Percentage (%)
Age	< 30	30-50	>50		< 30	30-50	>50				
Number of terminated employees (percentage)	40 (1.35%)	58 (1.95%)	0 (0%)	98 (3.30%)	13 (0.44%)	33 (1.11%)	0 (0%)	46 (1.55%)	144	2,967	4.85

Gender	Male			Total - Male	Female			Total - Female	Voluntarily terminated employees in total	Employees in total	Voluntarily terminated employees percentage (%)
Age	< 30	30-50	>50		< 30	30-50	>50				
Number of voluntarily terminated employees (percentage)	40 (1.35%)	56 (1.89%)	0 (0%)	96 (3.24%)	12 (0.40%)	32 (1.08%)	0 (0%)	44 (1.48%)	140	2,967	4.72
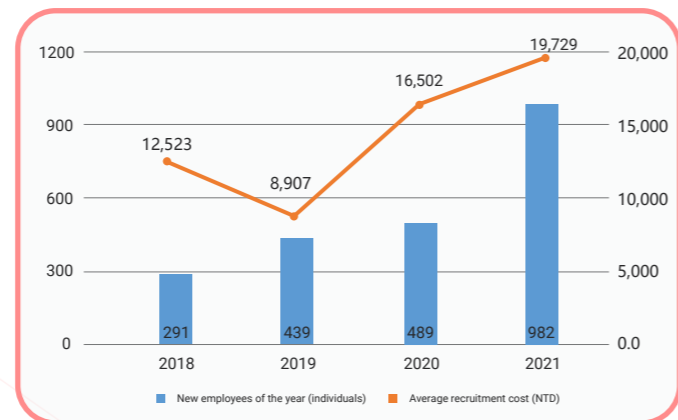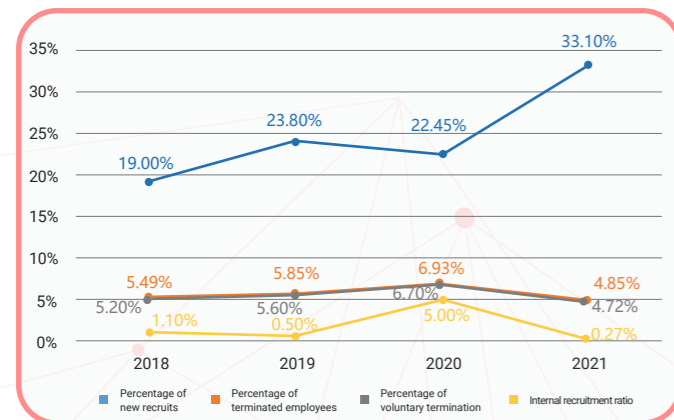
Note 1: New hires ratio = number of new hires for the year / total number of employees at the end of the year * 100.
Note 2: Terminated employees ratio = number of terminated employees for the year / total number of employees at the end of the year * 100.
Note 3: Voluntary termination: means employees 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 year * 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	1. The average remuneration remains in the top 25% of the industry. 2. An engagement rate of 80%.
Performance	1. The median salary for full-time employees in non-managerial positions is NTD 2,176,000 and the average salary is NTD 2,677,000. 2. The expenses on employee benefits amounted to approximately NTD 7,882,049,000, or NTD 3,056,000 per employee. 3. A 77% coverage rate for the employee opinion survey; an engagement rate of 78%.
Responsibility	Human Resources Department
Complaint Mechanism	■ Ms. Wang/Ms. Wu of Human Resources Department WeCan_8080@phison.com
Action Plans	1. Reference the survey in the industry to constantly improve the attractiveness of employee welfare and salary. The Company conducted a salary structure adjustment for two consecutive years; in 2021, employee's salary increased by 7%-10%, mainly contributed by the increment due to salary structure adjustment plus the increment due to annual salary adjustment, attesting to our practical feedback to employees' hard work. 2. Launch improvement projects based on the results of the employee opinion survey; maintain clear and effective labor-management communication channels; create an inclusive, friendly, and healthy workplace, so as to enhance employees' recognition for the Company.
Assessment Mechanism	1. The salary standard disclosed every year on the Market Observation Post System (MOPS). 2. The results of the engagement survey performed by external processionals in the second year. 3. The number of employee complaints.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

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. To cope with the shortage of talents in the semiconductor industry, in addition to actively implementing the industry-academia cooperation programs and participating in the job fair of universities, the Company also actively recruits those overseas Chinese students studying in Taiwan. The CEO even communicates Phison's talent recruitment plan to them by video conferencing in person, in the hope to attract more exceptional cosmopolitan talents. 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.

■ Recruitment Orientation at National Taipei University of Technology

■ Recruitment Orientation at National Taiwan University SoC Center for the autumn

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, and does not discriminate on the basis of gender, religion, race, or political affiliation. The company encouraged employee by giving compensation, and cash bonus was given quarterly; then, employee bonus was given semi-annually.

In this year, the expenses on employee benefits amounted to approximately NTD 7,882,049,000, or NTD 3,056,000 per employee. To cope with the severe pandemic situation, the Company made Phison's exclusive limited-edition face masks and distributed them to all employees, hoping that all Phison staff work together to fight the pandemic. In addition, on the Christmas Day, we also designed the Phison exclusive co-branded hand sanitizer sprays containing food-grade alcohol of 75% concentration and distributed them to employees so that employee can carry them for more protection. In addition, aside from existing bonuses for the Mid-Autumn Festival, the Employee Welfare Company spent NTD1,910,250 buying moon cake gift boxes and distributed them to all employees, both to reward employees' hard work, and to convey the Company's blessings on the festive day.

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

Item	2020	2021	2021 change compared with 2020
No. of non-managerial full-time employees	1,921	2,403	An increase of 482 people
Average salary of non-managerial full-time employees (in 1,000 NTD)	2,869	2,677	A decease of 6.69%
Median salary of non-managerial full-time employees (in 1,000 NTD)	2,332	2,176	A decease of 6.69%

Note 1: The median and average annual salary in 2021 decreased because the Company recruited lots of rank-and-file new employees.
Note 2: The total annual remuneration for the CEO (including fixed remuneration and variable remuneration) was 68 times as much as the average annual salary of all employees (excluding the CEO).

Male-female employee remuneration ratios

Position	Male	Female
Executive manager salary	120%	100%
Executive compensation	193%	100%
Mid-level and entry-level manager salary	128%	100%
Mid-level and entry-level management compensation	140%	100%
General employee	134%	100%

Note 1: Executive-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.

The Company 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 2020, "females graduating from academic disciplines of science, technology, engineering and mathematics in higher education" only accounted for 25.59% of all graduates in the above disciplines. For these reasons, male employees account for the majority of the Company'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 the gender pay gap.

Phison employs workers based on their merit without gender discrimination. With the R&D departments excluded, our female employees account for 55.4% 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.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

Benefits provided to full-time employees that are not provided to temporary or part-time employees

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.	Phison give extra 7 days leave off in lieu.
Annual paid leave	A worker having worked continually for 6 months but less than 1 year shall be granted 3 days annual paid leave.	A worker having worked continually for 3 months shall take annual paid leaves in advance, those having worked for 1 year more will be granted 8 days annual paid leave.
Family care leave	The number of this leave shall be incorporated into leave with personal cause and not exceed 7 days in one year. The employee taking leave will not be paid.	The number of this leave shall be incorporated into leave with personal cause and not exceed 14 days in one year. The employee taking leave will be paid for the first 3 days.
Vaccination leave	The number of this leave shall not exceed 2 days per dose. The employee taking leave will not be paid.	The number vaccination leaves shall be incorporated into family care leaves; the employee taking such a leave will be paid for the first 3 days.
Pandemic care leave	Where a school is closed due to the pandemic and affects an employee's children under the age of 12, the parents/main care giver may take a pandemic care leave without being paid.	The number of pandemic care leave shall be incorporated into family care leave. The employee taking leave will be paid for the first 3 days.
Pregnancy checkup leave	The Legislative Yuan has approved to increase the number of pregnancy checkup leave from 5 days to 7 days. The enforcement date is yet to be determined (the enforcement date will be announced after the Act of Gender Equality in Employment has been approved.)	Even though such regulation has yet to be enforced, the Company also provides 7 days of paid pregnancy checkup leave for female employees.
Consultation services	No regulations	Offers EAPs, 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, or for working 2 flexible hours per day, according to individual needs.
Work from home	No regulations	Whenever needed, employees may apply to his/her supervisor for working from home on a case by case basis.
Bonuses	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, injuries and illness, and funerals. In 2021, bonuses totaling NT$58,308,728 were distributed.
Employee association	No regulations	According to Phison's rules, an employee association shall consist of 25 or more employees, and will be established after the approval of the Employee Welfare Committee. Upon being established, an association shall recruit members for at least one week. In 2021, we offered subsidies totaling NT$368,580 for the associations.

Diversified events

The Company draws up annual event plans based on the available annual funds for employee welfare, employees' opinions, and the Company's operating directions. This year, in response to the COVID-19 epidemic control policy, we reduced lectures, sports events and other indoor gatherings. In 2021, we held a total of 3 craft classes, providing them with fun other than that derived from work and improving their happiness.

Event name	Event contents	No. of participants
Phison HAND awesome craft classroom - handmade kokedama	Respond to the Earth Day on April 22th and invite a florist to the factory to teach handmade kokedama for employees.	120
Phison HAND awesome craft classroom - MINI Light Board	Seeing that craft classes have been popular with employees, in 2021, we organized two "Mini Light Board Craft Classes", at which professional lecturers lectured employees on the origin of neon tubes, so that they knew the electroluminescent and then made their self-developed neon board through the craft class.	200

■ Handmade kokedama craft class

■ Mini Light Board craft class

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

Phison Farm Report

In order to continuously improve employee welfare and promote employee health, Phison has used the land (of an area of approximately 2,300 ping) voluntarily offered by employees for the Phison Farm since 2011, 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 2021, Phison Farm input a total of NT$1,735,805 and harvested a total of 7,721 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 3,631 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

The Company'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	Pension reservation for this year
Defined benefit plan	According to the Labor Standards Acts, pension is calculated based on an employee's service period and his/her average salary for the six months before retiring. The Company deposits pension contributions into a designated account with the Bank of Taiwan under the name of the Supervisory Committees of Workers' Retirement Reserve Funds.	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 Right Management

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, the Company formulated its Human Rights Policy in 2020, and takes 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. Every year every employee must complete the trainings on human rights; in 2021, the training hours in this regard totaled 1,492 hours, with the training completion rate being 100%.

Internal Human Right Risk Assessment

Every year the Company assesses the human rights risk based on the results of human rights due diligence investigation and the RBA Internal Human Rights Audit, and the feedback from the employee opinion survey, and assesses our risk value towards different aspects of human rights issues. After the assessment done in 2021, high risk human rights issues included long working hours while other potential risk issues include unlawful infringement (including sexual harassment), discrimination, salary and benefits. Responsible units shall implement mitigation measures based on the assessment results, and enhance the training plan and communication and dissemination plan that are included in the mitigation measures.

The compliance rate for the internal RBA human rights audit conducted on our Zhunan Headquarters in 2021 was 96%, a substantial improvement from last year; in the following year, we will begin the RBA VAP verification. Because our Taipei office was included with the assessment scope for the first time, its improvement was made by each responsible unit by means of self-assessment in 2021. In the following year, the internal human rights audit will be performed by a professional insider following the due course. We have reported the audit results to the Corporate Sustainable Development Committee for the management to get a grasp of the extent and performance of the implementation of human rights policy. For the deficiencies identified, the responsible units have proposed an improvement plan. We will focus on making improvement next year, upholding the goal of a 100% compliance rate.

PHISON 2021 Corporate Sustainability Report

About Phison Stakeholder Engagement Sustainable Governance Innovation & Service
Responsible Supply Chain Environmental Protection Employee Care Social Participation Appendix

Phison Electronics Human Rights Risk Matrix

Frequency

High — ■ Working hours

Medium —
■ Unlawful infringement (including sexual harassment)
■ No discrimination
■ Salary and benefits

Low —
■ Adolescent labor
■ Occupational Safety
■ Conflict Minerals
■ Freedom to choose an occupation
■ Occupational injuries and illnesses
■ Noise
■ Freedom of association

Low   Medium   High   Impact

Supply Chain Human Right Management

The Company gets a grasp of the human rights risks among the supply chain by referencing the Supplier Sustainability Risk Assessment Questionnaire, Critical supplier RBA audit, and the employee complaint channels provided to suppliers' employees on the supplier management platform. We also adopt 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 constantly improving the human rights management among the supply chain.

Due diligence investigation process

Identifying human rights issues	Issue materiality ranking	Preventive and relief measures	Make revisions based on feedback and continually improve the process
■ We collect potential human rights issues through international human rights regulations, labor-related laws and regulations in Taiwan, RBA, employee questionnaire, and academic researches.	■ We identify social groups in our value chain that may be impacted by human rights issues and corresponding risks.	■ We investigate in issues involving high risks; the responsible unit shall draw up management and preventive measures. ■ Through annual internal human rights audit and RBA audit on critical suppliers, we keep track of the implementation and risk levels of human rights.	■ For issues and value chains specific to the semiconductor industry, we constantly revise our strategies and implementation policy against our annual identification results and implementation feedback, so as to regularly review such issue and value chains to ensure that we have fulfilled our responsibility for protecting human rights.

Aside from formulating an unlawful infringement zero-tolerance policy, the Company also organizes internal and external trainings on unlawful infringement and unlawful infringement zero-tolerance policy every year. All employees, including new hires and in-service staff, are required to be trained. The coverage rate for trainees is 100%. Seeing that unlawful infringement often occurs under imbalanced position of power, we keep inviting newly appointed supervisors to attend the "Workplace Unlawful Infringement Prevention" course, in which they will be informed of the definition of unlawful infringement, awareness, frequently occurred cases, and prevention principles. Future more, such newly appointed supervisor needs to take the "Finding Employees' Problems" course, during which the supervisors will be informed of his/her roles, responsibilities, and obligations, the indicators for employee abnormality, the Company's referral system and assistance system, and the Employee Assistance Programs (EAPs).
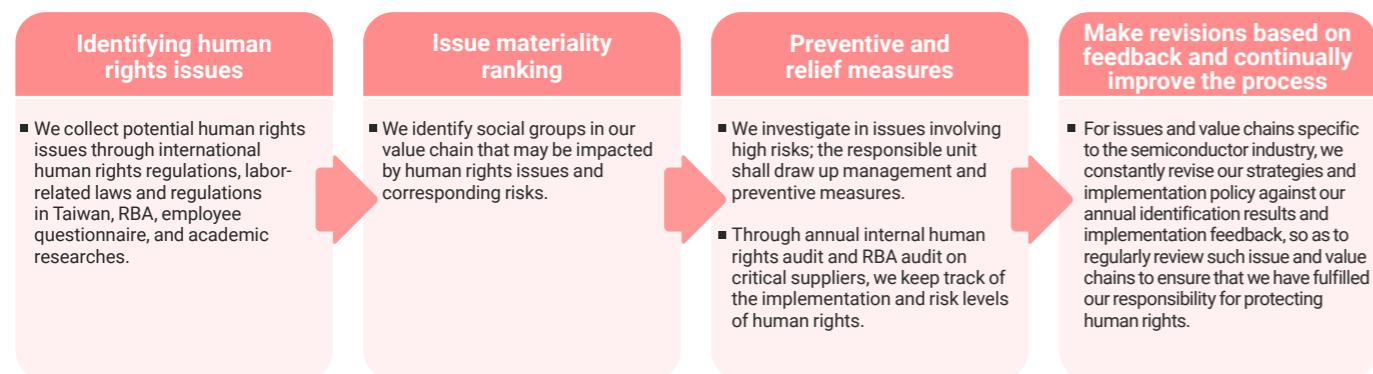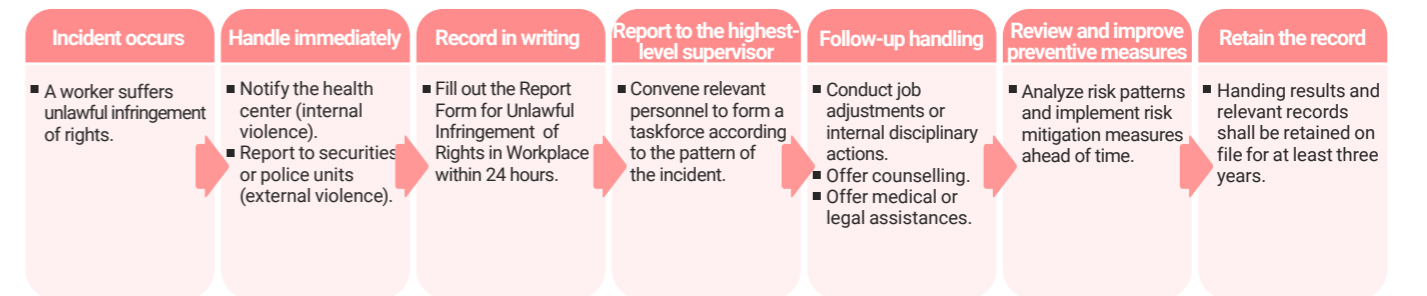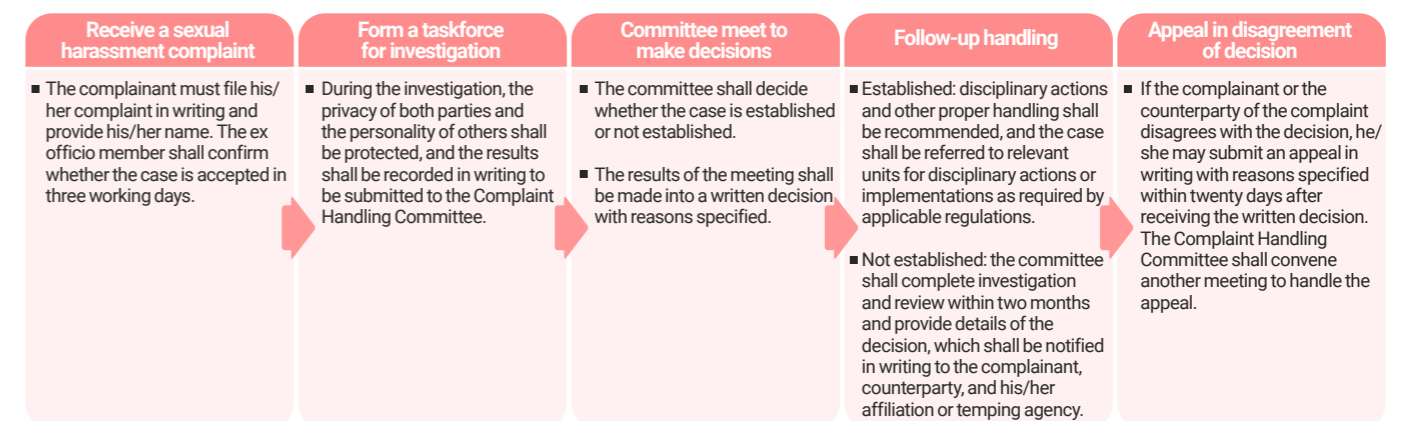
In addition, the Company distributes an unlawful infringement investigation questionnaire to employees after their physical checkup every year, in the hope to early identify risk and help them deal with it, if any. In 2021, a total of 1,977 pieces of questionnaires were distributed. The Company tracked and analyzed those questionnaires, and found that 1.1% of employees believed that they were facing an unlawful infringement risk from outside. However, 1.5% of employees believed that they were facing an unlawful infringement risk from inside, mostly from mental and language abuse, most of them were assisted after reporting to their supervisors. We also inform employees of other alternatives, such as the health center, or the Employee Assistance Programs (EAPs), an external resource commissioned by the Company.

In 2021, there were three cases of complaints filed by the employees alleging unlawful infringement. All cases underwent prescribed procedures, in which the HR Department took the case and assembled an investigation committee. Subsequently. The committee deemed one case established and the other two not established. Regardless of the case being established or not, we assisted in dealing with the case until both parties were satisfied. Subsequently, we will enhance internal dissemination and trainings to implement our human rights policy.

Flowchart of handling reports on unlawful infringement of rights

Incident occurs	Handle immediately	Record in writing	Report to the highest-level supervisor	Follow-up handling	Review and improve preventive measures	Retain the record
■ A worker suffers unlawful infringement of rights.	■ Notify the health center (internal violence). ■ Report to securities or police units (external violence).	■ Fill out the Report Form for Unlawful Infringement of Rights in Workplace within 24 hours.	■ Convene relevant personnel to form a taskforce according to the pattern of the incident.	■ Conduct job adjustments or internal disciplinary actions. ■ Offer counselling. ■ Offer medical or legal assistances.	■ Analyze risk patterns and implement risk mitigation measures ahead of time.	■ 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	Form a taskforce for investigation	Committee meet to make decisions	Follow-up handling	Appeal in disagreement of decision
■ 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.	■ 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.	■ 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.	■ 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.	■ 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 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

Cases of complaints alleging unlawful infringement this year

Case	Established or not	Follow-up handling
Sexual harassment	Yes	1. The respondent was given one reprimand, transferred to another unit, demoted to a non-managerial position, and subject to a salary decrease. 2. The committee resolved that the disciplinary measures will be harsher if the respondent commits the same violation again. 3. Being referred to use the EAP services.

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 complaints' names shall be provided, or through our new anonymous feedback box. All complaints will be reported to the representative of the Corporate Sustainable Development 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.

Stakeholders	Employees		Suppliers
Human rights issues	▪ Working hours ▪ Salary and benefits	▪ Unlawful infringement (including sexual harassment) ▪ Discrimination	▪ Working hours ▪ Salary and benefits ▪ Occupational Safety ▪ Responsibly procure minerals ▪ Freedom to choose an occupation
Whistleblowing and grievance channel	WeCan_8080@phison.com Anonymous feedback box		whistleblower@phison.com complaint channels provided on the supplier management platform
Mitigation measures	1. The health center identifies employees having health risks by referencing the employee physical checkup report, the working hour statement provided by the HR Department, and the overwork assessment form, and informs the unit supervisor for subsequent adjustment. 2. Regularly review and enlarge the workforce to meet project-specific and business needs and avoid overtime work caused by insufficient human resources. 3. Regularly survey the industry standard of salary and benefits, and adjust the Company's salary and welfare structure whenever necessary. 4. Implement the confirmation of compliance with local laws and regulations, and regularly review and amend the regulations for managing guides for employees.	1. Demand that new hires and in-service employees complete the training on unlawful infringement and human rights requirements every year. 2. Plan a complete set of complaints filing procedures and complaints handling procedures for unlawful infringement and sexual harassment. 3. Provide an anonymous feedback box for employees to collect opinions, thereby identifying the potential risks early on. 4. The health center distributes the unlawful infringement investigation questionnaire, through which it identifies employees facing a risk of unlawful infringement, sexual harassment, and discrimination, and tracks the follow-up.	1. The Company manages human rights risks in supply chains by conducting a supplier sustainability risk assessment, an annual RBA audit, or an RBA Validated Assessment Program (VAP) on suppliers to avoid such risks. 2. Add a complaint filing channel on the supply chain management platform for suppliers' employees, and providing a real-time feedback mechanism.
Compensation measures	1. R&D personnel who work overtime for one hour in a week will receive an attendance confirmation notice twice from the system. Non R&D personnel who work overtime for one hour in a week will receive an attendance confirmation notice from the system. 2. HR Department submits to the Division-level managers a statement of average working hours by department, and marks the department where the average working hours per person per day exceeds 10 hours, so that the Division-level manager can understand the situation and make timely adjustment. 3. Provide semi-annual stimulus bonuses and annual bonuses; an additional stock option program is granted to exceptional employees.	1. Track the results of cases of unlawful infringement and sexual harassment to ensure that disciplinary actions or counseling is effectively implemented, and that the situation where the complainant is infringed is cleared. 2. Provide the EAPs service, where professional psychological counselors help the complainant and respondent tidy their emotion and find the crux of the case. Further legal advice may be provided upon request.	1. Require suppliers to take measures to improve on human rights risks and continuously track the progress of improvement.

7.2.3 Unpaid Parental Leave

In accordance with Taiwan's Act of Gender Equality in Employment and Regulations for Implementing Unpaid Parental Leave for Raising Children, the Company 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 the Company 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 2021, a total of 12 Phison employees applied for unpaid parental leave. 100% of employees on parental leave returned in the year, while 66.7% of employees who returned in the previous continued to work for the Company.

Unpaid parental leave statistics

Year	2020			2021		
Type	Male	Female	Total	Male	Female	Total
No. of employees eligible for unpaid parental leave	75	41	116	104	41	145
No. of employees on unpaid parental leave	0	6	6	0	12	12
No. of employees expected to return in the year	0	4	4	0	5	5
No. of employees who actually returned in the year	0	3	3	0	5	5
Return rate (%)	N/A	75	75	N/A	100	100
No. of returned employees in the previous year	2	2	4	0	3	3
No. of employees retained after 12 months since their return in the previous year	1	2	3	0	2	2
Retention rate (%)	50	100	75	N/A	66.7	66.7

Note: The retention rate for 2020 was incorrect, hence is corrected this year.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

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	1. Maintain employee satisfaction score for the courses at no less than 94. 2. Average employee training hours reaching 49 hours.
Performance	1. The total training expenses was NT$3,094,960. We have offered a total of 606 sessions of courses, of which 227 are classroom-based courses and 379 are online courses, with an average satisfaction score for such courses being at 94.2. 2. The total training hours reached 137,418 hours, or 47.3 hours per employee, up 34.1% from last year.
Responsibility	Human Resources Department
Complaint Mechanism	■ Ms. Wang/Ms. Wu of Human Resources Department WeCan_8080@phison.com
Action Plans	1. We understand the gap between expected goals and actual performance through gap analysis, and plan the annual training program and the department-specific training program (including new employee training) 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. 2. Enrich online courses to improve employees motivation to take the continuing education.
Assessment Mechanism	1. Expenses on training. 2. Average employee training hours. 3. Satisfaction feedback for training courses.

7.3.1 The Seven-Category Training Framework

The Company keeps investing in talent training. The HR Department plans the annual training plan and identifies the trainees by referencing the Company's business development strategy and the occupational competencies required by each department. In addition, the HR Department will distribute an employee needs survey questionnaire in August and September every year. Employees may determine the skills they need to improve. The HR Department then retrieves the questionnaires and submits the same to each department head for reference. The HR then retrieves the questionnaires again, with the opinion of the department head specified thereon, to formulate the training program for the following year, and submits such program to the Board of Directors for approval.

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. All of the Company's full-time employees may apply for a subsidy for external training every year based on their seniority to acquire licenses and degrees relevant to their work skills. Those who have served the Company for no less than three years are eligible for a subsidy of NTD20,000 per year; those who have served the Company for no less than three years but no greater than five years are eligible for a subsidy of NTD30,000 per year. Those who have served the Company for more than five years are eligible for a subsidy of NTD40,000 per year.

The Company also collaborates with external training agencies on multiple sources, for instance, the "AI Industry Practical Application" with Tainan City Zhiyuan Foundation, and the "Personality Traits and Potential Assessment" with the Smart Electronics Academy of the Industrial Development Bureau, MOEA. We hope to improve the training quality and theme diversity for employees through multiple channels.

New Employee Training	On-Job Training	Quality Training	Secondary Skills Training	Health & Safety Training	Hierarchy-based Training	Vehicle System Training
■ Introduction of the Company's culture and personnel regulations ■ Courses on the ISO series ■ Courses on Responsible Business Alliance Code of Conduct ■ Courses in Authorized Economic Operator ■ Code of Conduct for Employee (including topics on human rights and unlawful infringement)	■ FW development and verification tool course ■ Relevant algorithm computing teaching ■ Flash application teaching ■ Power management chip design series courses ■ Introduction to the use of measuring instruments ■ VMware Vsan series teaching	■ Quality basic training ■ ISO9001 Quality management systems ■ Quality Continuous Improvement Training ■ IATF 16949 Automotive Industry Quality Management System ■ ANSI/ESD S20.20: Protection of Electrical and Electronic Parts ■ Work environment management using the 6S strategy	■ Problem Analysis and Resolution ■ Work Plan and Accountability Executive Power (Employee Class) ■ Leveraging Communication Skills to Build a Team ■ Language training courses	■ In-service Employee OHS Training ■ OHS training for supervisors ■ Self-defense fire organization training	■ Including "Finding Employees' Problems" ■ Leveraging Communication Skills to Build a Team ■ Work Plan and Accountability Executive Power (Supervisor Class)	■ Training on the five core tools ■ Phison In-vehicle Products Manual ■ Vda6.3 Training ■ ISO26262 Training ■ ASPICE Training ■ Automotive Awareness Training

7.3.2 Education and Training Processes

To ensure the training effect, the Company 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.

Plan - Annual training course	Do – Annual highlight training program	Check – Efficiency of training	Action – continuous improvement
■ Formulate the training program for the following year by referencing the Company's business development strategy, the occupational competencies required by each department, and employees needs and supervisors opinions as specified on the employees needs survey questionnaire.	■ The highlight training program for 2020 onwards is on in-vehicle applications.	■ Evaluate the effective of training via written, oral, or practical examinations.	■ If an employee fails to meet the employee ability standards after training, he/she will be required to receive assistances for improvement within a specific period of time.

In 2021, the Company's training expenses totaled NTD3,094,960; the average training expenses person was NTD1,043; and the average training hour per person is 47.3 hours. In 2021, we have offered a total of 606 sessions of courses, of which 227 sessions are classroom-based courses and 379 sessions are online courses. A total of 177 sessions of courses are evaluated with a written examination. The satisfaction score for all the courses averages 94.2. In 2021, the average training hour per person increased by 34.1% from the previous year, but the training expenses plummeted. This is because the Company had invested immense resources to recruit external professional lecturers specializing in the in-vehicle systems last year, while the lecturers in 2021 were the employees who had completed the courses last year and obtained a license. This is why the training costs plummeted. There were 2 automobile regulation projects in 2021. As so, lots of automobile regulation courses are derived therefrom, mostly for engineers in the general position. This is why the average training hour for the generation position was higher than that for the managerial position.

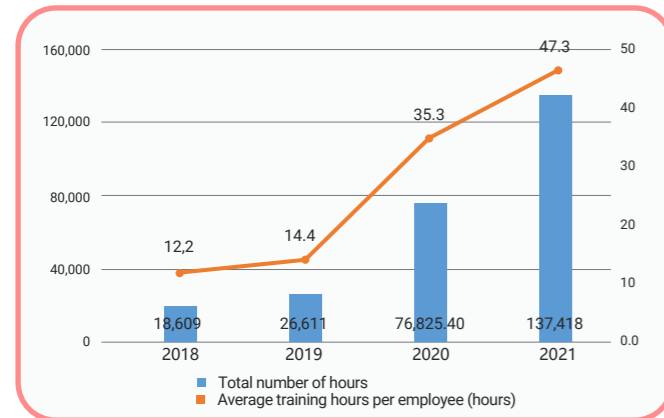| Category		Total hours	Average hours
Gender	Male	106,880	49.1
	Female	30,538	42.1
Position	Executive management	903	21.0
	Mid-level management	4,505	22.0
	Entry-level management	8,010	24.7
	General employee	124,000	53.2
Total		137,418	47.3

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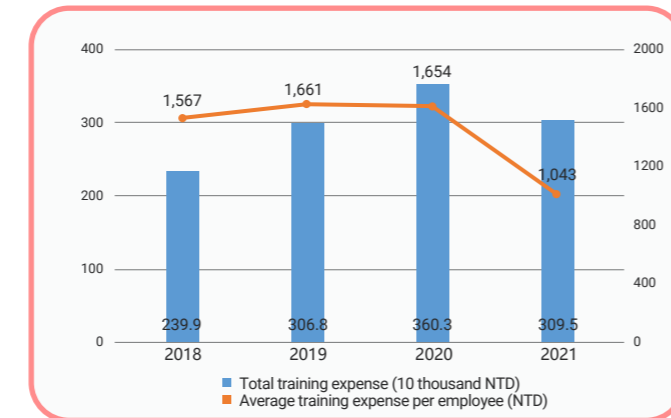Note 2: Middle-level managerial positions include managers and deputy managers.
Note 3: Entry-level managerial positions include deputy section chiefs, section chiefs, deputy team leaders, and team leaders.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

Training hours

- Total number of hours
- Average training hours per employee (hours)

Training expenses

- Total training expense (10 thousand NTD)
- Average training expense per employee (NTD)

7.3.3 Employee Performance Assessment

The Company established its Regulations Governing Employee Performance Assessment, and implements performance assessment through target management and performance ranking. Performance is assessed semiannually 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. 100% of the Company's employees regardless of gender, job category, and position, have received regular performance assessment.
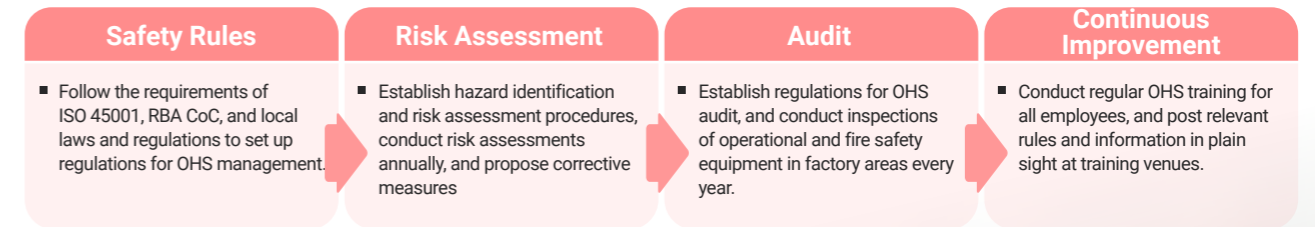
In addition, to supplement the existing one-way performance assessment procedures, starting from 2021, the performance assessment of managers at or above the Division level adopted a multi-dimension (360 degree) feedback mechanism, through which their colleagues at the same level, their direct supervisor, and direct subordinates provide opinions and feedback, in the hope that they can better understand their own expertise through such a comprehensive assessment. In 2021, the multi-dimension performance assessment is applicable to 27 managerial officers, and may be applicable to employee at other job ranks, depending on its benefits, which remain to be observed.

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.
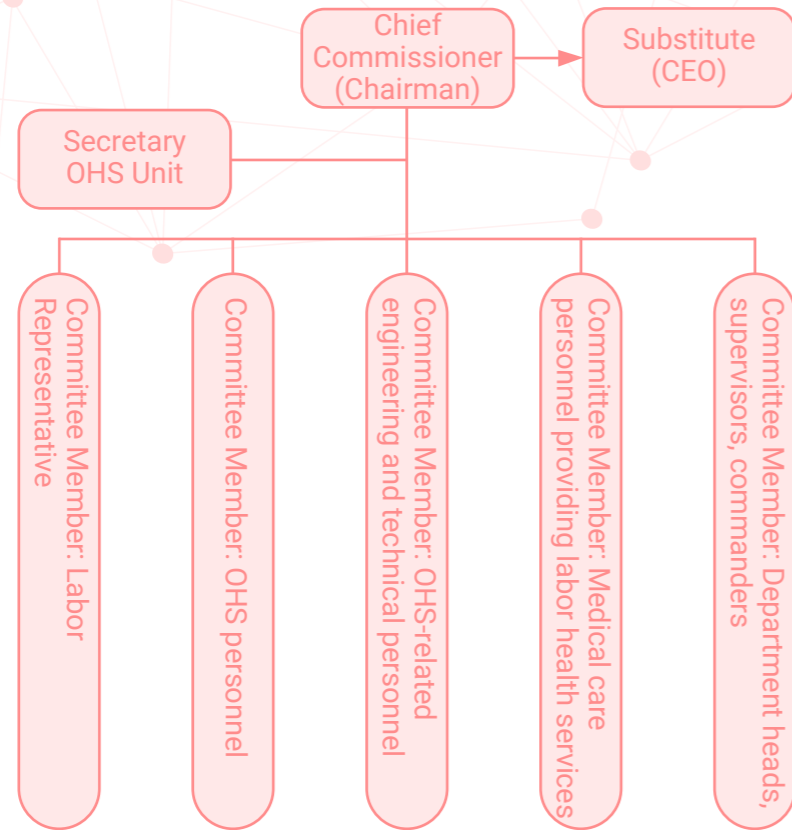
7.4 Occupational Safety and Health

7.4.1 Occupational Health and Safety (OHS) Management System

The Company strives to provide employees with a safe and healthy workplace and maintain the safety of visitors and subcontractors. The Company continues to obtain the ISO 45001 Occupational health and safety management systems, and has obtained the Healthy Workplace Certification from the Ministry of Health and Welfare. 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.

Safety Rules	Risk Assessment	Audit	Continuous Improvement
■ Follow the requirements of ISO 45001, RBA CoC, and local laws and regulations to set up regulations for OHS management.	■ Establish hazard identification and risk assessment procedures, conduct risk assessments annually, and propose corrective measures	■ Establish regulations for OHS audit, and conduct inspections of operational and fire safety equipment in factory areas every year.	■ Conduct regular OHS training for all employees, and post relevant rules and information in plain sight at training venues.

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. The occupational safety and health management unit (OHS Unit) is the organization of the Company 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 13 members (serving a term of 2 years). While the Chairman of the Board of Director serves as the Chairman of the Committee, eight employee representatives (elected in labor-management 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.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

Organization chart: Chief Commissioner (Chairman) → Substitute (CEO); Secretary OHS Unit; Committee Members: Labor Representative; OHS personnel; OHS-related engineering and technical personnel; Medical care personnel providing labor health services; Department heads, supervisors, commanders.

Safety and Health Category

Item	2021 results
Statutory identification	1. Regularly identify relevant laws and regulations and track the compliance in all factory areas. 2. 55 OHS-related regulations adjusted.
Standardized management procedure	1. 16 documents of standardized OHS management procedure. 2. Maintained the Occupational health and safety management systems (ISO 45001).
Training	Provided all new employees with a 3-hour safety and health training course; the completion rate for such courses was 100%.
Hazard identification	Identified 1,502 potential safety and health hazards in the work environment and operational modes. Zero potential hazards identified involved high risk.
Chemicals control	Introduced 0 type of new chemicals.
Contractor management	Contractors have implemented a total of 516 cases of operation within the factories, of which 13 were high-risk operations, 10 were considered as regulations-violating operations. 98.06% of all such operations were completed in accordance with the factory regulations.
Implementation audit	1. A total of 6 improvement recommendations from internal audit. 2. All recommendations completed within the period.
Emergency drills	1. Implemented 2 emergency drills, including factory-wide fire evacuation drills and chemical leakage drills. 2. Implemented 1 fire extinguisher drills. 3. The 3 instances of near-miss were the consequence of a fire alarm accidentally triggered by personnel, or by the steam of the machine. A piece of conspicuous reminder was posted near the fire alarm the and position of the machine was changed.

7.4.3 Health Risk Management 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. A health checkup set worth NTD5,000 is granted to employees regardless of their age, and the expenses are fully borne by the company. A health checkup set worth NTD12,000 or more that is conducted in hospital is granted to top managerial personnel at or above the division level. Through the check-ups, we identify health-related risks and plan follow-up activities of health promotion. The Company has a health center where health services and operations are provided by contract resident physicians (Department of Occupational Medicine and Family Medicine Department), 3 full-time nurses, and a contract physician who comes onsite to provide services for 9 times per month and 3 hours per 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 2021 statistics of health check-ups for employees performing extraordinary operations, no employees engaging in the aforementioned two types of operations that are hazardous to health were classified as subjects for Level 3 or 4 management.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

Maternity protection

The Company's health center has several nursery rooms, all equipped with refrigerators for storing breast milk, sterilizers, cleaning supplies, and sinks, convenient for a new mother to breastfeed her baby in a comfortable, private, and hygienic environment. Meanwhile, we provide health risk assessment and health education to our female colleagues before and after child birth in order to assess whether the current environment posts any health risks to our female worker. If there is a concern of risk after assessment, the health center will arrange for the occupational physician to have an interview with the female staff, to visit and inspect her work environment, and to inform her supervisor at the unit, so that subsequent health management can be arranged. In addition, the Company also provides expectant mothers with a gift pack holding mostly baby care products, so that they can prepare the motherhood early on.

In 2021, we managed the maternity hazards by grading our workplace into three color-coded categories, namely green (it means the person to be protected won't suffer any health hazard when performing her job duties, but care should also be given to potential risks in her job); yellow (this environment may affect embryonic development, and maternal and infant health during pregnancy or breastfeeding); red (the one to be protected is prohibited from working in the area); we post a sign clearly indicating the color-coded graded materiality hazards at the entrance of each area, so that female staff at the childbearing age, expectant mothers, mothers within one year after childbirth, or subcontractors can clearly realize which zone they are advised not to enter, thereby providing comprehensive materiality protection.

■ Maternity hazards grading management - Yellow zone
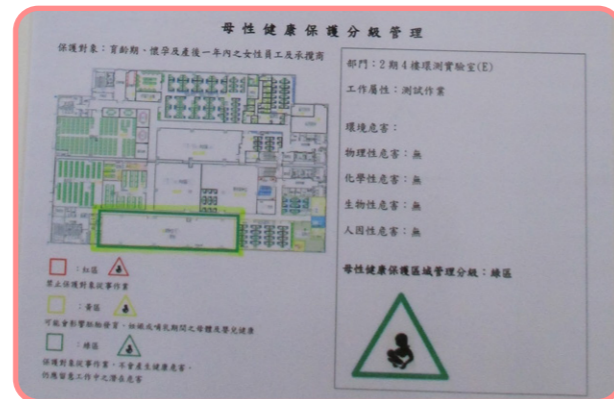
■ Maternity hazards grading management - Green zone

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. There were 1,195 people participating in the health promotion activities in 2021.

Event name	No. of participants
Weight-loss/fat-loss activity	258
Sleep Apnea ~ Project Improvement Program	141
Health passbook - Accumulate may health fortune	394
Smoking cessation activities	10
Cancer screening for women: mammography + pap smear	66
Parenthood seminar: Can Be More Concentrate Than You Think	82
Health seminar: Why Is Electrocardiogram Abnormal? Learn to Read Your "Heart"	75
Health seminar: Recognize Your Director Syndrome and Escape Life Problems	48
Health seminar: Lack of Vitamins D3: What Is the Better Way to Replenish	35
Health seminar: Roller Massage ~ Stretch and Relax Stressed Muscles	23
Health seminar: Prevent the Three Highs and Overwork; Attend to Your Body's Alert	63

■ Health seminar: Roller massage

■ Cancer screening for women

Employee Assistance Programs (EAPs)

Since 2011, the Company 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 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 and encourage them to use the services via non-periodic courses and publicities.

In 2021, of those who used EAPs, a total of 453 individuals used the first-stage telephone consultation (with case managers), and 82 used the second-stage consultation (with professional consultants), thus making total number of consultations 535. The annual average score of user satisfaction is 5.8 (out of 6). 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 2021, there were no deaths resulting from major industrial accidents in the Company. There were a total of ten occupational injuries, all of which resulted from traffic accidents during employees' travels to/from work. The Company's goal for occupational safety and health is to maintain zero major occupational disasters. Below is the statistical information of occupational injury in recent years:

Item		2018	2019	2020	2021
Injury category	Number of injuries sustained when performing duties	0	0	0	0
	Number of injury cases during a business trip	0	0	0	0
	Working day lost	0	0	0	0
Traffic accidents during travels to/from work	Number of injury cases	7	7	9	10
	Working day lost	9	73.7	75	150
Total working hours		2,541,052	2,977,212	3,639,410	4,703,511
Disabling injury frequency rate		0	0	0	0
Disabling injury severity rate		0	0	0	0

Note 1: Total working hours are the working hours of all employees.
Note 2: According to the guidance of GRI403-9, occupational injury data does not include traffic accidents during travels to/from work.
Note 3: Disabling injury frequency rate (FR) = number of occupational injuries × 1,000,000 / total working hours.
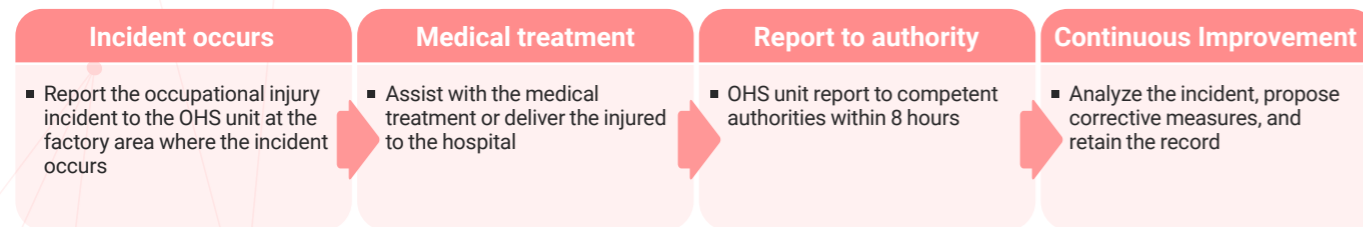Note 4: Disabling injury severity rate (SR) = total lost days × 1,000,000 / total working hours.
Note 5: Major occupational disasters are defined as (1) fatal disasters (2) disasters with more than three victims (3) disasters with more than one casualty and requiring hospitalization (4) other disasters designated and announced by the central competent authority.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

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.

Incident occurs	Medical treatment	Report to authority	Continuous Improvement
▪ Report the occupational injury incident to the OHS unit at the factory area where the incident occurs	▪ Assist with the medical treatment or deliver the injured to the hospital	▪ OHS unit report to competent authorities within 8 hours	▪ Analyze the incident, propose corrective measures, and retain the record

Subcontractor Occupational Safety and Health (OHS) Management

To maintain the goal of zero occupational incident for subcontractors, and to ensure the personnel of subcontractors abide by factory regulations and maintain factory order, safety, health, and environmental protection when performing operation in the factory, Phison Electronics established the "OHS Procurement Management Regulations" and the "Subcontractor Management Regulations". We first screen for subcontractors deemed appropriate to perform operation at our factory, and then ask them to sign the "Subcontractor Safety and Health Commitment Letter", to abide by domestic and foreign law and regulations respecting environment, and to follow the Code of Conduct of the Responsible Business Alliance (RBA).

In addition, we also require that an approval from the OHS Department and the supervision unit be obtained before subcontractors operate any high risk operation within the factory. The OHS Department supervises subcontractor's operation safety management by patrolling their work area from time to time during their operation. At the end of year, the OHS Department assesses subcontractors or vendors often performing work at the factory against the Subcontractor Safety and Health Performance Assessment Form, so as to ensure the quality of safety and health management of subcontractors.

In 2021, there were 516 cases of subcontractors performing operation inside the factory, with an estimated working hour totaling 2,064 hours. We formed 16 pieces of "Subcontractor Safety and Health Performance Assessment Form", with all the assessment results meeting the OHS standards. In addition, personnel of new subcontractors wishing to perform operation inside the factory shall complete the OHS training before entering the factory. Required trainings include OHS laws and regulations communication; highly-risk and risky operation management; and incidents and emergency response and COVID-19 pandemic control management. In 2021, there were 15 trainees, and there was no subcontractor sustaining an occupational injury or death.

7.5 Employee-employer Communication

The Company values employees' right to free 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.

Upholding the idea of respect and two-way communication, the Company not only holds the labor-management meetings as required by law, but also actively establishes multiple communication channels, such as physical and online forum, anonymous feedback box, complaints hotline, email address for complaints filing. For the first time, we performed the employee opinion survey in 2021, and launched the improvement policy through the investigation results. In doing so, we enhance the quality and benefits of communication while collecting employees' suggestions to provide a basis for improving our management benefits.

The topics discussed in the labor-management meetings in 2021 mainly include whether to increase the length of pregnancy checkup leave to 7 days, which is better than required by law; and whether to change the work type to "work from home" in the case of an office closure announced by the competent authority due to natural disaster.

7.5.1 Channels and frequency of communication

Category	Timing	No. of sessions in 2020	No. of sessions in 2021
Employee opinion survey	Once every two years	0	1
New employee opinion survey	Prior to new employee symposium	1	1
New employee symposium	Held semiannually in which the CEO communicates with new employees	1	1
Employee symposium	Held from time to time to hear feedback from employees	1	2
Employee seminar	Held after the investor conference to inform employees of Phison's operations and future goals	2	4
Labor-management meeting	Held by the Human Resource Department on a quarterly basis to facilitate communications between employees and the employer on the subject of labor rights	6	3

Note: Gathering in 2020 and 2021 was discouraged due to pandemic control considerations. As such, the number of New Employee Symposiums is reduced to one time only.

7.5.2 Employee opinion survey

Working with external consulting company, the Company conducted an employee opinion survey on full-time employees who have worked in the Company for more than six months for the first time. The survey had a total response rate of 77%; respondents totaled 1,695 people, 75.8% of them were men, while 24.2% were women. The survey covered 9 aspects, namely Immediate Manager, Effectiveness, Agility & Innovation, Engagement, Confidence, Strategic Focus, Employee Experience, Senior Leader Effectiveness, Performance Enablement, and Thriving. The survey results suggest an engagement rate of 78%, which is higher than the 74% for the global technology industry, and also higher that the 76% for Taiwan's general industries.

We also compared and analyzed our engagement as a whole by sex, by age, by seniority, by occupation, and by managerial/non-managerial. Our analysis results indicate an engagement rate for employees with 3 - 5 years of seniority being substantially lower than the Company's average engagement rate. As for other groups (female, sales team, non-managerial personnel), although their engagement rate was also lower than the Company's 78%, but the difference was within 5%, and so considered reasonable.

The top-level management have discussed the results of such employee opinion survey, explored the causes for aspects scoring low, and formulated countermeasures. The CEO also described the employee opinion survey results in person to employees in an employee symposium, communicated with them, and pledged to launch the improvement projects based on the employees' feedback.

Year	Region	Total number of employees receiving a questionnaire	Total number of replies	Survey response rate (%)		Engagement rate (%)
2021	Taiwan-based Phison Electronics	2,194	1,695	Male	77.3	79
				Female	77.1	75

Note: Survey response rate of male = total number of male responded / total male staff having received the link to the survey questionnaire. Survey response rate of female = total number of female responded / total female staff having received the link to the survey questionnaire.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

8. Social Participation

8.1 Charity Events and Phison Group Strategies

The Company 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", "environmental protection[13]", "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 contributed a total of NT$15,080,430 (including donations of funds and resources) towards charitable causes. Due to the pandemic, lot of physical activities shrank, with only 33 volunteers, 200 volunteer hours[14], and 5 collaborative partners in 2021.

[13]Since the quantity of the Company's environmentally friendly projects have grown at a conspicuous rate in recent years, the Company changed the original work theme of "Promotion of Arts and Cultures'to "Environmental Protection."

[14]Of the 200 volunteer hours, 136 were in office hours, and the remaining 64 were in off-hours and on holidays.

Support for students

- Donated to the scholarship funds of Department Of Materials Science And Engineering, National Yang Ming Chiao Tung University
- Donated scholarship to the Financial Supervision and Corporate Governance Center, Institute of Science and Law, National Yang Ming Chiao Tung University
- Donated to a charitable event - Fun to Go to Schools
- Sponsored the event expenses for the Electrical Engineering Week of National Yang Ming Chiao Tung University
- Sponsored the production of the MV containing the graduation song of Graduate Student Association, National Yang Ming Chiao Tung University
- Sponsored the scholarship for financially disadvantaged students of National Yang Ming Chiao Tung University
- Donated funds to National Tsing Hua University annual charitable events.
- Sponsored the Autumn recruitment orientation in National Cheng Kung University
- Sponsored the graduation presentation of the 39th Overseas Youth Vocational Training Programs, Journalism & Mass Communication, Ming Chuan University

Donations in cash totaled NT$2,429,635.

Community care

- Donated to the Taiwan Health Foundation
- Donated to the Liver Disease Prevention & Treatment Foundation
- Donated to the Kaohsiung City Police Department
- Donated to Miaoli County Police Friends Association
- Donated computer equipment to the Criminal Investigation Bureau, National Police Agency, Ministry of the Interior
- Sponsored the establishment of the national Friends of the Police Association
- Donated 4 ultra-violet sterilization robots to the hospital
- Sponsored Mackay Memorial Hospital to purchase COVID-19 screening kits
- Donated funds to National Taiwan University Hospital for epidemic prevention
- Purchased 1,500 rice dumplings as a gift to medical staff

Donations in cash totaled NT$3,050,000, while the total value of supplies donated reached NT$4,510,795.

Support for the disadvantaged

- Donated to Lotus Garden Shelter Farm
- Sponsored the 1919 Food Bank
- Donated funds to the Taiwan Fund for Children and Families
- Donated funds to the Huashan Social Welfare Foundation
- Donated funds to Hsin Miao Education and Nursing Institute
- Donated funds to Boyo Social Welfare Foundation
- Donated funds to Eden Social Welfare Foundation
- Donated funds to Holy Family for Special Education
- Donated to Taipei Orphan Welfare Foundation
- Donated funds to Yu An Retarded Children's Home
- Donated funds to Child Welfare League Foundation R.O.C.
- Donated funds to Syin-Lu Social Welfare Foundation

Donations in cash totaled NT$3,300,000.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

13 CLIMATE ACTION

14 LIFE BELOW WATER

Environmental protection

- Donated tree-raising funds to TOAF "Coastal Forest Restoration Long-term Program"
- Donated planting for greening and beatification of the public facility of Miaoli County Government

Donations in cash totaled NT$400,000.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

17 PARTNERSHIPS FOR THE GOALS

Social innovation

- Sponsored the 32nd VLSI Design/CAD Symposium
- Sponsored the Mei-Chu tournament
- Sponsored the Academic Development Foundation of National Taiwan University
- Sponsored the Formula Student Taiwan
- Donated to Chinese World TaTung LongHua Saintdom Association
- Donated to the Miaoli Country Athlete Development Program

Donations in cash totaled NT$1,390,000.

8.2 Annual Charity Performance

Analysis of charity categories

Category	Amount (NT$)	Percentage (%)
Charity donation	5,729,635	37.99
Community investments	7,960,795	52.79
Commercial Initiatives	1,390,000	9.22
Total money for annual charity activities	15,080,430	100

Commercial initiatives, 9.22%
Charity donation, 37.99%
Community investments, 52.79%
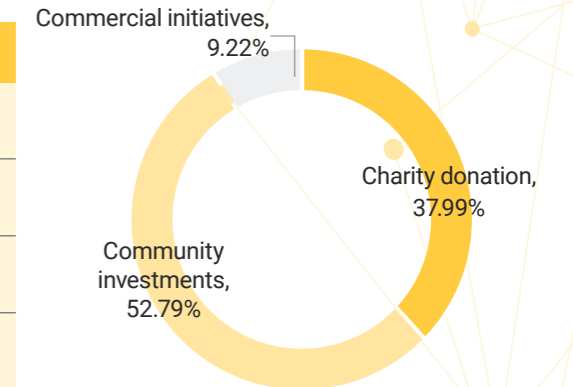
Cost analysis of charitable expenses

Category	Amount (NT$)	Percentage (%)
Cash input	10,569,635	69.14
Time input	182,767	1.20
In-kind giving	4,510,795	29.51
Management overheads	22,710	0.15
Total costs of annual charity activities	15,285,907	100

Management overheads, 0.15%
In-kind giving, 29.51%
Cash contributions, 69.14%
Time input, 1.20%
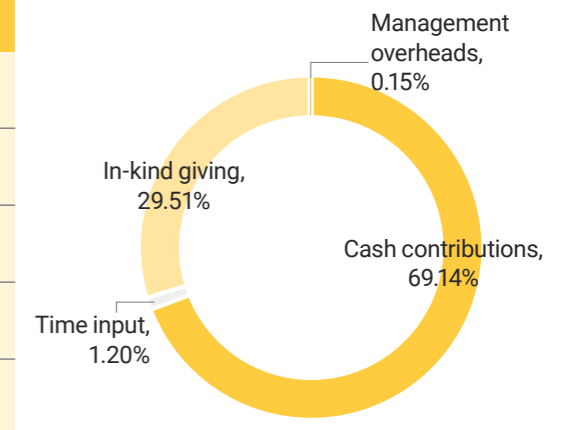
Note: Time input calculation method:
    Volunteer hourly wage = (average salary for non-managerial positions /
    total working days in 2021) / daily working hour
    Total volunteer time value = volunteer hours invested during working hours * volunteer
    hourly wage

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

Donated funds and expenses in the past four years for political activities, industrial associations, and tax-exempt groups are as follows: donated fund in this regard was NTD0 in 2021.

(unit: NT$1,000)

Item	2018	2019	2020	2021
Lobbying group; advocacy group.	0	0	0	0
Political activities; candidate;	0	0	0	0
Business association, associations, or tax exempt group	1,000	1,520	1,300	0
Total	1,000	1,520	1,300	0

Highlight Project 1: Conveying love to remote rural area; Initiating "Fun to Go to Schools", the 5-year assistance plan

The Company has been devoted to charitable causes. This year, we initiated the five-year assistance plan, namely "Fun to Go to Schools", in which we invited colleagues to participate. Led by our Vice President in person, we went to serve as volunteers for Li Yue Elementary School and Nan Hei Elementary School. We also raised funds and resources within the Company. By mobilizing Phison personnel, we contributed our humble efforts for schools at a remote area, hoping more enterprises can follow suit to provide such assistance plans. In doing so, we help children at a remote village broaden their horizon while enhancing their learning motivation.

Aside from donating funds and resources, our volunteer team also interacted with the children by lecturing on the trendy and coolest signature courses, namely STEAM, standing for Science, Technology, Engineer, Arts, and Math. Through the STEAM courses, we helped children learn inter-disciplinary knowledge and cultivated their implementation ability. Children in the courses not only learned the daily application of multiple storage products, they also drew to design their own USB packaging, which might be a memory that lingers long.

Highlight Project 2: Guarding Taiwan's Coastline; Initiating the Coastal Forest Restoration Long-term Program

Due to the impact of climate change and the misuse of land by our country fellows, Taiwan's coastline is shrinking and thus the land draining. Growing a comprehensive patch of coastal forest that forms a natural green barrier is the best way to conserve the coastal ecological systems and our land.

Jointly with Tse-Xin Organic Agriculture Foundation (TOAF), the Company participated in the restoration program at every stage, from purchase of saplings, planting, to soil improvement at the later stage. A total of 1,000 trees that are ideal for wind break and sand fixation, e.g., Yellow Hibiscus, Pandanus tectorius, and Casuarina were planted along the coastal area in Dayuan District and Guanyin District of Taoyuan City. TOAF took care of subsequent measuring and monitoring of the growth of trees. As of the end of December, the survival rate of saplings in Dayuan was 97%, and Guanyin 87%. We expect to form a forest within three years through planting of trees, hoping to safeguard Taiwan's coastal line and conserve our land from draining.

Forming a forest through planting of trees requires vision, patience, and continuous actions. We hope our participation in such a program will contribute to UN's Sustainable Development Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

Appendix I GRI Standards Content Index

	Disclosures		Related Report Section(s)	Page(s)	Reasons for Omission
【Core】	102-1	Name of the organization	About this Report	12	
【Core】	102-2	Activities, brands, products, and services	1.2 Primary Products and Sales Regions	12	
【Core】	102-3	Location of headquarters	1.2 Primary Products and Sales Regions	12	
【Core】	102-4	Location of operations	1.2 Primary Products and Sales Regions	16	
【Core】	102-5	Ownership and legal form	1.1 Company Profile	12	
【Core】	102-6	Markets served	1.2 Primary Products and Sales Regions	16	
【Core】	102-7	Scale of the organization	1.1 Company Profile 7.1 Employment Overview	12/68	
【Core】	102-8	Information on employees and other workers	7.1 Employment Overview	68	
【Core】	102-9	Supply chain	1.1 Company Profile 5.1 Supply Chain Management	12/54	
【Core】	102-10	Significant changes to the organization and its supply chain	1.1 Company Profile	12	There is no major changes to the organization and supply chain in 2021.
【Core】	102-11	Precautionary Principle or approach	3.5 Risk Management	34-37	
【Core】	102-12	External initiatives	6 Environmental Protection	58	
【Core】	102-13	Membership of associations	1.3 Participation in External Organizations	17	
【Core】	102-14	Statement from senior decision-maker	Words from CEO	4-5	
【Core】	102-15	Key impacts, risks, and opportunities	3.5 Risk Management 6.1 Climate Change Management	34-36/59	
【Core】	102-16	Values, principles, standards, and norms of behavior	3.3 Ethical Corporate Management	30-31	
【Core】	102-18	Governance structure	3.2 Corporate Governance	25	
【Core】	102-40	List of stakeholder groups	2 Stakeholder Engagement	20-21	
【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	18	
【Core】	102-43	Approach to stakeholder engagement	2.2 Communication with stakeholders	20-21	
【Core】	102-44	Key topics and concerns raised	2.1 Materiality Assessment Procedures	18-23	
【Core】	102-45	Entities included in the consolidated financial statements	3.6 Economic Performance	38-41	
【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	22-23	

	Disclosures		Related Report Section(s)	Page(s)	Reasons for Omission
【Core】	102-48	Restatements of information	Please refer to each chapter for details	60/83	
【Core】	102-49	Changes in reporting	2.1 Materiality Assessment Procedures	18	
【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 I	100-105	
【Core】	102-56	External assurance	Appendix V	108-109	

Topic-specific Disclosures		Related Report Section(s)	Page(s)	Reasons for Omission
Economic Performance				
GRI 103：	Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	3.6 Economic Performance	38	
103-2	The management approach and its components	3.6 Economic Performance	38	
103-3	Evaluation of the management approach	3.6 Economic Performance	38	
GRI 201：	Economic Performance 2016			
201-1	Direct economic value generated and distributed	3.6 Economic Performance	39	
201-3	Defined benefit plan obligations and other retirement plans	7.2 Talent Attraction & Retention	78	

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

Topic-specific Disclosures		Related Report Section(s)	Page(s)	Reasons for Omission
Ethical Corporate Management				
GRI 103：	Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	3.3 Ethical Corporate Management	30	
103-2	The management approach and its components	3.3 Ethical Corporate Management	30	
103-3	Evaluation of the management approach	3.3 Ethical Corporate Management	30	
GRI 205：	Anti-corruption 2016			
205-2	Communication and training about anti-corruption policies and procedures	3.3 Ethical Corporate Management	31	
205-3	Confirmed incidents of corruption and actions taken	3.3 Ethical Corporate Management	31	

Topic-specific Disclosures		Related Report Section(s)	Page(s)	Reasons for Omission
Talent Attraction & Retention				
GRI 103：	Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	7.2 Talent Attraction & Retention	73	
103-2	The management approach and its components	7.2 Talent Attraction & Retention	73	
103-3	Evaluation of the management approach	7.2 Talent Attraction & Retention	73	
GRI 401：	Employment 2016			
401-1	New employee hires and employee turnover	7.1 Employment Overview	72	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	7.2 Talent Attraction & Retention	76	
401-3	Parental leave	7.2 Talent Attraction & Retention	83	

Topic-specific Disclosures		Related Report Section(s)	Page(s)	Reasons for Omission
Talent Development and Training				
GRI 103：	Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	7.3 Talent Development and Training	84	
103-2	The management approach and its components	7.3 Talent Development and Training	84	
103-3	Evaluation of the management approach	7.3 Talent Development and Training	84	
GRI 404：	Training and Education 2016			
404-1	Average hours of training per year per employee	7.3 Talent Development and Training	85-86	
404-3	Percentage of employees receiving regular performance and career development reviews	7.3 Talent Development and Training	86	

Topic-specific Disclosures		Related Report Section(s)	Page(s)	Reasons for Omission
Supply Chain Management				
GRI 103：	Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	5. Responsible Supply Chain	52	
103-2	The management approach and its components	5. Responsible Supply Chain	52	
103-3	Evaluation of the management approach	5. Responsible Supply Chain	52	
GRI 308：	Supplier Environmental Assessment 2016			
308-1	New suppliers that were screened using environmental criteria	5.1 Supply Chain Management	53	
GRI 414：	Supplier Social Assessment 2016			
414-1	New suppliers that were screened using social criteria	5.1 Supply Chain Management	53	

Topic-specific Disclosures		Related Report Section(s)	Page(s)	Reasons for Omission
Risk Management				
GRI 103：	Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	3.5 Risk Management	34	
103-2	The management approach and its components	3.5 Risk Management	34	
103-3	Evaluation of the management approach	3.5 Risk Management	34	

Topic-specific Disclosures		Related Report Section(s)	Page(s)	Reasons for Omission
Innovation management				
GRI 103：	Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	4. Innovation & Service	44	
103-2	The management approach and its components	4. Innovation & Service	44	
103-3	Evaluation of the management approach	4. Innovation & Service	44	

Topic-specific Disclosures		Related Report Section(s)	Page(s)	Reasons for Omission
Green product				
GRI 103：	Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	4. Innovation & Service	44	
103-2	The management approach and its components	4. Innovation & Service	44	
103-3	Evaluation of the management approach	4. Innovation & Service	44	
GRI 302：	Energy 2016			
302-5	Reductions in energy requirements of products and services	4.1 Innovative R&D	46-47	

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

Other Topics		Related Report Section(s)	Page(s)	Reasons for Omission
GRI 206:	Anti-competitive Behavior 2016			
206-1	Legal actions for anti-competitive behavior , anti-trust , and monopoly practices	3.4 Regulatory Compliance	32	
GRI 207：	Tax 2019			
207-4	Country-by-country reporting	3.6 Economic Performance	41	
GRI 302：	Energy 2016			
302-1	Energy consumption within the organization	6.2 Energy Resources Management	60	
302-3	Energy intensity	6.2 Energy Resources Management	60	
302-4	Reduction of energy consumption	6.2 Energy Resources Management	62	
GRI 305：	Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	6.1 Climate Change Management	60	
305-2	Energy indirect (Scope 2) GHG emissions	6.1 Climate Change Management	60	
305-4	GHG emissions intensity	6.1 Climate Change Management	60	
305-5	Reduction of GHG emissions	6.2 Energy Resources Management	60	
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 307：	Environmental Compliance 2016			
307-1	Non-compliance with environmental laws and regulations	3.4 Regulatory Compliance	32	
GRI 403：	Occupational Health and Safety 2018			
403-9	Work-related injuries	7.4 Occupational Safety and Health	91	
GRI 405：	Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	7.1 Employment Overview	70	
405-2	Ratio of basic salary and remuneration of women to men	7.2 Talent Attraction & Retention	75	
GRI 406：	Non-discrimination 2016			
406-1	Incidents of discrimination and corrective actions taken	7.2 Talent Attraction & Retention	82	

Other Topics		Related Report Section(s)	Page(s)	Reasons for Omission
GRI 408:	Child Labor 2016			
408-1	Operations and suppliers at significant risk for incidents of child labor	7.2 Talent Attraction & Retention	79	
GRI 409：	Forced or Compulsory Labor 2016			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	7.2 Talent Attraction & Retention	79	
GRI 412：	Human Rights Assessment 2016			
412-2	Employee training on human rights policies or procedures	7.2 Talent Attraction & Retention	79	
GRI 418：	Customer Privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	3.7 Information Security	41	
GRI 419：	Socioeconomic Compliance 2016			
419-1	Non-compliance with laws and regulations in the social and economic area	3.4 Regulatory Compliance	32	

Appendix II SASB Content Index

Topic	Code	Accounting Metric	Category	Report Contents or Explanation	Page(s)
Greenhouse Gas Emissions	TC-SC-110a.1	■ Gross global Scope 1 emissions ■ Amount of total emissions from perfluorinated compounds	Quantitative	6.1 Climate Change Management	60
	TC-SC-110a.2	■ Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets ■ The activities and investments required to achieve the plans and/or targets, and any risks or limiting factors that might affect achievement of the plans and/or targets	Discussion and Analysis	6.1 Climate Change Management	59-60
Energy Management in Manufacturing	TC-SC-130a.1	■ Total energy consumed ■ Percentage grid electricity ■ Percentage renewable	Quantitative	6.2 Energy Resources Management	60
Water Management	TC-SC-140a.1	■ Total water withdrawn ■ Total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	6.2 Energy Resources Management	61
Waste Management	TC-SC-150a.1	■ Amount of hazardous waste from manufacturing, percentage recycled	Quantitative	6.3 Effluent and Waste Management	63
Employee Health & Safety	TC-SC-320a.1	■ Description of efforts to assess, monitor, and reduce exposure of employees to human health hazards	Discussion and Analysis	7.4 Occupational Safety and Health	89
	TC-SC-320a.2	■ Total amount of monetary losses as a result of legal proceedings associated with employee health and safety violations	Quantitative	3.4 Regulatory Compliance	32
Recruiting & Managing a Global & Skilled Workforce	TC-SC-330a.1	■ Percentage of employees that are (1) foreign nationals and (2) located offshore	Quantitative	7.1 Employment Overview	69
Product Lifecycle Management	TC-SC-410a.1	■ Percentage of products by revenue that contain IEC 62474 declarable substances	Quantitative	6.4 Green Design Based on the total sales amount of the product, 100% was in compliance with IEC 62474 requirements.	65
	TC-SC-410a.2	■ Processor energy efficiency at a system-level for: (1) servers, (2) desktops, and (3) laptops	Quantitative	Phison is not an end product manufacturer, and thus there is no applicable content.	N/A
Materials Sourcing	TC-SC-440a.1	■ Description of the management of risks associated with the use of critical materials	Discussion and Analysis	5.1 Supply Chain Management	54
Intellectual Property Protection & Competitive Behavior	TC-SC-520a.1	■ Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	Quantitative	3.4 Regulatory Compliance	32

Appendix III United Nation Global Compact Comparison Table

Category	10 Principles	Report Contents or Explanation	Page(s)
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights	7.2 Talent Attraction & Retention	79
	Make sure that they are not complicit in human rights abuses	7.2 Talent Attraction & Retention	79-82
Labour	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargainin	7.5 Employee-Employer Communication	92
	The elimination of all forms of forced and compulsory labour	7.2 Talent Attraction & Retention	79
	The effective abolition of child labour	7.2 Talent Attraction & Retention	79
	The elimination of discrimination in respect of employment and occupation	7.2 Talent Attraction & Retention	79
Environment	Businesses should support a precautionary approach to environmental challenges	6.3 Effluent and Waste Management 6.4 Green Design	62-63 64-65
	Undertake initiatives to promote greater environmental responsibility	6.4 Green Design 8.1 Charity Events and Phison Group Strategies	64-65 94
	Encourage the development and diffusion of environmentally friendly technologies	6.4 Green Design	64-65
Anti-Corruption	Businesses should work against corruption in all its forms, including extortion and bribery	3.3 Ethical Corporate Management	30-31

PHISON 2021 Corporate Sustainability Report

About Phison   Stakeholder Engagement   Sustainable Governance   Innovation & Service
Responsible Supply Chain   Environmental Protection   Employee Care   Social Participation   Appendix

Appendix IV

INDEPENDENT ASSURANCE OPINION STATEMENT

PHISON Electronics Corp. 2021 Corporate Sustainability Report

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

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

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

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

Scope

The scope of engagement agreed upon with PHISON includes the followings:
1. The assurance scope is consistent with the description of PHISON Electronics Corp. 2021 Corporate Sustainability Report.
2. The evaluation of the nature and extent of the PHISON's adherence to AA1000 AccountAbility Principles (2018) in this report as conducted in accordance with type 1 of AA1000AS v3 sustainability assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

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

Opinion Statement

We conclude that the PHISON Electronics Corp. 2021 Corporate Sustainability Report provides a fair view of the PHISON sustainability programmes and performances during 2021. The sustainability report subject to assurance is free from material misstatement based upon testing within the limitations of the scope of the assurance, the information and data provided by the PHISON and the sample taken. We believe that the performance information of Environment, Social and Governance (ESG) are fairly represented. The sustainability performance information disclosed in the report demonstrate PHISON's efforts recognized by its stakeholders.

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

Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:
— a review of issues raised by external parties that could be relevant to PHISON's policies to provide a check on the appropriateness of statements made in the report.
— discussion with managers on approach to stakeholder engagement. However, we had no direct contact with external stakeholders.
— 3 interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out.
— review of key organizational developments.
— review of the findings of internal audits.
— review of supporting evidence for claims made in the reports.
— an assessment of the organization's reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality, Responsiveness and Impact as described in the AA1000AP (2018).

Conclusions

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

Inclusivity

This report has reflected a fact that PHISON has sought the engagement of its stakeholders and established material sustainability topics, as the participation of stakeholders has been initiated in developing and achieving an accountable and strategic response to sustainability. There are fair reporting and disclosures for the information of Environment, Social and Governance (ESG) in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the PHISON's inclusivity issues.

Materiality

PHISON publishes material topics that will substantively influence and impact the assessments, decisions, actions and performance of PHISON and its stakeholders. The sustainability information disclosed enables its stakeholders to make informed judgements about the PHISON's management and performance. In our professional opinion the report covers the PHISON's material issues.

Responsiveness

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

Impact

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

GRI Sustainability Reporting Standards (GRI Standards)

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

Assurance level

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

Responsibility

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

Competency and Independence

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

For and on behalf of BSI:

Peter Pu, Managing Director BSI Taiwan

AA1000
Licensed Report
000-4/V3-QPCRZ

Statement No: SRA-TW-2021034
2022-05-05

...making excellence a habit.™

Taiwan Headquarters: 2nd Floor, No. 37, Ji-Hu Rd., Nei-Hu Dist., Taipei 114, Taiwan, R.O.C.

BSI Taiwan is a subsidiary of British Standards Institution.