

# Phison Electronics Corporation

## Tax Governance Policy

Established on December 20, 2022

Competent Authority: Finance Division

### **Article 1. Purpose**

Phison Electronics Corporation (hereinafter referred to as "the Company") approaches a virtuous tax risk management and recognizes the need to adhere to global trends in the strengthening of its tax governance. The establishment of "Tax Governance Policy" (hereinafter referred to as "the Policy") helps the Company in its implementation of corporate sustainability, enhances shareholder value, and fulfills its corporate social responsibility.

### **Article 2. Scope**

All subsidiaries included in the consolidated financial statements, both domestic and foreign, shall comply with the Policy.

### **Article 3. Tax Governance Policy and Code of Conduct**

The Company's tax governance is based on the principles of good faith and integrity, and the Tax Governance Policy and Code of Conduct are as follows:

#### *I. Compliance:*

We are committed to comply with the spirit as well as the letter of the tax laws and regulations of each jurisdiction in which we operate, and we accurately calculate all tax charges and file tax returns prior to legal deadlines so as to fulfill our obligations to pay taxes.

#### *II. Risk management:*

The Company's tax assessment related to decision-making should be participated by the Finance Division and external experts and response measures with consideration to the optimization of our overall tax burden and the impact on our reputation, risk management, and sustainability values under globalized operations.

#### *III. Economic substance:*

We do not use tax structures intended for tax avoidance, do not transfer value created to low tax jurisdictions, or use secrecy jurisdictions (known as tax havens) to avoid taxes. Related-party transactions shall comply with arm's length principles and we are committed to complying with the transfer pricing rules in each jurisdiction where we operate, so as to fulfill our tax obligations in the jurisdictions where value is created.

*IV. Information transparency:*

Tax-relevant information will be disclosed publicly to stakeholders on a regular basis to ensure transparency.

*V. Integrity and communication:*

Our interactions with tax authorities in each jurisdiction shall be based on the spirit of mutual trust, information transparency and compliance with laws and regulations, and discuss tax issues in an honest, fair, respectful and honest manner.

*VI. Talent Cultivation:*

We shall ensure that our employees receive regular domestic and foreign training in order to enhance their competencies with regard to tax governance. We manage tax-related affairs based on principles of good faith and integrity and effectively manage tax risks in order to implement corporate sustainability, maintain shareholder equity, and fulfill our corporate social responsibility.

**Article 4. Tax governance related organizations and responsibilities**

The relevant organizational structures and responsibilities of tax administration are as follows:

*I. Board of Directors*

- (I) The Board of Directors has the final decision-making authority to ensure that sound tax risk management mechanisms are implemented in the Company.
- (II) In order to ensure effective implementation of tax governance mechanisms, the Board of Directors approves overall tax governance policies based on operational strategies and the business environment.

*II. Tax Management Unit*

Our Finance Division is responsible for tax management and delivers at least one report on tax governance matters to the Board of Directors annually.

*III. Subsidiaries' Tax Management*

The Company's subsidiaries shall adhere to the principles of hierarchy delegation while also notifying the Company of such matter or event. The Company may get involved in such matter or event or require the subsidiary to submit the relevant information or propose remediation measures depending on the circumstances:

- (I) change of equity structure;
- (II) proposed merger or acquisition, or major corporate structuring, disposals or taxation decisions of domestic or overseas entities;
- (III) tax opinions, planning, tax-related decisions or risk assessments regarding a major transaction;
- (IV) communications with tax authorities regarding major issues or potential disputes (excluding routine corrections and communications without any disputes and risks, and simple submission of corporate information)

- (V) communications with auditors regarding major tax issues or disputes;
- (VI) investigations by tax authorities or risks of potential tax violation;
- (VII) major tax issues or disputes relating to any domestic or overseas enterprises or investment; and
- (VIII) other tax issues having material impact on the financial statements.

**Article 5. Supplementary Provisions**

In line with developments in international and domestic laws and regulations, the Policy shall be reviewed and revised when necessary. Matters not resolved should be referred to the competent authorities and follow the relevant provisions of the Company.

**Article 6. Enforcement and Revision**

Any amendments or revocations to the Policy require approval through a resolution by the Board of Directors.

The Policy shall be enforced from the date of promulgation.