

2023

## Phison Electronics ESG Report



# About this Report

Phison Electronics Corp. (referred to as Phison Electronics/Phison/the Company hereinafter) 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 "2023 ESG Report" (referred to as "the Report" hereinafter) in July 2024, with Chinese and English versions posted under the ESG Section of our website for stakeholders to peruse. The Report covers the Company's economic, social, and environmental performance, as well as management approaches and action plans with respect to the material topics between January 1 and December 31, 2023.

## Reporting Scope

The Company's consolidated financial statements include PHISON and the following subsidiaries: Lian Xu Dong Investment Corporation, Phison Electronics Japan Corp., Emtops Electronics. Corp., Phisontech Electronics Taiwan Corp., Global Flash Limited, Power Flash (Samoa) Limited, Regis Investment (Samoa) Limited, Nextorage Corporation, Phison Technology India Private Limited, Core Storage Electronic(Samoa) Limited, OSTEK Corporation, Power Flash (HK) Limited, Power Storage Technology(Shenzhen) Co., Ltd., RealYou Investment Limited, Hefei Ruihan Electronic Technology Co., Ltd., Phison Technology Inc. and Super Storage Technology Corporation.

Considering operational significance, 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 all the other chapters covers all operating locations of Phison Electronics in Taiwan. Phison Electronics operating locations in Taiwan include the Phison Electronics Headquarters, Phison Electronics Hsinchu Office, Phison Electronics Taipei Office, and Phison Electronics Tainan Office.

## 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 2021 published by the Global Reporting Initiatives (GRI) - the GRI sector-specific standards for the semiconductor industry has yet to be published -, the Semiconductors Sustainability Accounting Standard 2018 published by the Sustainability Accounting Standards Board (SASB), and the reporting framework developed by the Task Force on Climate-related Financial Disclosures (TCFD), has been attested by TUV NORD Taiwan against AA1000 Assurance Standard (AA1000AS v3), GRI Standards 2021, and SASB Standards. The Company's financial information was audited by KPMG. All financial information in the Report is disclosed in NT\$, and all statistics are calculated based on indicators used internationally.

## Report Compilation and Approval Procedures

Data in this Report were provided by each department, compiled by the task forces under the Corporate Sustainable Development Committee set up under the Board of Directors, confirmed by each department, and then issued after being submitted by the Corporate Sustainable Development Committee and approved by the Board of Directors.

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- Latest Version: Published July 2024
  - Previous Version: Published June 2023
  - Next Version: June 2025

The sustainability report release cycle is consistent with the financial statements

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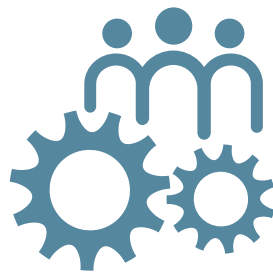
## A Message from the CEO

The NAND storage industry has gradually changed since the middle of the third quarter of 2023, including the severe losses of NAND original manufacturers since the first quarter of 2023. Little by little, as NAND original manufacturers reduced the total global NAND supply through production cuts, the NAND market price gradually improved. Therefore, although NAND original manufacturers were not be able to turn losses into profits by the end of 2023, at least the supply and demand situation in the overall market has gradually begun to return to a healthy balance. Phison Electronics also accumulated a solid foundation in all aspects including IP technology, R&D talents, patents, R&D funds, and inventory thanks to the "Guang Ji Liang (store grain everywhere)" strategy, allowing Phison to benefit more significantly and grow during this economic recovery. Although the global economy and demand do not seem to have fully recovered, Phison has accumulated independent technologies and products, coupled with Phison's recent launch of new products, including the exclusive patented "aiDAPTIV+" technology solution, enterprise-level SSD, and a full range of UFS storage solutions, vehicle storage modules, and high-speed transmission solutions "Retimer/Redriver", enabling Phison to maintain a relatively stable and profitable performance during the market downturn. As the founder and CEO of Phison, I feel very gratified and grateful, and we have, once again, proven that Phison's strategy and layout are continuing to simmer. Looking forward to the future, Phison will continue to use IC design as the basis to assist customers around the world to create more value-added solutions. More importantly, Phison hopes to create more value for the global NAND storage industry, leading an industrial trend of moving from "price competition" to "adding value", or even towards "creating value".

Phison not only continues to improve in technology, but also attaches great importance to ESG-related issues. In addition to being ranked among the 6%-20% TPEX-listed companies in the Corporate Governance Evaluation, Phison was also selected as a member of the S&P Global Sustainability Yearbook 2024. In view of the fact that climate change has become an important global issue, which will comprehensively affect the development blueprint of enterprises in terms of regulations, value chains, and product trends, furthermore, once a climate disaster occurs, it will have a huge financial impact on enterprises. As a result, Phison not only strives to save energy and reduce carbon emissions to contribute to "climate mitigation", but also improves organizational climate "resilience" as much as possible to make "adaptation" to the impact of climate change. In addition to continuously optimizing product performance help reduce end users' carbon emissions, Phison will also fulfill its renewable energy commitment by raising its consumption of renewable energy to at least 10% of its total electricity consumption by 2025, and by purchasing an amount of renewable electricity equal to 20% of its total electricity consumption by 2030. In addition, Phison fills out the Carbon Disclosure Project (CDP) climate change questionnaire and water security questionnaire every year, striving to allow stakeholders from all walks of life to obtain more transparent information.

Good work environment, compensation, and benefits is the way to build long-term development with employees. Phison assesses feasibility based on employee suggestions collected through different platforms and then launches improvement projects while maintaining clear and effective labor-management communication channels, creating an inclusive, friendly, and healthy workplace so as to enhance employees' recognition for the Company. At the same time, as the organization scales up, so does the number of employees. In this year, to improve organizational performance, Phison continued to launch the "Manpower Efficiency (Management) Improvement Projects", hoping such training will enhance superiors' ability to foster subordinates and plan career development for subordinates, thereby improving colleagues' work skills. In terms of social welfare, Phison is committed to giving back to the local community. In recent years, we have focused more on enhancing our social influence. The charity projects "Fun to Go to Schools" and "Coastal Forest Restoration Long-term Program" have entered their third year. This year, we partnered with the Lovely Taiwan Foundation to launch the six-year "Shennong Farming Project" at Sinpu Elementary School in Tongxiao Township, Miaoli County to boost elementary school students' identification and confidence in their hometown. In 2023, the Company donated more than NT\$7.73 million worth of supplies and funds, practicing the ideal of "Take from society, give back to society" and joining hands with partners of different trades to create sustainable value.

## 2023 Performance Highlights



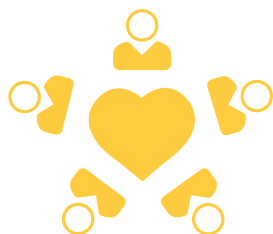
### Corporate Governance and Products

- Held 10 Board meetings with an average Director attendance rate of 94.38%.
- Ranked among the 6%-20% TPEx-listed companies in the corporate governance evaluation of Taiwan Stock Exchange.
- Became of member of the Dow Jones S&P Global Sustainability Yearbook 2024.
- Received the "Best ESG Solution - Liquidity and Investments" award from The Asset.
- Received the 2024 "Taiwan Excellence Award" for the PCIe 4.0 SSD E22T automotive storage solution.
- Identified a total of 54 critical suppliers; 100% of them have received an audit, with an audit passing rate of 92.59%.
- Scored 8.39 points in the annual customer survey, with the rate of "Satisfactory" reaching 85%.



### Environmental Protection

- Being rated B- in the CDP climate change questionnaire and water security questionnaire.
- Purchased 1,001,964 kWh renewable energy; expects to purchase renewable energy in the amount equal to 20% or more of total electricity consumption by 2030.
- The power consumption performance ratio of the newly launched SSD, UFS and eMMC chips is showing a downward trend. If estimated based on the daily usage of 40GB, while taking into account the annual shipment volume, compared with their respective benchmark products, the Company's four products PS8231, PS8325, PS5026 and PS5027T can help end users save approximately 48,907.12 kWh of electricity per year, which is equivalent to reducing 24.21 metric tons of carbon dioxide emissions.
- Held 2 sessions of the Environmental Education Lectures.
- The amount of green purchases amounted to NT\$4,972,126.
- The "Coastal Forest Restoration Long-term Program" has entered its third year, and a total of 3,000 tree (such as yellow hibiscus, screw-pine, and casuarina) that are resistant to wind, sand, water and salt have been planted on the adopted coastal land.




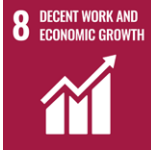




### Social Participation

- Received the Health Promotion Badge - Accredited Healthy Workplace from the Health Promotion Administration of the MOEA.
- The training included a total of 440 courses costing a total of NT\$4.899 million, with a satisfaction with the courses being 94.8 points on average.
- A total of 3 health screenings and 11 health seminars were held, with 2,863 people participating in the health promotion activities.
- In Employee Assistance Programs (EAPs) in the year offered consultation service to a total of 2,027 persons. The annual average score of user satisfaction is 5.8 points (out of 6 points).
- After an earnings call, the Company offered 4 sessions of employee briefings at which CEO of the Company brief employees on the operating status and goals in the future, thereby enhancing employees cohesion.
- Contributed a total of NT\$7,736,599 (including donations of funds and resources) towards charitable causes, with 737 volunteer hours cumulatively in 2023.



# Responding to UN SDGs



SDGs	SDGs Targets	Phison's Performance	Corresponding Chapters/Sections
	4.4 4.5	<ul style="list-style-type: none"> <li>■ Provided scholarships for underprivileged students and sponsored industry-academic cooperation, schooling, and student activities to improve education quality and support students' self-development.</li> <li>■ Launched the five-year assistance plan of "Fun To Go to Schools" to help implement the STEAM education concept.</li> <li>■ In collaboration with the Lovely Taiwan Foundation, the "Shennong Farming Project" was promoted at Sinpu Elementary School in Tongxiao Township, Miaoli County, with "organic diet, native education, and hometown identity" as the core concept, boosting elementary school students' identification and confidence in their hometown.</li> </ul>	CH8 Social Participation
	8.2 8.3 8.8	<ul style="list-style-type: none"> <li>■ Achieved a staff growth rate of approximately 5% in 2023 due to operational scale-up, and the R&amp;D layout was being actively expanded.</li> <li>■ In response to the rising salary standard in the market, salary increases will be assessed annually based on operating conditions, attesting to our practical feedback to employees' hard work.</li> <li>■ Maintained the ISO 45001-Occupational safety and health management system; promoted the maternity protection program; hosted diversified health-promoting activities to build a healthy workplace.</li> <li>■ The median salary for full-time employees in non-managerial positions is NTD 1,784 thousand and the average salary is NTD 2,020 thousand.</li> </ul>	CH3 Sustainable Governance CH7 Employee Care
	9.4	<ul style="list-style-type: none"> <li>■ The Company continues to invest resources in R&amp;D. In 2023, the annual R&amp;D expenses topped NTD10.3 billion, or 82.49% of total operating costs; total global patents obtained reached 2,006; in terms of patent quality, the Company's patent approval rate reached 90% or higher.</li> <li>■ We have been working in the automotive storage market for a long time and passed the ASPICE CL3 assessment, ISO 26262 certification, AEC-Q100 certification, and our partner manufacturers have passed the IATF 16949 certification. Through the development of automotive eMMC, BGA SSD and UFS, we create a comprehensive automotive storage solution that meets the safety and quality requirements of global car manufacturers.</li> <li>■ By introducing AI technology into NAND controller and algorithms, improving the computing performance and reliability of NAND storage solutions; at the same time, the Company has also established a data science team to develop and apply relevant AI technologies, and built a world-class verification laboratory to accelerate the rapid introduction of Phison's storage solutions into various PCs, mobile phones, automobiles, servers, e-sports and other applications.</li> </ul>	CH4 Innovation & Service
	12.2 12.5	<ul style="list-style-type: none"> <li>■ 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.</li> <li>■ 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.</li> <li>■ 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.</li> </ul>	CH4 Innovation & Service CH6 Environmental Protection
	13.1 13.3	<ul style="list-style-type: none"> <li>■ Voluntarily inventories carbon emissions every year; 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".</li> <li>■ Promoted energy-conservation programs and continued maintenance and upgrade of factory equipment to improve the resources and energy usage efficiency.</li> <li>■ The Company supports the "nature-based solution (NBS)" and continues the "Coastal Forest Restoration Long-term Program".</li> <li>■ The power consumption performance ratio of the Company's newly launched SSD, UFS and eMMC chips in 2023 is showing a downward trend. If estimated based on the daily usage of 40GB, while taking into account the annual shipment volume, compared with their respective benchmark products, the Company's four products PS8231, PS8325, PS5026 and PS5027T can help end users save approximately 48,907.12 kWh of electricity per year, which is equivalent to reducing 24.21 metric tons of carbon dioxide emissions.</li> </ul>	CH6 Environmental Protection CH8 Social Participation
	17.16	<ul style="list-style-type: none"> <li>■ Donated a research fund to relevant industry associations and academic research foundations.</li> <li>■ Donated computer equipment to the police station and the fire brigade for them to improve service quality and work efficiency.</li> </ul>	CH8 Social Participation

# Sustainability Management Indicators

Type of Sustainability Topic	Key Performance Indicator	Targets in 2023	Actual Performance in 2023	Progress	Targets in 2025	Targets in 2027
Talent Attraction & Retention <sup>1</sup>	■ Employee retention rate	No less than 90%	95.63%	Achieved	No less than 90%	No less than 90%
	■ Talent recruitment rate <sup>2</sup>	No less than 10 times	18 times	Achieved	No less than 10 times	No less than 10 times
Talent Development and Training	■ Score of satisfaction with training courses	Maintain at no less than 92 points	94.8 points	Achieved	Maintain at no less than 94 points	Maintain at no less than 94 points
	■ Average number of hours of management courses taken by the supervisors	No less than 10 hours	11.6 hours	Achieved	No less than 10 hours	No less than 10 hours
Occupational Safety and Health	■ Sessions of health promoting activity	7	12	Achieved	At least 8 sessions	At least 8 sessions
	■ Participation rate for health promoting activities	A participation rate of 33%	59.9%	Achieved	A participation rate of no less than 35%	A participation rate of no less than 40%
	■ Health promotion effectiveness	An activity completion rate of no less than 55%	66.3%	Achieved	An activity completion rate of no less than 60%	An activity completion rate of no less than 60%
	■ Employee Assistance Programs (EAPs) usage satisfaction	Maintain at no less than 5.8 points (out of 6)	5.8 points.	Achieved	Maintain at no less than 5.8 points (out of 6)	Maintain at no less than 5.8 points (out of 6)
Environmental Protection <sup>3</sup>	■ Water consumption per person	Decreased by 8% compared to 2018	Decreased by 55% compared to 2018	Achieved	Decreased by 10% compared to 2018	Decreased by 12% compared to 2018
	■ GHG emissions intensity (GHG emissions per million dollars of revenue)	≤ 0.190 tons/million revenue	0.325 tons/million revenue	Failed <sup>4</sup>	≤ 0.320 tons/million revenue	≤ 0.318 tons/million revenue
	■ Percentage of renewable energy used	No less than 3% of total electricity consumption	3.11%	Achieved	No less than 10% of total electricity consumption	No less than 10% of total electricity consumption
	■ Environmental education lectures and courses	≥ 2 sessions	2 sessions	Achieved	≥3 sessions	≥3 sessions
Supply Chain Management	■ According to the transaction criteria set forth by the Production Management Dept. and Procurement Dept., Tier 1 suppliers' completion ratio of the "Sustainable Risk Assessment Questionnaire"	100%	100%	Achieved	Maintain at 100%	Maintain at 100%
	■ Percentage of critical suppliers audited by Phison's RBA professionals against the RBA standard	An audit rate of 90%	100%	Achieved	An audit rate of 100%	Maintain the audit rate of 100%
	■ Percentage of critical suppliers having received a RBA audit and made an improvement	An improvement rate of 90%.	82%	Failed <sup>5</sup>	An improvement rate of 100%	Maintain the improvement rate of 100%
	■ Percentage of suppliers having signed the "Supplier Code of Conduct" <sup>6</sup>	85%	100%	Achieved	Signing rate maintained at 100%	Signing rate maintained at 100%
Social Welfare	■ Charitable event sessions with the participation of Phison volunteers	Reach 3 sessions	5 sessions	Achieved	3 sessions	3 sessions
	■ Cumulative number of trees planted	3,000	8,745	Achieved	6,000	10,000

<sup>1</sup> Considering the disclosure period and indicator continuity of this Report, the performance indicators for talent attraction and retention this year were changed from the original "remuneration standard" and "employee opinion survey participation rate and engagement positive review rate" to "employee retention rate" and "talent recruitment rate".

<sup>2</sup> The formula for calculating the talent recruitment rate is the number of applicants / the number of recruits.

<sup>3</sup> The waste disposal plan for plant V was just approved in early 2024. Therefore, the domestic waste and recycling waste will be increased in 2024 by that of an entire plant, and is expected to exceed the significance threshold (3%) of the change in the base year. Therefore, the long-term waste reduction target has not been set for this year, and the waste reduction base year and reduction target will be re-established in 2025.

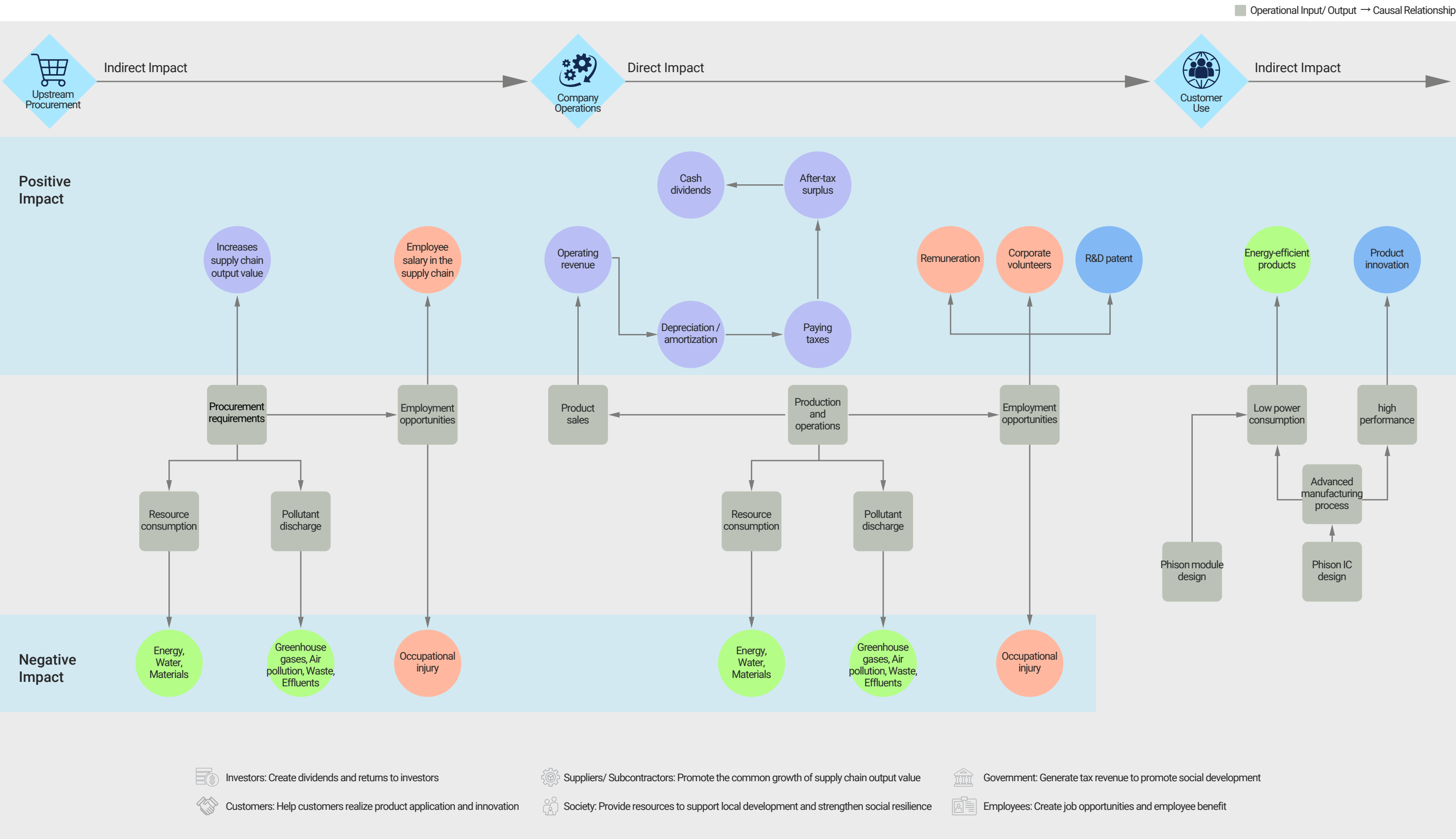
<sup>4</sup> Due to changes in market demand, revenue in this year failed to meet expectations. Consequently, intensity indicators concerning greenhouse gas emission failed to achieve the set goals. In addition, because of changes in inventory boundaries and quantification methods, changes in greenhouse gas emissions exceeded the significance threshold (3%), so the emission base year was changed from 2022 to 2023 and the greenhouse gas emission intensity target for 2025 was reset.

<sup>5</sup> The number of audited suppliers increased this year, and some small-scale suppliers were unable to immediately improve their audit deficiencies, so the improvement rate failed to meet the target. We will continue to provide guidance for improvement in the future.

<sup>6</sup> Suppliers required to sign are those with an annual transaction amount of more than 1 million and more than 12 purchases per year, excluding spot and test board manufacturers.

# Sustainable Impact Strategy Map

The Company lists the positive (benefit) and negative (cost) impacts on the economy, environment and society from upstream procurement, company operations to customer use stages as an overall framework for internal management of ESG issues, and hopes to minimize the negative impact of operations on the economy, environment and society in the value chain.





# 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\$2,047,690 thousand
Number of employees	4,398
Output	124,298 thousand units of NAND Flash Memory Module Product 10,567 thousand units of ICs 224,938 thousand units of controller ICs
Business category	Semiconductor industry
Main business activities	IC Design/Semiconductor Manufacturing/Computers and Peripheral Equipment Manufacturing
Stock Code	8299



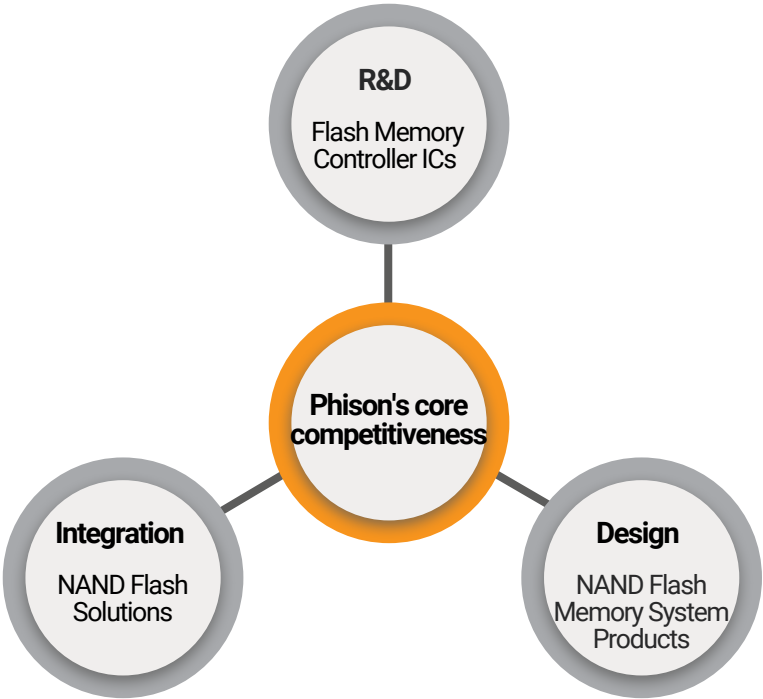
### 1.1.1 Business Philosophy and Development Strategies

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.

The NAND storage industry has gradually changed since the middle of the third quarter of 2023, including the severe losses of NAND original manufacturers since the first quarter of 2023. Little by little, as NAND original manufacturers reduced the total global NAND supply through production cuts, the NAND market price gradually improved. Therefore, although NAND original manufacturers were not be able to turn losses into profits by the end of 2023, at least the supply and demand situation in the overall market has gradually begun to return to a healthy balance. The Company also accumulated a solid foundation in all aspects including IP technology, R&D talents, patents, R&D funds, and inventory thanks to the "Guang Ji Liang (store grain everywhere)" strategy, allowing Phison to benefit more significantly and grow during this economic recovery.

Although the global economy and demand do not seem to have fully recovered, Phison has accumulated independent technologies and products, coupled with Phison's recent launch of new products, including the exclusive patented "aiDAPTIV+" technology solution, enterprise-level SSD, and a full range of UFS storage solutions, vehicle storage modules, and high-speed transmission solutions "Retimer/Redriver", enabling Phison to maintain a relatively stable and profitable performance during the market downturn, which, once again, proven that Phison's strategy and layout are continuing to simmer.

Looking forward to the future, the Company will continue to use IC design as the basis to assist customers around the world to create more value-added solutions. More importantly, Phison hopes to create more value for the global NAND storage industry, leading an industrial trend of moving from "price competition" to "adding value", or even towards "creating value".



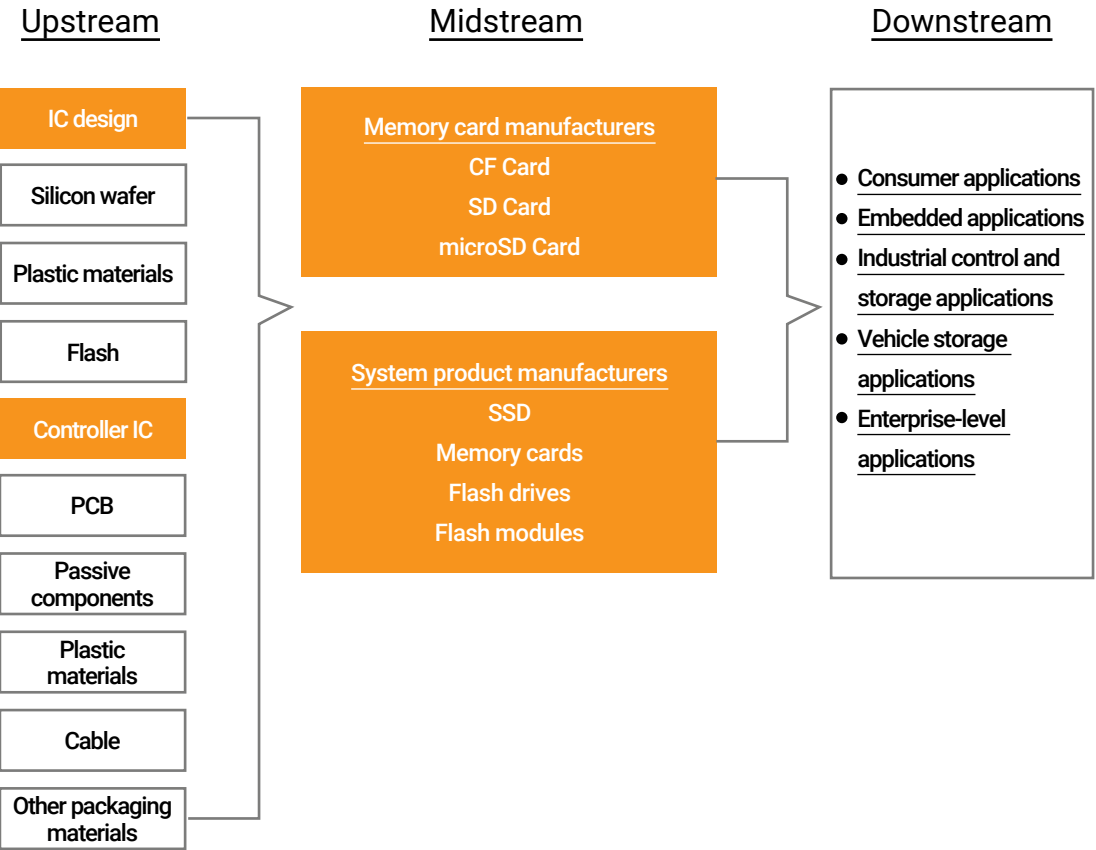
1.2 Primary Products and Sales Regions

1.2.1 Core Products

The Company's main business is the R&D and sales of NAND applications such as NAND controller and NAND storage module solutions. Therefore, it belongs to the upstream and midstream of the value chain. There was no significant change in the value chain this year. 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 applications include consumer applications, embedded applications, industrial control and storage applications, vehicle storage applications and enterprise-level applications.

Note: The core of Phison Electronics' operations is the design, development and sales of flash memory controller ICs and flash memory module products. All IC product manufacturing is commissioned to semiconductor foundries for production, packaging and testing; the manufacturing of module products is commissioned to module OEMs for production and assembly, so there are no self-made products.

Relationship Diagram of the Up-, Mid- and Down- streams of the Value Chain



1.2.2 Operation Distribution

Phison is headquartered in Miaoli, Taiwan, and establishes subsidiaries in USA, Japan, and China to form closer partnerships with our international business partners. The Company set up technical service locations in Tokyo in Japan, San Jose and Boise in the USA, Shenzhen in China, and Hyderabad in India to provide local customers with the most timely technical support and deepen international partnerships.

Operation Distribution of Phison Electronics

Headquarters	Miaoli, Taiwan
Technological service location	Taiwan: Hsinchu/Taipei/ Tainan US: San Jose/Boise China: Shenzhen Japan: Tokyo India: Hyderabad
Sale Center	Japan Kawasaki
Service location	Japan/US

Distribution of Major Sales Regions

Region	Taiwan	Asia (excluding Taiwan)	Americas	Europe	Australia	Total
Percentage (%)	28.30	46.65	20.95	3.99	0.11	100

1.3 Participation in External Organizations

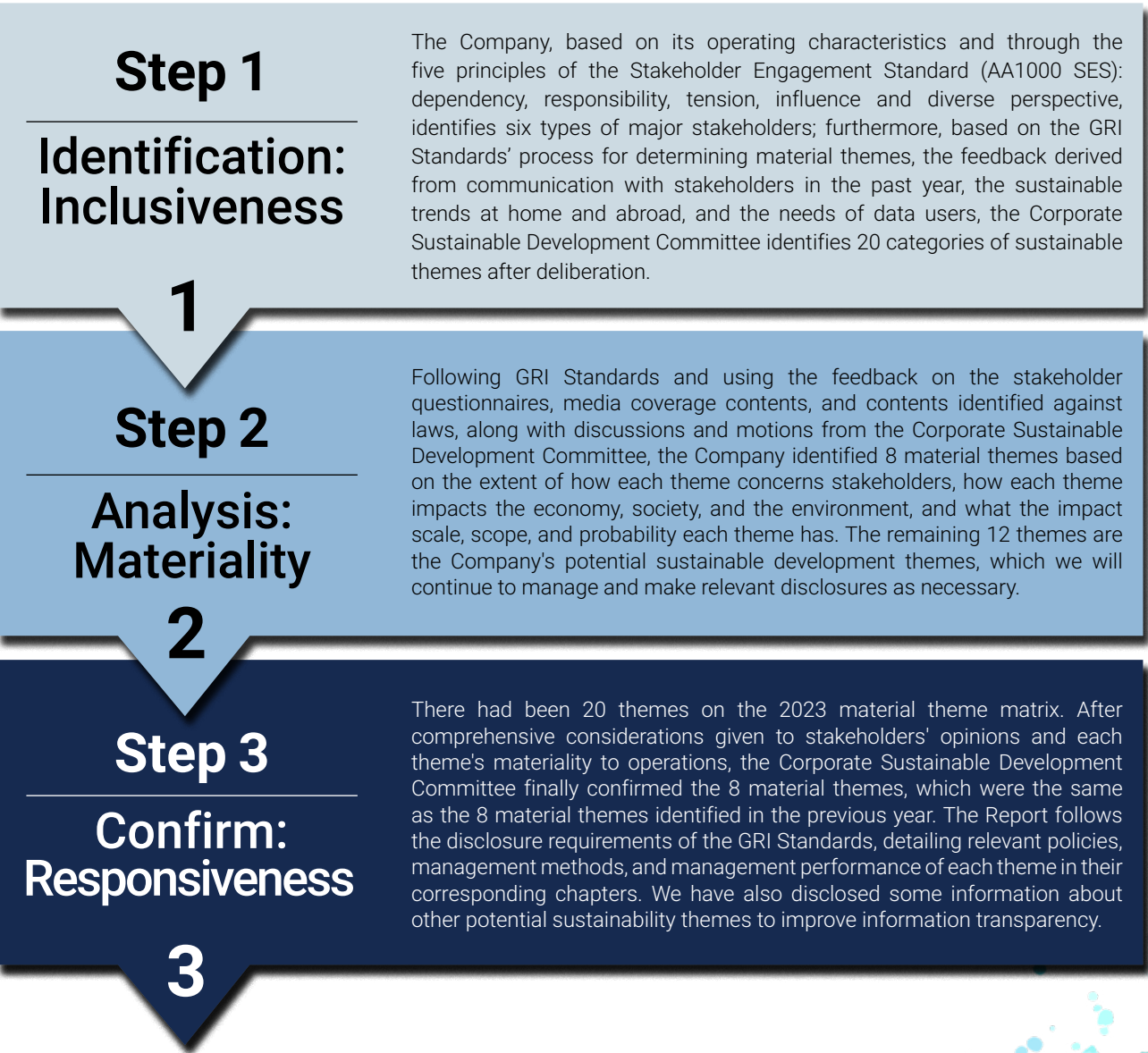
The Company actively participates in relevant industry organizations to interact with others in the industry, discuss trends, and get a grasp of world trends. As of 2023, the Company has participated in 17 industrial organizations.

Serial No.	Name of Organization	Year Joined	Form of Participation
1	PCI-SIG	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	Contributor
5	JEDEC Solid State Technology Association	2007 - present	Member
6	Solid State Drive Alliance	2008 - present	Board member
7	SD Card Association	2009 - present	Board member
8	Taiwan Semiconductor Industry Association (TSIA)	2009 - present	Member
9	Universal Flash Storage Association	2010 - present	Board member
10	CompactFlash Association (CFA)	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	Storage Networking Industry Association (SNIA)	2020 - present	Member
16	Open Compute Project (OCP)	2021 - present	Member
17	CXL Consortium	2022 - present	Contributor

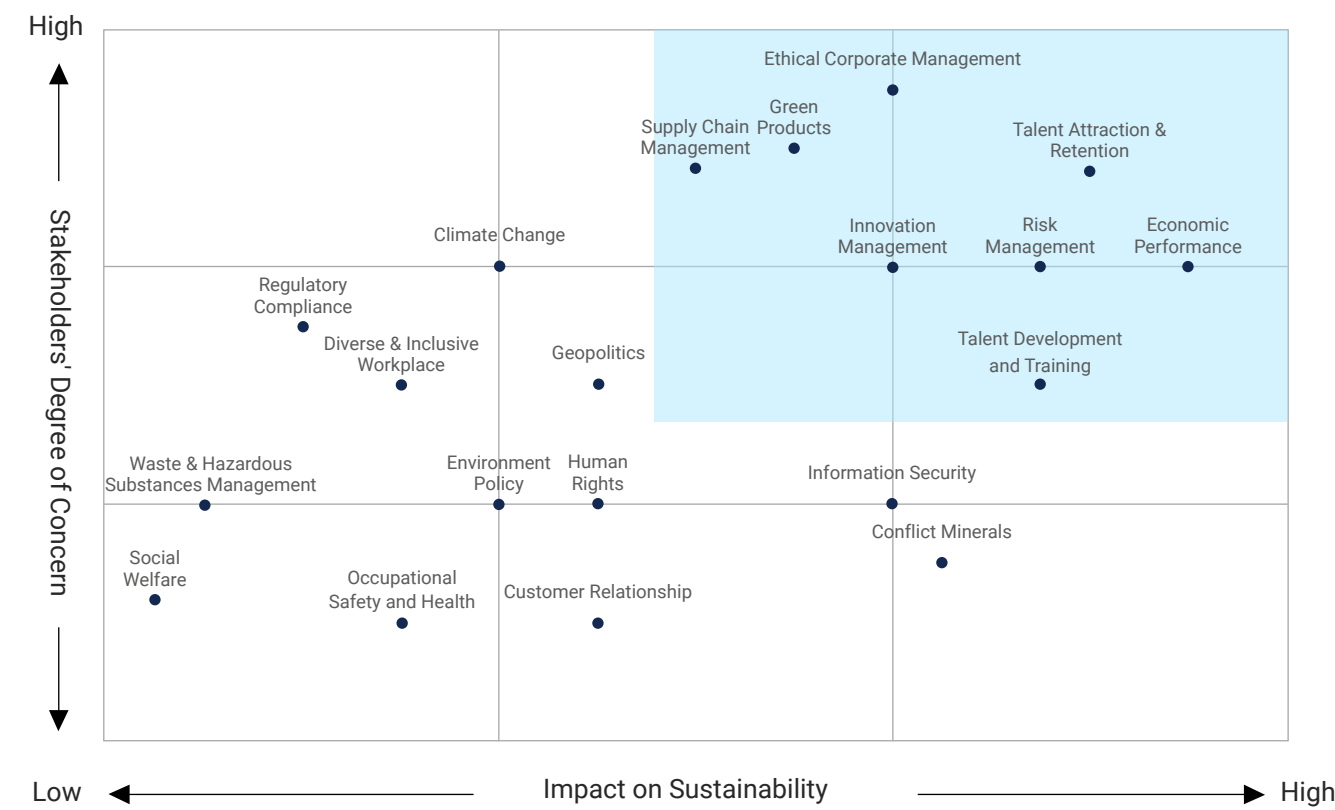
## 2. Stakeholder Engagement

### 2.1 Material Topics Identification Procedures

The Company cares about shareholders' voices and is committed to integrating shareholder 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, the level of impact that the Company's operations has on the economy, society, and the environment, and the impact scale, scope, and probability of each theme. The Company's management policies shall be disclosed below in the corresponding chapters.



### Phison Electronics Materiality Matrix





2.2 Communication with Stakeholders

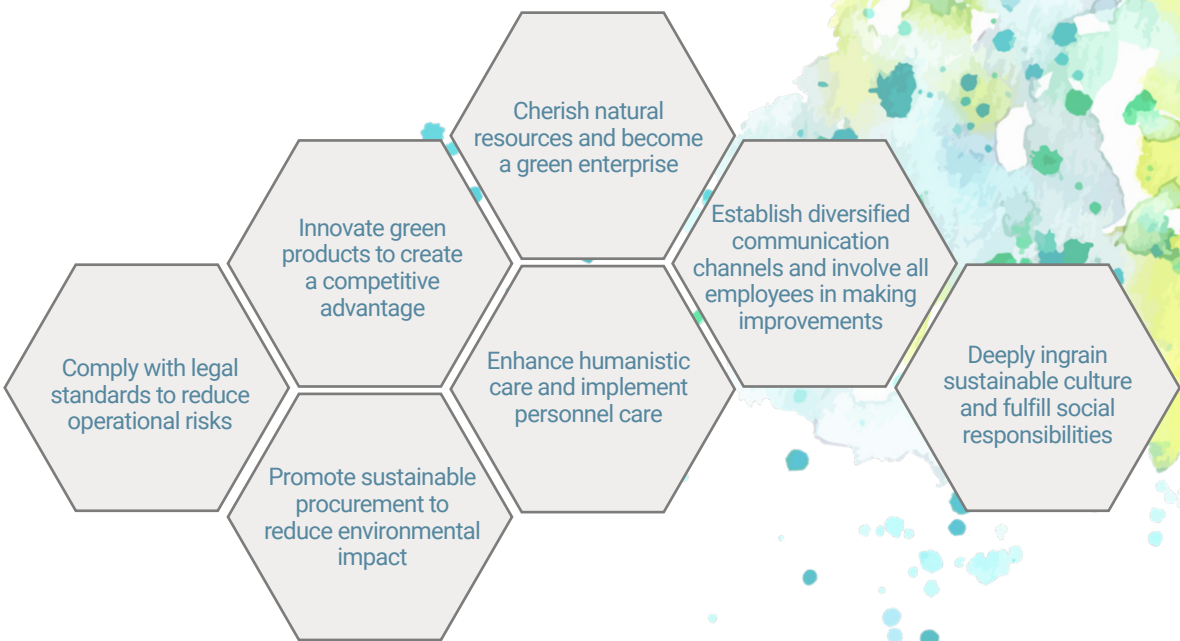
Stakeholders	Issues Concerned	Communication Channel & Frequency	Key Achievements in 2023	Chapter
Customer	<ul style="list-style-type: none"><li>■ Ethical Corporate Management</li><li>■ Customer Relationship</li><li>■ Supply Chain Management</li><li>■ Climate Change</li></ul>	<ul style="list-style-type: none"><li>■ Telephone/Email (daily)</li><li>■ Customer Satisfaction Survey (on an annual basis)</li><li>■ Hotline (any time)</li><li>■ Business review/Technical review (quarterly)</li></ul>	<ul style="list-style-type: none"><li>■ Fill out 14 RBA/CSR questionnaires</li><li>■ Customer Satisfaction Survey 8.39/10</li><li>■ No complaints for privacy violation or data loss in 2023</li></ul>	3.3 Ethical Corporate Management 4.3 Customer Relationship Management 5 Responsible Supply Chain 6.1 Climate strategy
Employee	<ul style="list-style-type: none"><li>■ Ethical Corporate Management</li><li>■ Economic Performance</li><li>■ Labor-Management Relation</li><li>■ Talent Development</li></ul>	<ul style="list-style-type: none"><li>■ Employee-employer meeting (quarterly/as needed)</li><li>■ New employee symposium (semi-annually)</li><li>■ Employee suggestion box (any time)</li><li>■ Employee symposium (as needed)</li><li>■ Employee opinion survey (execute as necessary)</li><li>■ Company Journal (on an annual basis)</li><li>■ Email announcement (any time)</li><li>■ Social media (as needed)</li></ul>	<ul style="list-style-type: none"><li>■ 4 Labor-Management Committee meetings</li><li>■ 4 new employee suggestion survey and 4 new employee forum</li><li>■ Held 4 employee conferences after the investor conference to inform employees of the Company's operations</li></ul>	3.3 Ethical Corporate Management 3.6 Economic Performance 7 Employee Care
Supplier	<ul style="list-style-type: none"><li>■ Ethical Corporate Management</li><li>■ Supply Chain Management</li></ul>	<ul style="list-style-type: none"><li>■ Tier 1 suppliers fill out the "Sustainable Risk Assessment Questionnaire" (on an annual basis)</li><li>■ Critical suppliers fill out RBA SAQ (on an annual basis)</li><li>■ Critical suppliers receive the RBA audit (on an annual basis)</li><li>■ Supplier online platform (any time)</li><li>■ Complaint mailbox (any time)</li><li>■ Business review/Technical review (quarterly)</li></ul>	<ul style="list-style-type: none"><li>■ Retrieved a total of 113 pieces of "Sustainable Risk Assessment Questionnaire" from suppliers</li><li>■ Complete the RBA audit of 54 suppliers</li><li>■ Collect the RBA SAQ of 47 suppliers</li></ul>	3.3 Ethical Corporate Management 5 Responsible Supply Chain
Shareholders/ Investors	<ul style="list-style-type: none"><li>■ Economic Performance</li><li>■ Ethical Corporate Management</li><li>■ Regulatory Compliance</li><li>■ Climate Change</li></ul>	<ul style="list-style-type: none"><li>■ Shareholder general meeting (on an annual basis)</li><li>■ Interim shareholders meeting (as needed)</li><li>■ Investor conference (quarterly/irregular invitations)</li><li>■ Annual Report / ESG Report (on an annual basis)</li><li>■ Investor mailbox (any time)</li><li>■ Domestic and foreign analyst exchanges and investment forums (as needed)</li><li>■ Market Observation Post System - press releases, major news (as needed)</li></ul>	<ul style="list-style-type: none"><li>■ Held an annual shareholders' meeting</li><li>■ Attended 19 investor conferences</li><li>■ Published annual report and ESG report</li><li>■ Published 53 pieces of major news on the Market Observation Post System</li><li>■ Published 9 press releases on the Company website</li></ul>	3 Sustainable Governance 6.1 Climate strategy
Government agency	<ul style="list-style-type: none"><li>■ Ethical Corporate Management</li><li>■ Regulatory Compliance</li></ul>	<ul style="list-style-type: none"><li>■ Official documents exchange (any time)</li><li>■ Public hearings (as needed)</li><li>■ Industry policy questionnaire feedback (as needed)</li><li>■ Proactively report to government department websites (as needed)</li></ul>	<ul style="list-style-type: none"><li>■ Attended 3 public hearings</li><li>■ Assisted in filling out and sending back 5 pieces of industry questionnaires issued by the government</li></ul>	3.3 Ethical Corporate Management 3.4 Regulatory Compliance
Community (NGOs, media)	<ul style="list-style-type: none"><li>■ Regulatory Compliance</li><li>■ Climate Change</li><li>■ Social Welfare</li></ul>	<ul style="list-style-type: none"><li>■ Company telephone (any time)</li><li>■ Social media (as needed)</li><li>■ Market Observation Post System - press releases, major news (as needed)</li></ul>	<ul style="list-style-type: none"><li>■ Held 23 charity sales</li><li>■ Published 53 pieces of major news on the Market Observation Post System</li><li>■ Published 9 press releases on the Company website</li></ul>	3.4 Regulatory Compliance 6.1 Climate strategy 8 Social Participation

Material Topics & Phison Value Chain

Material Topic (Prioritized according to significance of impact)	Operational Importance						GRI Standards	Impact		Impact Type		Is the Impact Significant?	Corresponding Chapters/Sections
	R&D	Revenue	Cost	Customer Satisfaction	Brand	Risk		Positive	Negative	Potential	Real		
1. Economic Performance		●					GRI 3-3 Material topic management 201-1 Direct economic value generated and distributed 201-3 Defined benefit plan obligations and other retirement plans	V			V	V	3. Sustainable Governance
2. Risk Management					●	●	GRI 3-3 Material topic management 305-1 Direct (Category 1) GHG emissions 305-2 Energy indirect (Category 2) GHG emissions 305-4 GHG Emissions Intensity	V		V		V	3. Sustainable Governance
3. Innovation Management	●	●			●		GRI 3-3 Material topic management	V		V		V	4. Innovation & Service
4. Talent Attraction & Retention		●	●				GRI 3-3 Material topic management 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 405-1 Diversity of governance bodies and employees 405-2 Ratio of basic salary and remuneration of women to men 406-1 Incidents of discrimination and corrective actions taken by the organization	V		V		V	7. Inclusive Workplace
5. Green Products	●	●	●	●	●		GRI 3-3 Material topic management 302-5 Reductions in the energy requirements of products and services	V		V		V	4. Innovation & Service
6. Ethical Corporate Management					●	●	GRI 3-3 Material topic management 205-2 Communication and training about anti-corruption policies and procedures 205-3 Confirmed incidents of corruption and actions taken	V		V		V	3. Sustainable Governance
7. Talent Development and Training	●	●	●				GRI 3-3 Material topic management 404-1 Average hours of training per year per employee 404-3 Percentage of employees receiving regular performance and career development reviews	V		V		V	7. Inclusive Workplace
8. Supply Chain Management			●		●	●	GRI 3-3 Material topic management 308-1 New suppliers that were screened using environmental criteria 414-1 New suppliers that were screened using social criteria		V	V		V	5. Responsible Supply Chain

# 3. Sustainable Governance

## 3.1 Sustainable Development Policy



The Company is committed to adopt the following action plans to continue to lay the foundation for sustainable development

1. Comply with global sustainable responsibility, environmental protection, OHS regulations and standards, reduce operational risks and protect employee rights and interests.
2. Consider life cycle thinking, provide leading innovative green products and services, and demonstrate green competitive advantages.
3. Establish a rigorous supply chain screening system, implement supply chain due diligence and management, and continue to promote sustainable procurement.
4. Integrate the environmental performance of organizational activities, products and services, and take environmentally friendly actions to reduce environmental impact.
5. Pay attention to global climate change trends, establish management policies and goals, and launch risk adaptation and reduction plans.
6. Cherish natural resources, implement resource reduction, recycling and reuse, strengthen the supervision and improvement of pollution sources and risk management, and reduce the impact on the environment and personnel.
7. Establish sound independent management, strengthen the management of engineering maintenance and repair partners, and prevent work-related accidents.
8. Care for and cherish employees, provide a healthy and safe working environment, pay attention to employee health management, and implement our business philosophy.
9. Establish a communication mechanism for stakeholders, attach importance to internal and external needs and maintain good interaction.

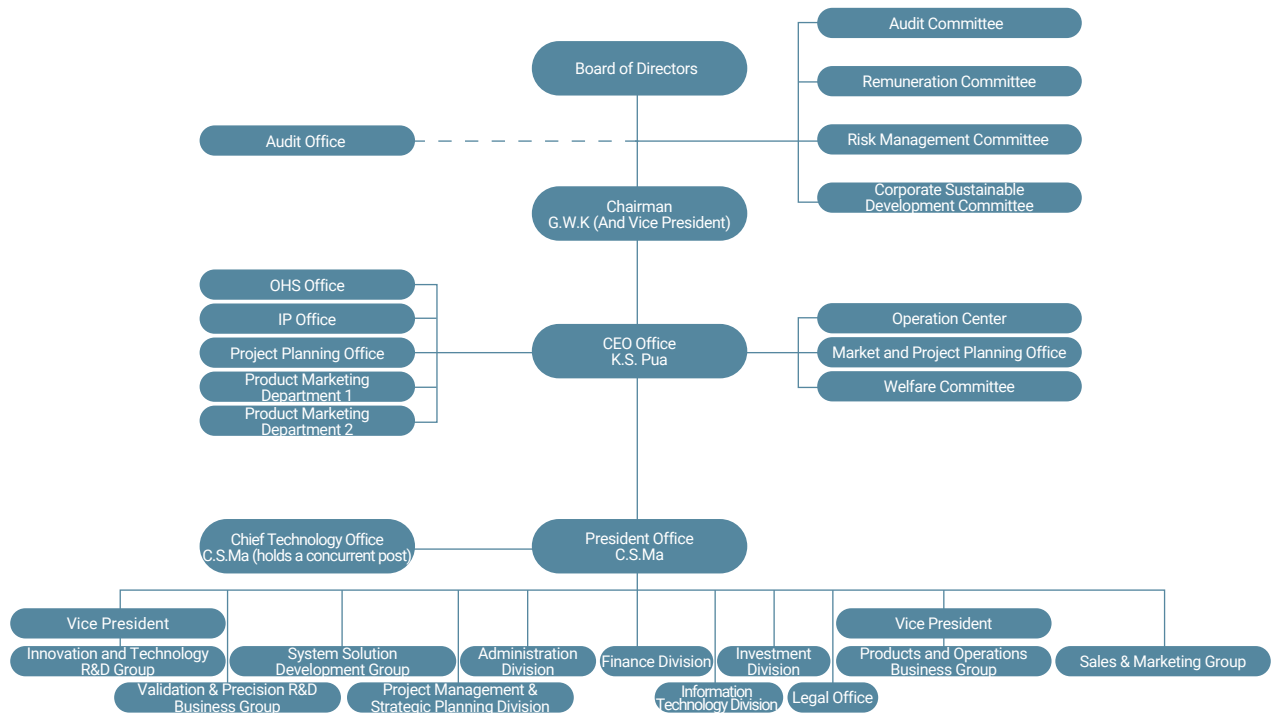
## 3.2 Corporate Governance

### 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.

The Company has established a Corporate Sustainable Development Committee in accordance with the "Corporate Sustainable Development Committee Charter", which is a functional committee under the Board of Directors along with the Risk Management Committee, and reports its operating status to the Board of Directors once a year.

The Corporate Sustainable Development Committee is the Company's highest governance body in charge of monitoring and managing the organization's impact on the economy, environment, and people. The Corporate Sustainable Development Committee has appointed the Chief Corporate Governance Officer and its task forces to manage impacts. The task forces summarize the information on impacts and report it to the Corporate Sustainable Development Committee every year. The Company's Board of Directors listens to the report of the Corporate Sustainable Development Committee every year, puts forward relevant suggestions, approves goals and sets policy directions based on its own authority, responsibilities and expertise, and supervises and improves the success rate of the project. The key major events that the Corporate Sustainable Development Committee and the Risk Management Committee communicated with the Board of Directors in 2023 covered climate risk identification and response plans, product performance optimization trends, information security, supply chain risk management, implementation of employee diversity, ethical corporate management, social investment performance and domestic and international sustainability assessment performance. The total number of key major events communicated was 8. In the future, we will continue to improve the collective intelligence of the highest governance body with respect to sustainable development.



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 a 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.



3.2.2 Board of Directors

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

The membership of the Company's Board of Directors reflects diversity in terms of basic criteria and values (gender, age, nationality, and culture) and professional knowledge and skill (professional background, professional skills, and industry experience), aiming to accommodate diverse opinions and maximize the governance value. Among the eight current board members of the Company, there is one female director, accounting for 12.5% of all board members. As of the end of 2023, the average age of all board members is 59.75 years old; the average seniority is 4.84 years.

Title	Name	Gender	Education	Other Positions at the Company or Elsewhere
Chairman	Chenghe Investment Co. Ltd. Representative: Wee Kuan Gan	Male	Department of Electrical and Control Engineering, National Yang Ming Chiao Tung University	Vice President of Phison Electronics; Corporate representative director of Ostek Corporation; Corporate representative director of Lian-Xu-Dong Investment Co., Ltd.; Corporate representative supervisor of Phisontech Electronics Taiwan Corp.; Corporate representative director and chairman of Super Storage Technology Corporation; Director of Global Flash Limited; Director of Core Storage Electronic (Samoa) Limited
Board member	Tzung Horng Kuang	Male	Master of Business Administration, Greenwich University	Senior special assistant of Phison Electronics; Corporate representative director and chairman of EMTOPS Electronics Corp.; Corporate representative director of MICROTOPS Design Corporation; Corporate representative director of Ostek Corporation; Chairman of Phison Electronics Japan Corp.; Director of Power Flash (Samoa) Limited; Director of Nextorage Corporation; Chairman of ONE UPON CO. LTD.; Director of Hong Lian Cheng Co., Ltd.
Board member	Jiunn Yeong Yang	Male	Ph.D., Institute of Electrical and Control Engineering, National Yang Ming Chiao Tung University	None
Board member	Cheng Shuo Investment Co., Ltd. Representative: Chiu An Chuang	Male	Honorary Doctorate from Jinan University	Political Advisor, Executive Yuan; Chairman of the Management Committee of Jhushan Zi Nan Temple; Director of Wen Wan Development Co. Ltd.; Director of Shin Yu Industrial Co., Ltd.
Board member	KIOXIA Corporation Representative: Hiroshi Miyauchi	Male	Bachelor of Electro-Communications, University of Electro-Communications	KIOXIA Corporation Part-time contractor; Toshiba Materials Corporation Part-time contractor; Toshiba Electronic Devices & Storage Corporation Part-time contractor; Meiko Electronics Co., Ltd. Supervisor (external)
Independent director	Huei Ming Wang	Male	Master of Industrial Management from Chung Hua University	Independent director of GIGABYTE Technology Co., Ltd.; Certified Public Accountant
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 Pegatron Corporation
Independent director	Yu Lun Huang	Female	Ph.D., Department of Information Engineering, National Yang Ming Chiao Tung University	Appointed Deputy Dean of Academic Affairs of National Yang Ming Chiao Tung University; Associate Professor, Department of Electrical Engineering, National Yang Ming Chiao Tung University; Consultant, Taiwan Open Course and Education Consortium

Board Meeting Attendance Rate

The Company held 10 Board meetings in 2023 with an average attendance rate of 94.38%.

Title	Name	Attendance in Person	Attendance by Proxy	Number of Meetings One Should Attend	Attendance Rate (%)	Note
Chairman	Chenghe Investment Co. Ltd. Representative: Wee Kuan Gan	9	1	10	90.00	Re-elected
Board member	Chee Kong Aw Yong	8	1	9	88.89	Resigned on November 07, 2023
Board member	Tzung Horng Kuang	10	0	10	100.00	Re-elected
Board member	Cheng Shuo Investment Co., Ltd. Representative: Chih Jen Hsu Representative: Chiu An Chuang	5	0	5	100.00	Former director
		5	0	5	100.00	Newly appointed
Board member	Jiunn Yeong Yang	9	0	10	90.00	Re-elected
Board member	KIOXIA Corporation Representative: Hiroshi Miyauchi	9	1	10	90.00	Re-elected
Independent director	Chen Wei Wang	9	1	10	90.00	Re-elected
Independent director	Wen Chiu Chung	5	0	5	100.00	Former director
Independent director	Huei Ming Wang	5	0	5	100.00	Newly appointed
Independent director	Yu Lun Huang	10	0	10	100.00	Re-elected
Average attendance rate					94.38	

Note: The board members of the Company were re-elected on May 31, 2023.

Board of Directors Self-Improvement

2023 Board Member Training Courses and Hours

Course Name	Total Training Hours <sup>7</sup>
Prevention of insider trading	21
Legal compliance of corporate mergers	21
Current status of global carbon rights development and carbon trading	3
2023 transition finance and sustainability disclosure seminar	3
Fair customer treatment and the protection of financial consumer	3
Discussion on the practice of anti-money laundering (AML) and countering the financing of terrorism (CFT)	3
Financial technology and supervision technology trends and practices	3
Education to TPEX-listed and ESB-registered companies' insiders regarding shareholding and transferring	3
Total hours	60

<sup>7</sup>Total training hours = Course Duration \* Number of Trainees.

Board of Director Performance Assessment

To fully implement corporate governance and improve the function of our Board of Directors, the Company established performance goals to strengthen the Board of Directors' 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 Company's 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.

In 2023, the Company appointed for the first time an external professional and independent organization "Taiwan Investor Relations Institute" to conduct a performance evaluation of the operations of the Company's Board of Directors, individual board members and functional committees (Audit Committee and Remuneration Committee) from October 1, 2022 to September 30, 2023. The evaluation procedure of the Institute was based on three methods: documents provided by the Company, self-evaluation questionnaires, and on-site interviews, and a performance evaluation report was issued based on the evaluation results. For the aspects covered by the performance evaluation questionnaires, questionnaire results and suggestions, please refer to the Company's official website.

Board of Director Performance Assessment Procedures

1

**Establish the units to be assessed as well as the assessment period and scope**  
e.g. the entire Board of Directors, individual Board members, or functional committees.

2

**Establish assessment methods**  
Internal assessment by the Board of Directors, internal assessment of Board members (through self-assessment or peer assessment), peer assessment, or commissioning external professional agencies or experts to conduct assessments.

3

**Select the appropriate unit to execute assessments**  
The unit selected to execute the Company's 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.

4

**Executing performance assessments**  
Executive units shall gather information about the Board's activities and distribute relevant self-assessment questionnaires. The filled-out questionnaires shall be collected by the executive unit overseeing the assessment, who shall then compile a report of the assessment results according to the assessment scoring criteria and submit it to the Board of Directors for review and improvement.

Remuneration Policies

The Company has an independent Remuneration Committee, which supervises the remuneration determination procedures and convenes meetings by applicable laws and procedures. Currently, remuneration consultants do not take part in the determination of remuneration. The Company's policy on manager remuneration to the CEO, President, and Vice Presidents is based on the achievement of evaluation criteria, which are the financial indicators like earnings per share (EPS) and return on equity (ROE) in the annual business plan and correlated with remuneration. Remuneration is paid by the Remuneration Committee Charter and by referencing prevailing payment standard in the industry, scope of duties assigned to the position concerned, and an individual's contribution to the Company's business goals. The procedures for determining remuneration factor in the Company's overall business performance, taking into account the amount of time the person concerned invests, the job the person assumed, the achievement of the person's personal goals, the person's performance at other positions, the remuneration paid by the Company during recent years to holders of an equivalent position, achievement of the Company's short-term and long-term business goals, and the Company's financial standing. Manager remuneration to each of the Company's President and Vice Presidents is separately reviewed by the Remuneration Committee, and may be distributed only after the recommendation submitted by the Remuneration Committee to the Board of Directors is deliberated and approved through a resolution by the Board of Directors. For the highest governance unit and executives, the Company has yet to formulate any contract execution bonus or recruitment bonus, severance payment, or retrieval mechanism, and the policy on their remuneration has yet to be articulated with sustainability performance.

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 2023, average attendance rate)
Remuneration Committee	2011	<ol style="list-style-type: none"><li>Periodically review Company regulations and make recommendations for amendments.</li><li>Establish and periodically review the annual and long-term performance targets for the Company's directors and managerial officers, and remuneration policies, systems, standards, and packages.</li><li>Periodically assess the degree to which performance targets for our directors and managerial officers are achieved, and set the contents and amounts of their individual remuneration.</li></ol>	<ul style="list-style-type: none"><li>Independent directors Huei Ming Wang, Yu Lun Huang, and Chen Wei Wang have been appointed as committee members, with Mr. Huei Ming Wang as the convener.</li><li>Meetings should be convened at least twice a year, with additional meetings held whenever necessary.</li><li>A total of 4 meetings were convened in 2023, with an average attendance rate of 93.75%.</li></ul>
Audit Committee	2020	<ol style="list-style-type: none"><li>The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.</li><li>Assess the effectiveness of internal control system.</li><li>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.</li><li>Matters in which a director is an interested party.</li><li>Asset transactions or derivatives trading of material nature.</li><li>Loans, endorsements, or provisions of guarantee of material nature.</li><li>The offering, issuance, or private placement of equity securities.</li><li>The hiring, dismissal, or compensation of CPAs.</li><li>The appointment or discharge of financial, accounting, or internal audit officers.</li><li>Annual financial reports signed or stamped by the Chairmen, manager, and accounting supervisor.</li><li>Other material matters regulated by the Company or competent authorities.</li></ol>	<ul style="list-style-type: none"><li>Independent directors Huei Ming Wang, Yu Lun Huang, and Chen Wei Wang have been appointed as committee members, with Mr. Huei Ming Wang as the convener.</li><li>The Committee shall convene at least once every quarter, with additional meetings held whenever necessary.</li><li>A total of 8 meetings were convened in 2023, with an average attendance rate of 95.83%.</li></ul>
Corporate Sustainable Development Committee	2021	<ol style="list-style-type: none"><li>Promote and enhance corporate governance and the ethical corporate management system.</li><li>Promote and develop matters related to corporate sustainability.</li><li>Supervise sustainability tasks resolved by the Board of Directors.</li></ol>	<ul style="list-style-type: none"><li>Independent directors Huei Ming Wang and Yu Lun Huang, and senior special assistant and COO Chih Chiang Yu have been appointed as committee members, with Mr. Chih Chiang Yu as the convener.</li><li>The Committee shall convene at least annually, with additional meetings held whenever necessary.</li><li>A total of 1 meeting was convened in 2023, with an average attendance rate of 100%.</li></ul>
Risk Management Committee	2021	<ol style="list-style-type: none"><li>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.</li><li>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.</li><li>Approve risk response strategy and action plans, and demand that each of the Company's unit responsible for risk management effectively identify, measure, monitor, and control the various risks.</li><li>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.</li></ol>	<ul style="list-style-type: none"><li>Independent directors Huei Ming Wang and Yu Lun Huang, and senior special assistant and COO Chih Chiang Yu have been appointed as committee members, with Mr. Chih Chiang Yu as the convener.</li><li>The Committee shall convene at least annually, with additional meetings held whenever necessary.</li><li>A total of 1 meeting was convened in 2023, with an average attendance rate of 100%.</li></ul>

3.3 Ethical Corporate Management

Material Topics	Ethical Corporate Management
Significance and Materiality to the Organization	Ethical corporate management is the foundation of the Company. To protect the rights and interests of investors and the Company's reputation, we are committed to honest and transparent disclosures.
Management Approach	
Policy and Commitment	In accordance with the Company's "Ethical Corporate Management Best Practice Principles", "Employee Code of Conduct" and "RBA Handbook", we promise to comply with all relevant laws and regulations, including anti-corruption, anti-bribery or anti-trust (fair competition) regulations, as well as accounting standards, accounting controls and audit practices; we also promise to formulate "Regulations for Whistleblowing" to clearly establish the Company's whistleblowing channels and investigation and handling procedures, so that the "Ethical Corporate Management Best Practice Principles" and "Employee Code of Conduct" formulated by the Company can be implemented and the legitimate rights and interests of the whistleblowers can be safeguarded.
Long-Term Goals	Maintain zero cases of corruption or unethical behavior.
Performance	1. There was no case of corruption or unethical behavior in 2023. 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: 886-37-586-896 (ext. 11000) ■ Ethical whistleblowing/reporting mailbox: whistleblower@phison.com ■ Labor rights whistleblowing/reporting mailbox: wecan_8080@phison.com
Action Plans	1. Based on the Company's actual needs and in compliance with amendments of laws and regulations, we will continue to revise the Corporate Governance Best Practice Principles, measures related to ethical corporate management and Regulations for Whistleblowing. 2. Disseminate information on "Insider Trading Prevention" and related laws 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. 3. Continue to ask employees to sign the Statement of Commitment to Phison Electronics' Code of Business Practices and Ethics. 4. 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 adheres to the ethical management principles, promoting ethical corporate management at different aspects and levels from the Board of Directors down to all units, setting an example of valuing honest and ethical business practices. The procedures for the Board of Directors to avoid and mitigate conflicts of interest are provided in Article 15 of the "Rules of Procedure for Meetings of Board of Directors". In addition, the Company has newly revised the "Regulations for Whistleblowing", which include the establishment of an independent whistleblowing email address or a dedicated hotline for internal and external parties to utilize, the information that whistleblowers shall provide, the acceptance levels for different reporting targets, the processing procedures of the dedicated unit, how records shall be kept and the whistleblower protection system.

The Company disseminates information on related laws and regulations pertaining to prevention of insider trading to incumbent directors, managers, and employees at least annually; dissemination of such information to new employees will be made by the Human Resources Department at the orientation training. Meanwhile, in 2023, the Company organized internal and external trainings for all directors, managers and employees 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 3,588 people and the training hours totaled 3, 991 hours. All in-service employees and new employees completed the training on ethical corporate management. In addition, all employees have signed the "Undertaking of the Code of Business Practices and Ethics".

During the courses on implementation of ethical corporate management, the Company advocates prevention of insider trading and reminds directors not to trade their shares during the book closure period that is either 30 days before the date of publication of annual financial statements or 15 days before the date of publication of quarterly financial statements. In February and July 2023, the Company also informed directors and insiders of the publication date of the financial statements for the first/second/third quarters of 2023 and 2022, the dates of the Board of Directors meeting at which such financial statements are to be deliberated, and the book closure dates for such financial statements, lest directors unconsciously violate interior regulations.

Statistics of Cases Violating the Code of Conduct/Ethical Regulations in 2023

Violation Type	Number of Violation Cases
Corruption or bribery	0
Discrimination or harassment	0
Customer privacy	0
Conflicts of interest	0
Money laundering or insider trading	0

Internal Employees	Suppliers
■ 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 Practices and Ethics ■ Regulations for Whistleblowing	■ Supplier Code of Conduct



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 reviewing contracts and handling 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 were no instances of penalties from competent authorities for violating economic or environmental laws and regulations, nor any lawsuits regarding anti-competitive, anti-trust, or monopoly behaviors in 2023. There were only two fines for violating the Labor Standards Act, both of which have been corrected.

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.

Action No.	Provision(s) Violated	Total Amount of Fine	Corrections and Improvements by the Company
Fu-Lao-Zi-Zi No. 1120163673	According to Article 32, Paragraph 2 of the Labor Standards Act, the extension of working hours combined with the regular working hours exceeded twelve hours a day, the total number of overtime exceeded forty-six hours a month.	Fined NT\$20,000.	Any extension of working hours for workers will be handled in accordance with relevant laws and regulations.
Fu-Lao-Zi-Zi No. 1120210273	(1) According to Article 24 of the Labor Standards Act, worker's overtime wages were not paid in accordance with regulations. (2) According to Article 32, Paragraph 2 of the Labor Standards Act, the extension of working hours combined with the regular working hours exceeded twelve hours a day; the total number of overtime exceeded forty-six hours a month.	Fined NT\$40,000.	Any extension of working hours for workers will be handled in accordance with relevant laws and regulations.

Note: The Company defines material violation event as the violation event involving information or message identified by domestic applicable laws and regulations and the Company's Procedures for Handling Material Inside Information (including the Material Information Publication Requisition and Assessment Checklist) as material and required to be disclosed on the Market Observation Post System.

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.

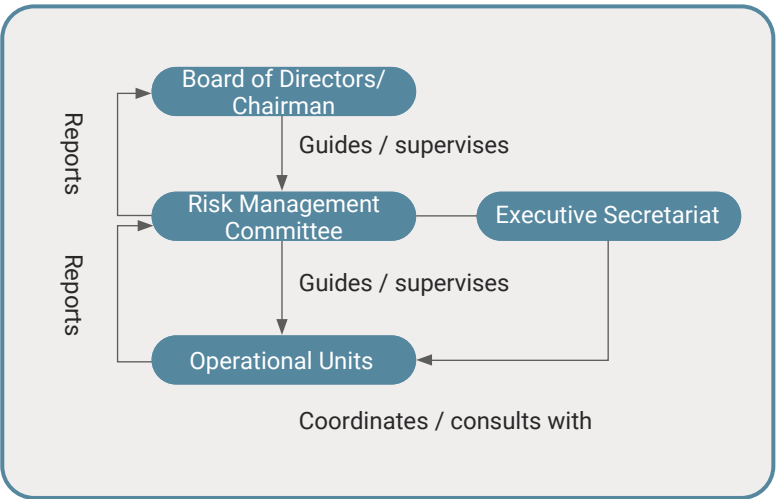
3.5 Risk Management

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. Continued to enhance management of high risk factors such as information security, supply chain management, climate change risk assessment and action plans. 2. In response to information security risks, the internal vulnerability management platform - Tenable.sc was introduced in December 2022, and the network detection and response system (NDR) was introduced in November 2023. 3. 100% of the employees completed all of the risk management courses for a total of 3,476 hours.
Responsibility	Risk Management Committee; all departments
Complaint Mechanism	Stakeholder contact section of the official website
Action Plans	1. The Risk Management Committee will be responsible for identifying and managing emerging risks every year according to risk identification procedures and is obliged to periodically report its operation status to the Board of Directors. 2. To conduct inventory of raw material sources for materials used in key products and find substitute materials. 3. To analyze the impact of a water shortage on operations, establish a water level forecast system, and install an additional backup pipeline. 4. To analyze the impact of electricity shortage on operations. Aside from testing the stationary diesel generator and UPS, we purchase empty diesel barrels and oil dispensing pumps, which can be replenished with self-purchased diesel in case of emergency in order to keep the generators operating. 5. To continue to implement the social engineering project and penetration test project, and conduct education and training to cultivate the habit of employees using emails carefully; to use Panorays - a third-party security risk analysis platform and web vulnerability scanning to strengthen external vulnerabilities. 6. To demand that employees complete the business continuity management courses.
Assessment Mechanism	1. Annual supervision recommendations from the board. 2. Number of sessions of risk-related training courses and the completion rate therefor.

3.5.1 Risk Governance Framework

Risk Management Committee

The Company has established a Risk Management Committee, which is a functional committee under the Board of Directors and reports its operating status to the Board of Directors once a year. The Risk Management Committee is a unit that comprehensively oversees risk management activities. It is composed of three members (at least half of the members are independent directors) and has an executive secretariat.

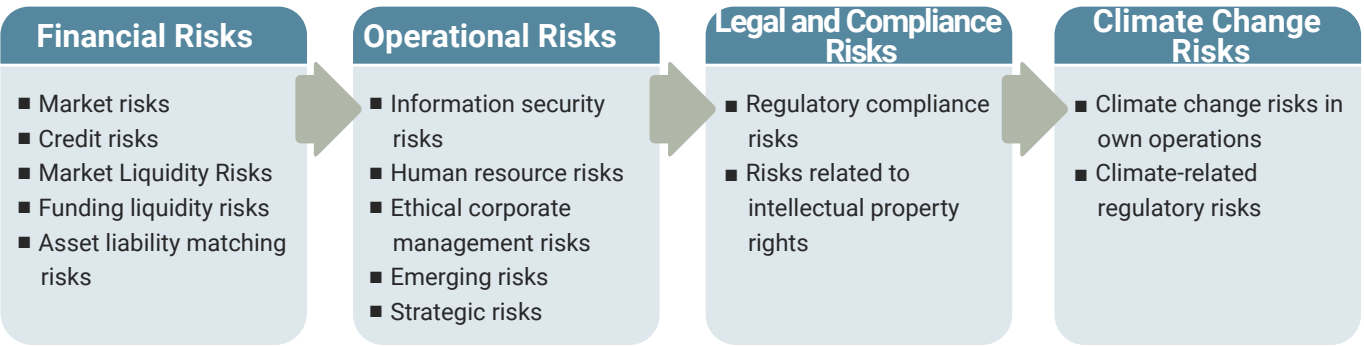


Please Refer to the Official Website for the Risk Management Policy and Procedures



3.5.2 Risk Management Identification and Response Plan

Risk Management Scope



Risk Identification Results

The Risk Management Committee assesses the internal and external operational risks that the Company's operations may face on a yearly basis, and submits reports and response plans to the Board of Directors. The operational risk identification results in 2023 include information security<sup>8</sup>, climate change<sup>9</sup>, supply chain management<sup>10</sup>, labor shortage<sup>11</sup> and other risk factors. Emerging risks include the international net-zero trend and renewable energy risks, and the geopolitical risks in company investment and operations. To avoid duplication of information in other chapters, only emerging risks are detailed in terms of operational impacts and countermeasures.

Dimension	Risk Factor	Operational Impact	Countermeasures
International net-zero trend and renewable energy risks	Countries continue to set net-zero emission targets and amend relevant environmental laws. Brand customers have also proposed net-zero emission commitments and schedules, and required the supply chain to use a certain proportion of renewable energy. However, the amount of renewable energy in Taiwan is insufficient and the cost of electricity is more expensive than traditional electricity, which will have an impact on business operations.	In order to comply with domestic and foreign environmental regulations and respond to brand customers' expectations for carbon reduction in the value chain, the Company needs to bear additional carbon costs.	<ul style="list-style-type: none"><li>Factories continue to implement carbon inventory and energy conservation and carbon reduction projects every year.</li><li>Purchasing renewable energy.</li><li>In the future, we will introduce an organizational carbon inventory and product carbon footprint management platform to improve management efficiency and identify emission hotspots in the product life cycle.</li></ul>
Geopolitical risks in company investment and operations	The situation in the Taiwan Strait, the Russia-Ukraine war, the de-risking of the West, and the confrontation between the technology camps, etc., have increased the uncertainty of future operations and investment.	In order to avoid risks, customers will ask the company to find new suppliers, or transfer or increase operating locations. Supply chain repositioning, corporate reputation risks and uncertainty about new production bases will increase corporate costs.	<ul style="list-style-type: none"><li>Assess potential supplier risks from geopolitics and seek alternative supplier networks that can adapt to new policy environments.</li><li>Increase customer distributions and product application scope.</li><li>Continue to track changes in global regulations, politics, and economic conditions, assess their impact on the acquisition of production resources, and changes in customer needs, so as to implement necessary risk response plans in a timely manner.</li></ul>

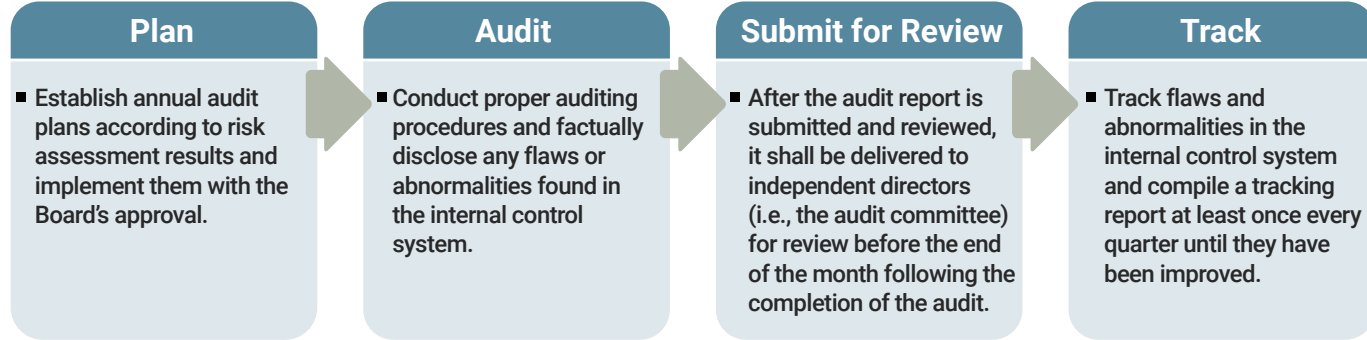
<sup>8</sup> Please refer to 3.7 Information Security for information security countermeasures.  
<sup>9</sup> Please refer to 6.1 Climate Strategy for climate change response measures.  
<sup>10</sup> Please refer to 5.1 Supply Chain Management for supply chain management response measures.  
<sup>11</sup> Please refer to 7.2 Talent Attraction & Retention for labor shortage countermeasures.

3.5.3 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 purpose of implementing an internal audit is to assist 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 and to offer a basis for reviewing and revising the internal control system.

Internal Control Process



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. Record a revenue of NT\$48,221,630 thousand. 2. Annual operating gross profit of NT\$16,114,244 thousand. 3. Basic EPS of NT\$18.48.
Responsibility	The Company's managers and governance units
Complaint Mechanism	Company spokesperson Mr. Yu <a href="mailto:ir@phison.com">ir@phison.com</a>
Action plans	1. Continue to invest R&D resources to strengthen core competitiveness. 2. Provide high-quality products and services to deepen customer relationships.
Assessment Mechanism	Current net profit, rate of return on assets, rate of return on shareholder equity, earnings per share, profit margin

3.6.1 Economic Data

Despite so, throughout 2023, the Company recorded a gross profit of NT\$16.114 billion and a gross profit margin of 33.42%, signifying Phison's continuous and robust growth in the market for customized, added-value design service. In addition, the Company continues to prepare itself to transition to multiple storage markets (e.g., servers, in-vehicle applications, industrial control, gaming, and embedded ODM), striving to reduce the impact of market fluctuation. The Company will also take the initiative to help customers roll out various customized storage products and assist them to improve products' added value, which will become a source of momentum for the Company's growth in the future.

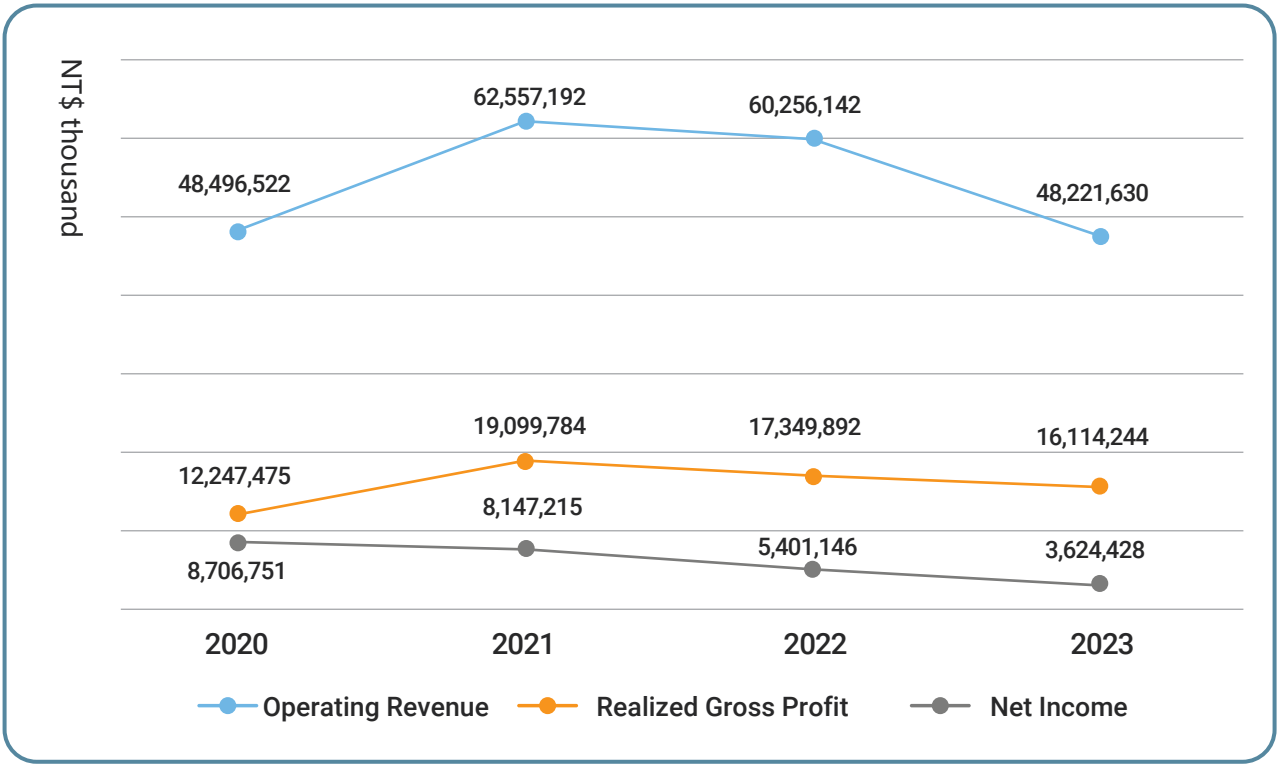
Consolidated Statement of Comprehensive Income

(Unit: NT\$ thousand)

Item/year	FY2020	FY2021	FY2022	FY2023
Operating Revenue	48,496,522	62,557,192	60,256,142	48,221,630
Operating Cost	36,249,047	43,457,408	42,906,250	32,107,386
Realized Gross Profit	12,247,475	19,099,784	17,349,892	16,114,244
Income Tax Expense	986,678	1,590,399	895,774	475,014
Net Income	8,706,751	8,147,215	5,401,146	3,624,428
Basic EPS	44.14	41.34	27.71	18.48

Note 1: 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.  
Note 2: Operating costs include unrealized profit (loss) from sales.

Economic Performance in the Last 4 Years





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. In December 2022 the Company's Board of Directors resolved to formulate the "Tax Governance Policy", which covers tax-related matters of Phison Electronics and all subsidiaries in the consolidated financial statements. Furthermore, the Company has conveyed such Tax Governance Policy and Code of Conduct to subsidiaries.

Please Refer to the Official Website for the Tax Governance Policy



The mandatory income tax rate in Taiwan in 2022 and 2023 was 20%. However, due to the application of the research and development funds in Article 10 of the Statute for Industrial Innovation and the investment in cyber security products or services in Article 10-1 of the Statute for Industrial Innovation, the Company has obtained incentives for crediting the funds. Furthermore, in 2023, due to the application of the Management, Utilization, and Taxation of Repatriated Offshore Funds Act as well as the correction of approved tax refund for undistributed earnings of previous years and the exemption from profit-seeking enterprise provisional income tax return filing in 2023 as approved by the National Taxation Bureau, the Company's effective tax rate in 2023 of 11.59% and cash tax rate of 10.31% were both lower than the average effective tax rate of 15.90% and the average cash tax rate of 14.12% for the "Semiconductors and Semiconductor Equipment" industry published by S&P Global CSA Handbook.

Tax Information

(Unit: NT\$ thousand)

Financial Reports	FY2022	FY2023
Pre-tax profit	6,296,920	4,099,442
Income tax expense	895,774	475,014
Effective tax rate (%)	14.23%	11.59%
Income tax paid	2,060,606	422,646
Cash tax rate (%)	32.72%	10.31%

2023 Income Tax Expense

Place of Operation	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	4,277	46,411,379	3,926,703	389,209	92.08%
USA	Investment/trade/business service location	29	463,145	11,419	10,019	2.37%
Japan	Flash memory application Sales and business service location	58	1,347,106	158,082	22,993	5.44%
China	Investment and technological service location	28	0	2,025	107	0.03%
India	Technological service location	6	0	1,213	318	0.08%
Total		4,398	48,221,630	4,099,442	422,646	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 ISO 27001 certification to ensure the confidentiality, integrity, and availability of information assets. The Company continues to require each department to complete the annual "Personal Information Protection Risk Self-Assessment" and submit the assessment results to the Risk Management Committee. The Company received no complaints relating to the information security, customer data leaks or privacy violations in 2023.

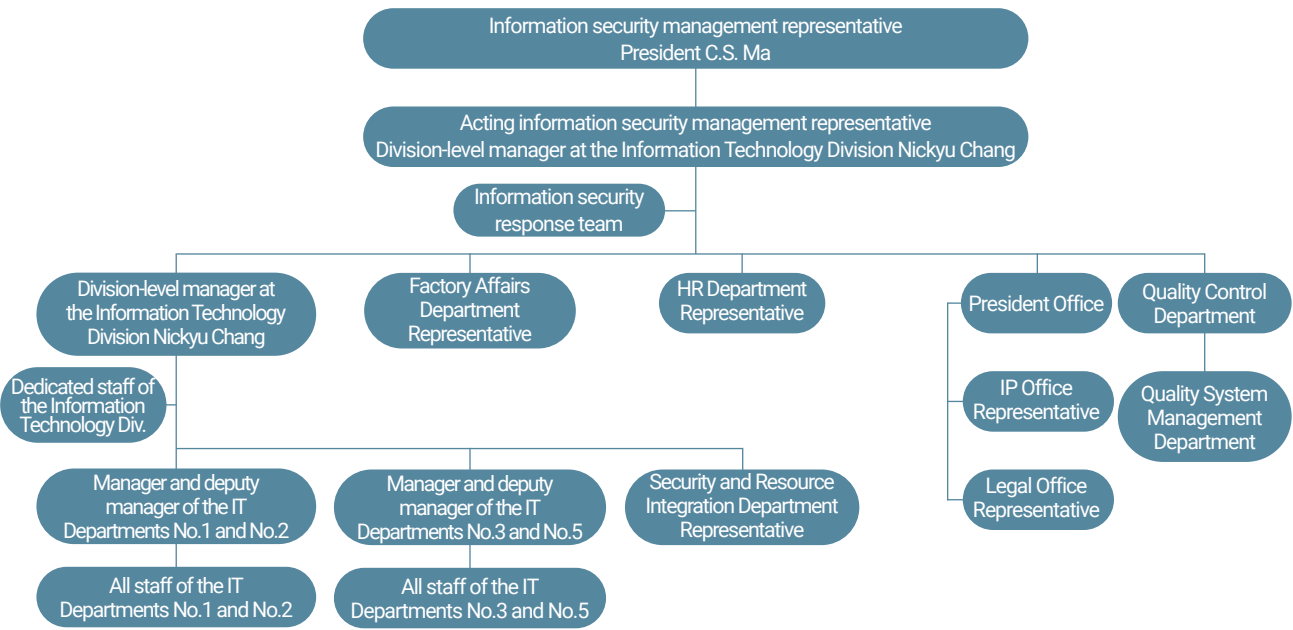
Please Refer to the Official Website for the Information Security Policies



The Company joined theTaiwan Computer Emergency Response Team / Coordination Center(TWCERT/CC) information security alliance, enhanced information security protection by using the information security information sent from the TWCERT/CC, examined each piece of internal equipment, updated systems, and fixed vulnerabilities.

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.



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, it's clearly stipulated in the 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 shall report them to the information security personnel through the reporting mechanism, at which point proper investigations and handling shall be conducted.

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



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 regularly conducts recovery drills on important core systems every year to test the effectiveness of their recovery procedures, ensuring that the Company's system can continue to operate even if subject to natural disasters or malicious attacks. The Company also performs regular vulnerability scanning and has in place a third-party security risk analysis platform to detect vulnerabilities in external service sites, continuing to improve and strengthen information security protection. The ratings are all maintained at level A (90 points and above).

Information Security Risk Management Plan

2023 Achievements	2024 Program
<ul style="list-style-type: none"><li>■ Implemented social engineering drills, provided education and training to personnel who mistakenly opened letters or links, and kept relevant records for future reference.</li><li>■ Conduct penetration test on the official website.</li><li>■ Used Panorays - a third-party security risk analysis platform and web vulnerability scanning to strengthen external vulnerabilities.</li><li>■ Introduced Tenable.sc internal vulnerability management platform.</li><li>■ Introduced network detection and response system (NDR).</li></ul>	<ul style="list-style-type: none"><li>■ To establish the information security performance indicators.</li><li>■ To update to the ISO 27001 2022 version.</li><li>■ To continue to implement social engineering drills to increase the awareness of colleagues.</li><li>■ To assess the introduction of source code testing, testing and analyzing the source code of the application during the development stage, identifying potential loopholes and weaknesses and patching them.</li><li>■ To assess the introduction of Vmware's east-west firewall to protect all east-west traffic between Vmware and between Vmware and physical devices without changing the network.</li><li>■ Import endpoint protection and integrate with the correlation event analysis system.</li></ul>

3.7.3 Information Security Education 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 2023 include encouraging regular password changes, social engineering drill, ransom virus case study, and anti-fraud publicity. In 2023, the contents of information security training courses include enterprise information security trends, dissemination of most recent cases, information security policy, code of personnel information security conduct, and social engineering attack prevention awareness promotion (employee training hours totaling 3,762 hours), 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 (employee training hours totaling 3,669 hours). 100% employees have completed the information security courses and the personal data/privacy protection courses.





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 3 new technologies in 2023. 2. Accumulated a total of 2,006 patents worldwide in 2023.
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 NTD10.3 billion, accounting for 83% of total operating expenditure.
Assessment Mechanism	1. Total number of new technologies developed in the year 2. Total number of patents accumulated worldwide in the year

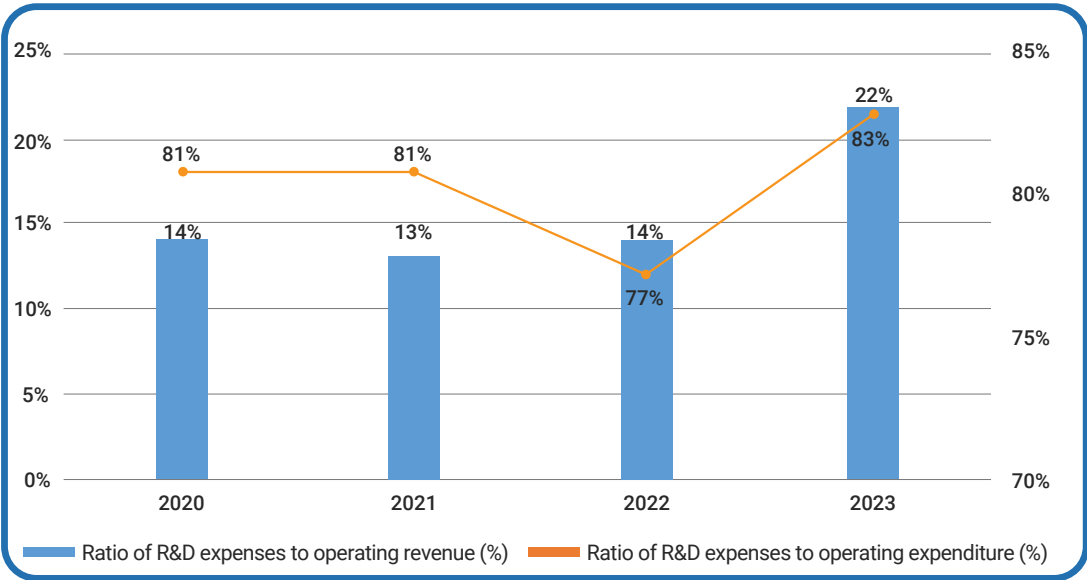
Material Topics	Green Products
Significance and Materiality to the Organization	Environmental issues have become the challenges facing mankind. As such, developing environmentally friendly products is not only a trend, but where the competitiveness of an enterprise lies.
Management Approach	
Policy and 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	The power consumption performance ratio of the Company's newly launched SSD, UFS and eMMC chips in 2023 is showing a downward trend. If estimated based on the daily usage of 40GB, while taking into account the annual shipment volume, compared with their respective benchmark products, the Company's four products PS8231, PS8325, PS5026 and PS5027T can help end users save approximately 48,907.12 kWh of electricity per year, which is equivalent to reducing 24.21 metric tons of carbon dioxide emissions.
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	Power consumption performance ratio of products

The Company launched many new solutions and services in 2023, including the launch of the world's first and only NAND controller and NAND storage module, R&D resource sharing and ASIC design service platform (IMAGIN+ Platform), PCIe 5.0 high-speed solution (the world's first PCIe 5.0 DRAM\_Less SSD E31T, PCIe 5.0 Redriver PS7102/ PS7103), a full range of enterprise-level SSD storage solutions (X1, P1, E26DC, E18DC), and the independently developed and original AI service solutions (aiDAPTIV+), continuing to actively assist customers and partners around the world in creating various customized high-speed transmission and storage solutions that add value or even create value.

4.1 Innovative R&D

4.1.1 R&D Input

The Company is committed to becoming a leader in the market for flash memory controller ICs and storage solutions integrated services. 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, PCIe Gen5 SSD controller, and Security USB controller, which are all pioneers in the industry. Despite the harsh business environment in the first three quarters of 2023, the Company continued inputting R&D resources. The annual R&D expenses topped NTD10.3 billion, accounting for 83% of total operating expenditure and 22% of total operating revenue. The number of our R&D staff increased to 3,016 people, up 6.4% from the previous year and accounting for 80% of total employees, attesting to our ambition to expand the R&D capacity.



The automotive storage market has been an important growth engine for the NAND storage industry. According to the data of market survey institutions, at present, roughly 70 million to 90 million cars are sold annually. Although a car is equipped with a wide range of NAND storage devices, such devices are mainly small-capacity applications such as the navigation system, dashcam, digital dashboard, digital center console, and audio and video equipment. Luckily, this need not always be the case as driver assistance system and autonomous cars gain ground. According to the data of the largest original manufacturer of in-vehicle memory and the data of globally renowned car manufacturers, the NAND storage capacity a car needs will jump by 1TB, to 4TB, within the following decade. In other words, the automotive storage market will be an important growth engine for the NAND storage industry. That's why the Company has been aggressively engaged in the R & D of automotive storage device controller ICs. Currently the Company has readily available automotive storage solutions, including eMMC, BGA, SSD, UFS, and SD/microSD. In addition, by means of IP licensing and by providing ASIC design service, automotive storage device controller ICs, and customized service, the Company has made itself a provider of the most comprehensive automotive storage solutions to the world.

In June 2023, the Company reached the Automotive SPICE ("A-SPICE or ASPICE") Capability Level 3 (CL3)<sup>12</sup>, becoming the world's first independent controller IC supplier whose eMMC controller passed this automotive firmware development and verification process. In addition, the Company has also passed ISO 26262 certification, AEC-Q100 certification, and its partner manufacturers have passed IATF 16949 certification, which means that Phison's automotive storage solution technology and firmware development process have reached the highest international level and are in compliance with all Tier -1 car manufacturers' requirements. Looking forward to the future, not only for automotive eMMC, but also for the development of automotive BGA SSD and UFS, Phison will continue to introduce ASPICE standards to create a comprehensive automotive storage solution that meets the safety and quality requirements of global car manufacturers, welcoming the advent of the era of self-driving cars and electric vehicles along with the world.

<sup>12</sup>ASPICE is currently the most valued software and firmware development standard recognized internationally. According to the definition of the ASPICE standard, Capability Level 3 (CL3) means "Established" and is currently the highest known requirement for ASPICE by car manufacturers around the world. The characteristics of this level are that in addition to meeting the requirements for work output, the enterprise must also have a standardized method to evaluate the execution performance of each process and manage work output, and shall formulate and implement process tailoring rules based on project attributes and characteristics.



4.1.2 R&D Outcome

The recent rise of very large AI models such as ChatGPT has led to infinite imagination of how AI may assist enterprises and individuals in the future. Also because of the extremely rapid growth of AI models, the cost of hardware construction for providing AI services has increased significantly. The main reason is that the current AI models mainly run on GPU and DRAM, but the growth rate of AI models in the future will far exceed the supply of GPU and DRAM. According to a Microsoft research report, the growth rate of AI models will be 200 times the growth rate of DRAM in GPU cards; in other words, the current growth rate of AI computing hardware architecture may no longer be able to meet the needs of AI applications. Therefore, Phison released its independently developed AI computing service "aiDAPTIV+"<sup>13</sup> in 2023. This AI architecture is an AI computing architecture created by Phison that integrates SSD. It structurally splits large AI models and runs the model parameters in conjunction with the SSD along with the application time series, so as to maximize the executable AI model under limited GPU and DRAM resources, which is expected to effectively reduce the hardware construction costs required to provide AI services. The first application scenario is the world's first mass-produced aiDAPTIV+ AOI optical inspection system (referred to as Phison aiDAPTIV+ AOI service) that integrates SSD collaborative computing, helping SMT plants accelerate their entry into Industry 4.0, while further improving the detection accuracy and eliminating the instability caused by manual detection.

In addition, the Company's PCIe 4.0 SSD E22T solution is a customizable automotive SSD storage controller IC equipped with a 12nm process. The highest sequential and random read and write performance can reach up to 7000MB/s and 1000K IOPS respectively, and supports operating temperatures from -40 C to 95 C (Operating Temp.); it can effectively shoulder the important task of data storage in harsh in-vehicle systems. In addition, Phison's automotive E22T storage solution is also compatible with next-generation automotive storage specifications such as ASIL-B automotive safety level, supports SR-IOV and Dual-Port, and has a maximum capacity of 2TB. It is believed that it can meet the needs of various in-vehicle systems and electric vehicle storage architecture in the future, for which the Company was awarded the 2024 "Taiwan Excellence Award"<sup>14</sup>.

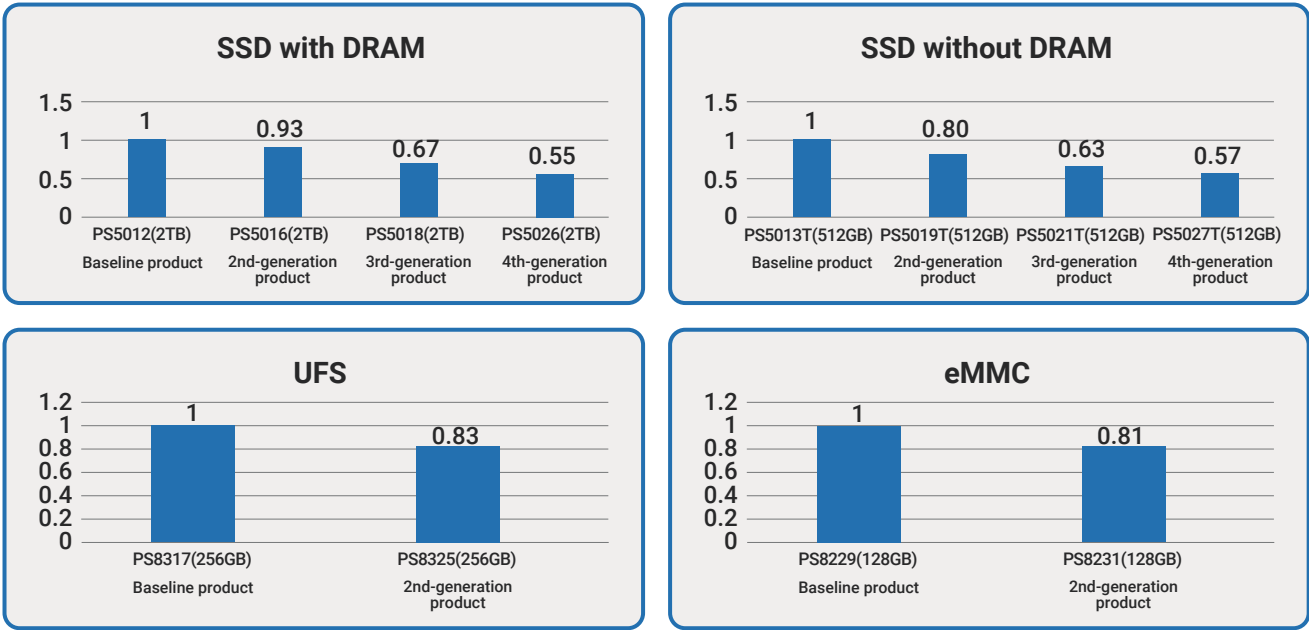
<sup>13</sup> Phison's aiDAPTIV+ AOI service can be applied to various SMT product lines, including SSD, display cards, DRAM, and motherboards. Currently, nearly 10 SMT partners and customers have introduced Phison aiDAPTIV+ AOI service to improve the accuracy of the existing AOI systems of customers and SMT suppliers, reduce the escape rate due to personnel errors to less than 10 DPPM, and significantly increase the first pass yield to over 99%.

<sup>14</sup> Taiwan Excellence Award was set up by Taiwan's Ministry of Economic Affairs in 1993; it is awarded each year to products of "innovative value" by following strict selection procedures, which center on four professional criteria, namely, Research and Development, Design, Quality, and Marketing, plus the "Made in Taiwan" requirement. Award winners are considered a role model for Taiwan's industries. The award functions as governmental referral on the international market and forges an innovative image for Taiwan's industries.



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. The power consumption performance ratio of the Company's newly launched SSD, UFS and eMMC chips in 2023 is showing a downward trend. If estimated based on the daily usage of 40GB, while taking into account the annual shipment volume, compared with their respective benchmark products, the Company's four products PS8231, PS8325, PS5026 and PS5027T can help end users save approximately 48,907.12 kWh of electricity (equivalent to 176.07 gigajoules) per year, which is equivalent to reducing 24.21 metric tons of carbon dioxide emissions.

Chip Power Consumption Performance Ratio



Note 1: Power consumption performance ratio = Average power consumption of product at read/write peak / Average performance of product at write/ read peak.

Note 2: The comparative capacities of UFS / eMMC / SSD without DRAM all use mainstream product capacities. Among the SSD with DRAM series products, PS5026 is our latest product using the PCIe Gen5 interface. Given market demand, technological generation evolution, and design, such product has fully updated capacity compared with its previous design. Therefore, the 512GB capacity point used to be used for benchmarking was not reserved. Therefore, this year all comparisons were made with 2TB.

Note 3: Due to improvements in the FLH process in 2023, the power consumption performance ratio of the new PS5026 has been significantly improved. Compared with the old PS5026 produced in 2022, the power consumption performance ratio has been optimized from 1.10 to 0.88.

Note 4: It is estimated based on the user's daily usage of 40GB (this is the basic value used by the Company to estimate the user's daily usage to facilitate the calculation of total bytes written (TBW) and warranty period).

Note 5: The annual carbon reduction is the total carbon reduction of the four products PS8231 / PS8325 / PS5026 / PS5027T.

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 2023, Phison successfully developed 3 new technologies:

Category	Description
Service solution	The launch of the world's first and only NAND controller IC and storage module R&D resource sharing and ASIC design service platform (IMAGIN+ Platform)
Service solution	The launch of the independently developed and original AI computing service solution: aiDAPTIV+
Signal conditioning IC	The launch of the Redriver IC PS7102 / PS7103 and Retimer IC PS7201 / PS7202 compatible with both PCIe 5.0 and CXL 2.0

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.

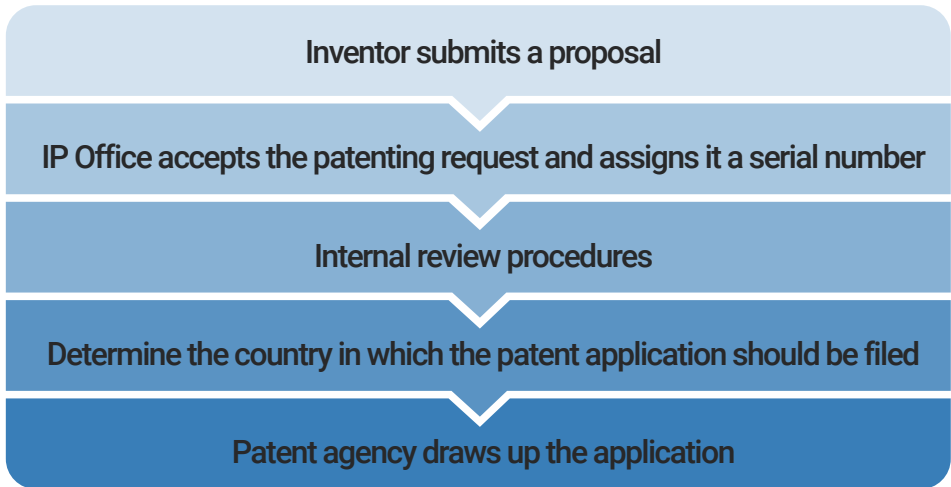
As of 2023, the Company has a total of 2,006 patents, putting it in the top 100 of the Taiwan Patent ranking in patent applications filed by enterprises and approved patents filed by enterprises.

Place of Application	Taiwan	China	USA	Other	Total
Patent output	724	631	621	30	2,006

2023 Patent Ranking	
Taiwan's top 100 invention patent applications list	83
Taiwan's top 100 invention patent grants list	74

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.



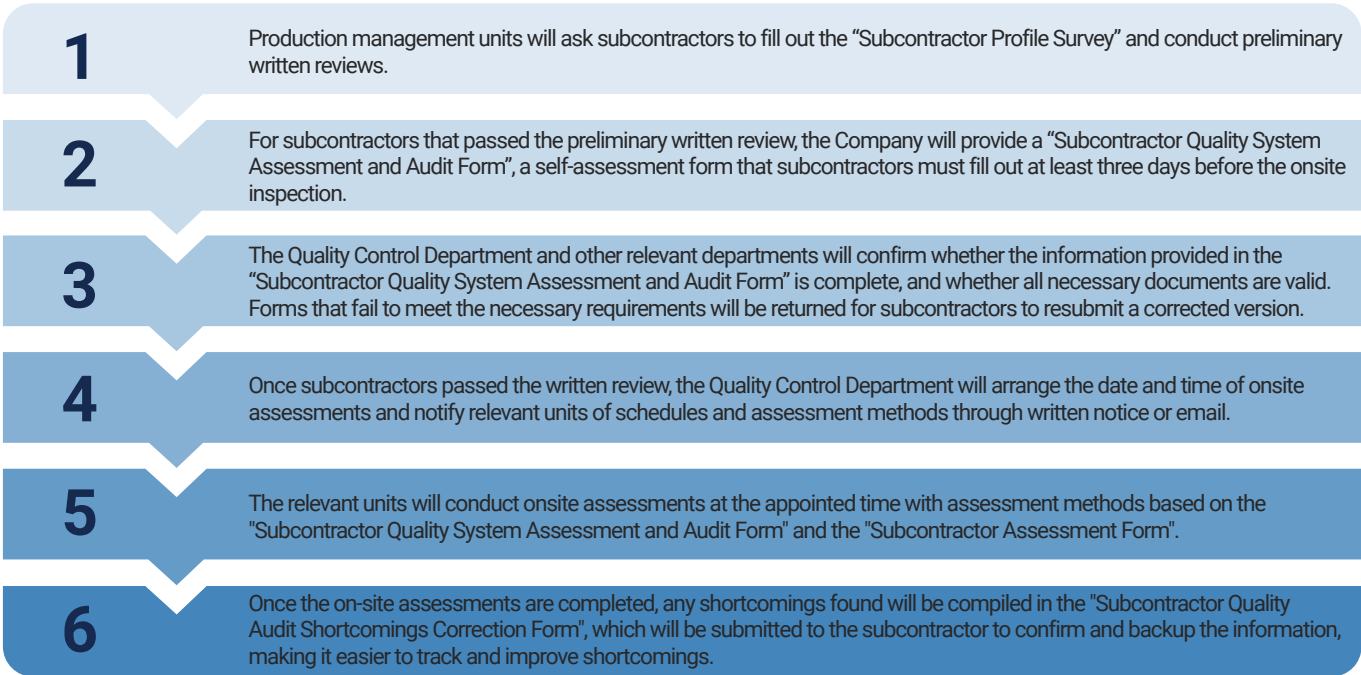
4.2 Product Quality

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 2023, the Company audited a total of 37 subcontractors, all of which met the "approved" standard, thus making an approval rate of 100%. In 2023, the Company did not recall any products.

Assessment Process



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 premium 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.



4.3.1 Customer Satisfaction Survey

The Company's customers mainly comprise those in the semiconductor industry and the electronics industry. To further understand their needs and expectations, the Company surveys the satisfaction of customers accounting for 80% of its operating revenue every year. In 2023, it surveyed the satisfaction of 57 customers.

The Company's customer satisfaction survey 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 2023 averaged 8.39 points. One thing worth mentioning is that 49 customers gave a satisfaction score of no less than 7 points. The satisfaction rate was 85%, which met our target of 70%.

Customer Satisfaction	2020	2021	2022	2023
Score	7.09	7.55	8.12	8.39
Satisfied customers (%)	44	62	80	85
Percentage of the total revenue from surveyed customers (%)	62.13	80	80	80

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.

A total of 12 customer complaint regarding exception orders were established in 2023, 9 of which were closed before December 31, 2023, the other 2 were closed on January 4, 2024 due to modification of abnormal information, and the other one is currently in business discussions about the disposal method of the shipment and is expected to be concluded in the first half of 2024.

Customer Complaints Management Process





# 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	<ol style="list-style-type: none"><li>1. 100% of Tier 1 suppliers with an annual transaction amount of more than 1 million and more than 12 purchases per year shall sign the "Supplier Code of Conduct".</li><li>2. Require Tier 1 suppliers meeting the transaction criteria set forth by the Production Management Department and Procurement Department complete the "Sustainable Risk Assessment Questionnaire" every year and maintain the completion rate at 100%.</li><li>3. Critical suppliers taking an RBA audit reach 90% by 2023 and 100% by 2025, and maintain 100% by 2027.</li><li>4. Critical suppliers taking an RBA audit and making improvement reach 90% by 2023 and 100% by 2025, and maintain 100% by 2027.</li></ol>
Performance	<ol style="list-style-type: none"><li>1. In 2023, the top 80% of suppliers in terms of transaction amount or the suppliers with an annual transaction amount of more than 1 million all signed the "Supplier Code of Conduct".</li><li>2. 100% of Tier 1 suppliers meeting the transaction criteria set forth by the Production Management Department and Procurement Department completed the "Sustainable Risk Assessment Questionnaire", with a qualification rate of 85% increased from 66%.</li><li>3. We performed an RBA audit of 54 critical suppliers, with a passing rate of 92.59% for their audit results.</li><li>4. The percentage of our quality suppliers reached 97.67%.</li></ol>
Responsibility	Procurement Department; Production Management Department; Supply Chain Quality Management Division; IC Quality Engineering Division
Complaint Mechanism	<ul style="list-style-type: none"><li>■ Ms. Tsai, Materials Division <a href="mailto:supplychain@phison.com">supplychain@phison.com</a></li><li>■ Complaint channels available on the Supply Chain Management platform</li></ul>
Action Plans	<ol style="list-style-type: none"><li>1. Based on procurement value, we divided our suppliers into critical suppliers<sup>15</sup> and general suppliers for differentiated management, thereby ensuring the efficiency of our invested management resources.</li><li>2. Utilize SAMP Online, the supply chain management platform, to convey the Company's important policy to suppliers along the supply chain.</li><li>3. Add the aspect of sustainability risk to the supplier assessment aspects. A supplier is graded based on the Sustainable Risk Assessment Questionnaire filled out each year, and accounts for 5% of total assessment scores, which is expected to be adjusted to 10% in 2024.</li><li>4. Establish the "RBA Vendor Management Policy", demanding that suppliers fill out and send back the RBA Self-assessment Questionnaire, and that suppliers found of any deficiency submit an improvement plan containing corrective measures within a week.</li><li>5. Held the first session of supplier meeting and provided RBA and ESG trainings in 2023. Training courses will be held every year in the future to enhance suppliers' understanding of the RBA Code of Conduct and Phison Supplier Code of Conduct, and to assist suppliers in reviewing their own compliance.</li></ol>
Assessment Mechanism	<ol style="list-style-type: none"><li>1. Percentage of suppliers having signed the Supplier Code of Conduct</li><li>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</li><li>3. The percentage of our critical suppliers who have received RBA audit, and their passing rate</li></ol>

<sup>15</sup> Critical suppliers herein are mainly the suppliers of critical materials of major product lines. Critical Suppliers should be audited by Phison's RBA professionals against the RBA Standard once a year.

## 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.

The Company is well aware that in the process of pursuing the Company's sustainable growth, its operating strategies must take into account the influence and impact on society and the environment. Therefore, the Company follows the four major principles of supply chain management: Code Compliance, Risk Assessment, Auditing Programs, Continuous Improvement, and implementation of Responsible Supply Chain Management Of all purchase contracts the Company have signed with suppliers, the Company stipulates thereon that suppliers comply with the "RBA Code of Conduct". We also demand that tier 1 suppliers who meet the criteria set forth by the Production Management Department and the Procurement Department fill out the "Sustainability 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 (the assessment content including human rights, occupational health and safety, and environmental management); 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.

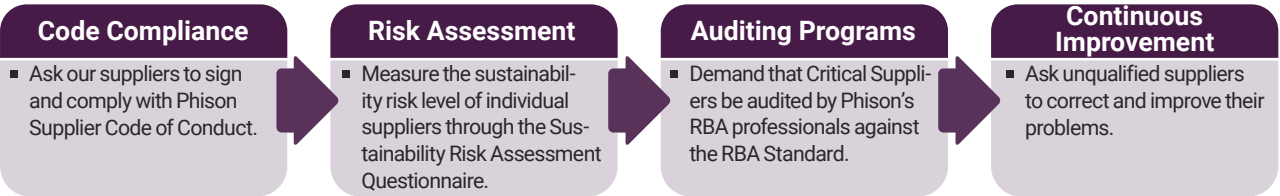
At the same time, the Company considers factors such as purchase amount, number of delivery batched and nature of supply, and selects Tier 1 suppliers who must cooperate in signing the "Supplier Code of Conduct". In order to continue to enhance the sustainability awareness of the supply chain, the Company revised the Supplier Code of Conduct in 2023 and required qualified suppliers to re-sign the Code of Conduct (the signing rate of the Code of Conduct was 100%). In addition, the Company held a supplier meeting, using RBA VAP version 7.1 as the basic teaching material, supplemented by Phison's important sustainability policies, to educate and train critical suppliers and contractors, covering human rights, anti-discrimination / anti-harassment, health and safety, pollution and greenhouse gas management, anti-corruption, grievance channels, privacy, management systems, material restrictions and responsible sourcing of minerals, etc.

#### | Please Refer to the Official Website for the Supplier Code of Conduct



The Company also utilized 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 whistle-blow the violation. The Company will then start investigation and, as required by law, protect the personal information and privacy of such a whistleblower.

#### | Four Major Principles of Supply Chain Management



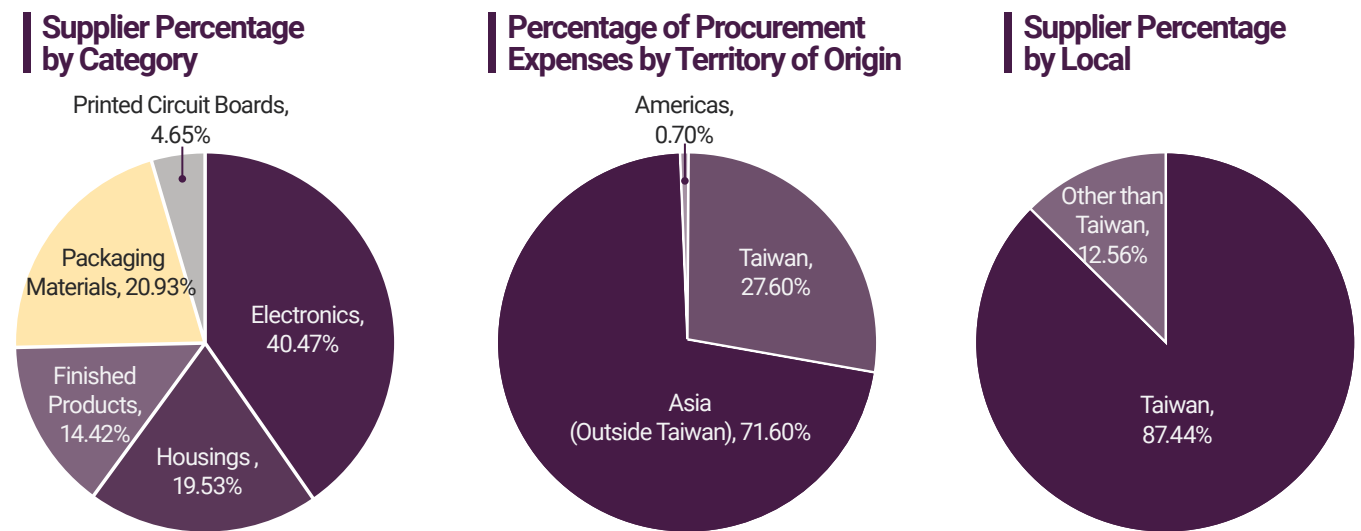
5.1.2 Sustainable Procurement

In order to strengthen the resilience of the supply chain and control the status of raw materials, the Company regularly performs short, medium and long-term material risk assessments. 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 department 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.

In addition, in order to continuously improve inventory management, RD/PM will confirm whether the materials not in use for long can be converted into other commonly used materials, so to increase the commonality of such materials or resell them. The Procurement Department will negotiate over long lead time articles, communicate to bring the lead time back to a normal length of time, and identify NCNR, LTA, Cancellation Day, and forecast supplies, to effectively shorten the lead time.

Local Purchases

The Company had 215 suppliers in 2023, and purchased raw materials that were mainly electronics, packaging materials, housings, finished products, and PCBs. The Company purchases mainly in Taiwan, with 87% of suppliers located in Taiwan, and is committed to developing a supply chain of materials backup and diverse supply sources, so as to reduce geological risks and increase supply chain resilience.



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

Critical Materials Management

Continuing the critical material management achievements in 2021, the Company took stock of the supply risks of materials and parts due to geopolitics in 2023. After investigation, it was determined that 9% of them were at risk; and after investigation and integration of critical materials of key products, 16% of which were subject to supply risks. In 2024, we will continue the results and communicate with suppliers and customers on each supplier's response mechanism on this issue, showing customers and investors clear directions and actions. In the future, we will continue to adjust product categories and necessary conditions, distinguish supplier levels, review the health status of the supply chain of such product categories, evaluate the feasibility of adjustments, and consider suppliers with Tier 1 capabilities to enhance the breadth and depth of the 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. The amount of Phison's green purchases amounted to NT\$4,972,126 in 2023.

5.1.3 Suppliers Assessment

The Company identifies quality suppliers against the four QDSC management aspects, namely, quality, delivery date, service, and cost; we have added the ESG assessment aspect (weighted 5%, including environmental, social, and corporate governance aspects) since 2023. Suppliers are then graded into four categories, namely, A, B, C, and D, and the assessment results are submitted to a management review meeting.

Suppliers with exceptional performance (Grade A) are given priority to produce our newly developed products, be selected, and receive orders from us; while for unqualified suppliers (Grade D), the Procurement Department will inform them of the results of assessment and they are required to submit improvement plans and implementation results within three months, reviewed by relevant units. The Procurement Department 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.

In 2023, the Company had 215 suppliers, of which 210 were quality suppliers (including those rated Grade B and above), accounting for 97.67% of the total. By establishing a long-term partnership, we secured material supply with stable quality and thereby fulfilled customers' needs.

Supplier Rating	A	B	C	D
Grading Scale	≥ 90 points	80 ~ 89points	70 ~ 79points	<70points
Rating Results	Given the priority to produce our newly developed products, be selected, and receive orders from us.	Those who pass the rating assessment will be classified as acceptable suppliers.		Unacceptable Suppliers
Supplier Rating Results	8	202	3	2
Percentage (%)	3.72	93.95	1.40	0.93

In 2023, the Company focused on "supplier integration" and conducted inventory and evaluation of the supply chain of electronics, housings, and packaging materials. For electronic materials, we used a main-substitute ratio to strive for volume and price to keep competitive suppliers (result: down by 4 suppliers); for housing materials, we integrated minor, customer-specified models (result: down by 10 suppliers); and for packaging materials, we integrated minor, customer-specified suppliers, communicated with customers to use Phison's existing supplier samples to submit for inspection and approval (result: down by 8 suppliers), achieving the effect of integrating management resources and centralizing price and volume, and properly adjusting and improving the supplier system. Additionally, 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.

5.1.4 Supplier Audit

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 supply chain management 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 2023, the Company identified a total of 54<sup>16</sup> critical suppliers; all of them had received an audit, with an audit passing rate of 92.59%<sup>17</sup>. However, there were still 334 deficiency items. The causes for such deficiencies were mainly overtime, zero payment for migrant workers and on-site operation safety, etc. 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, 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.

<sup>16</sup> Include 19 raw materials suppliers, 22 subcontractors and system providers, and 13 services producers.  
<sup>17</sup> 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	50	4	92.59%

Defect Analysis for Supplier Audit



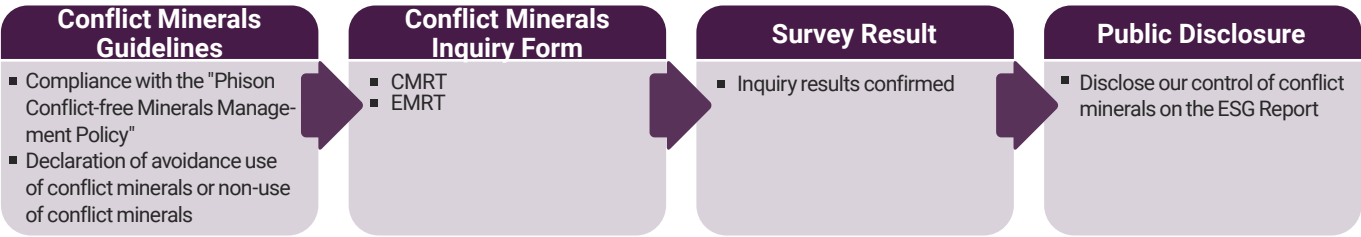
5.2 Conflict Minerals Control

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 stipulating that the "Avoidance Use of Conflict Minerals" or "Non-use of Conflict Minerals" be signed by suppliers upon the first-time purchase of materials or by subcontractors during the annual indirect materials survey. The Company's 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, 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.

Please Refer to the Official Website for the Phison Conflict-free Minerals Management Policy



Conflict Minerals Control Process



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 inquiries into suppliers to identify the smelters and their sources of 3TG, cobalt, and mica through Conflict Minerals Reporting Template (CMRT) and Extended Minerals Reporting Template (EMRT).
  2. Suppliers are asked to sign an undertaking letter 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 2023, we surveyed 51 suppliers, and completed 262 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.



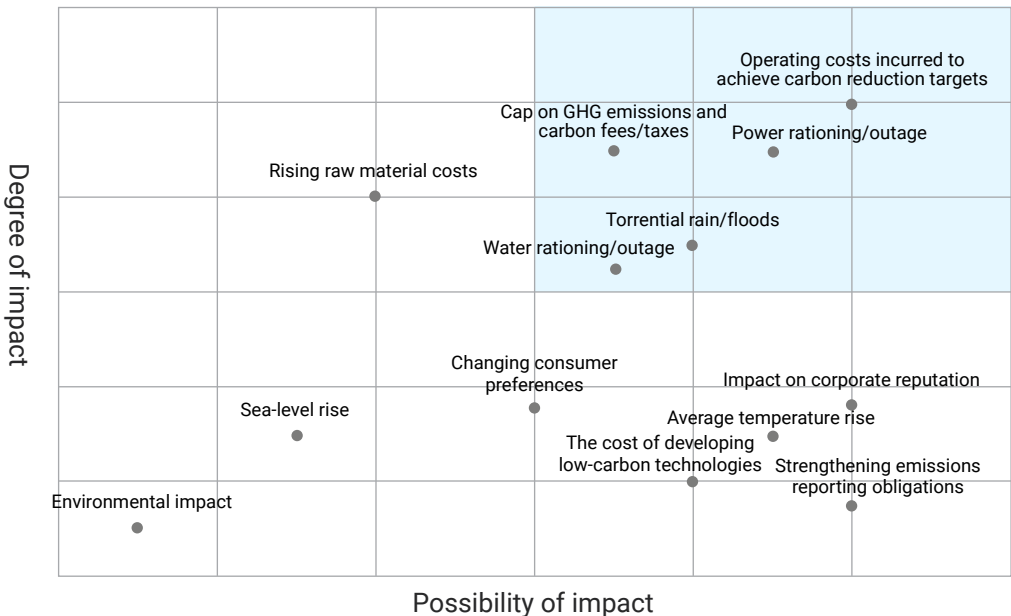
6. Environmental Protection

6.1 Climate Strategy

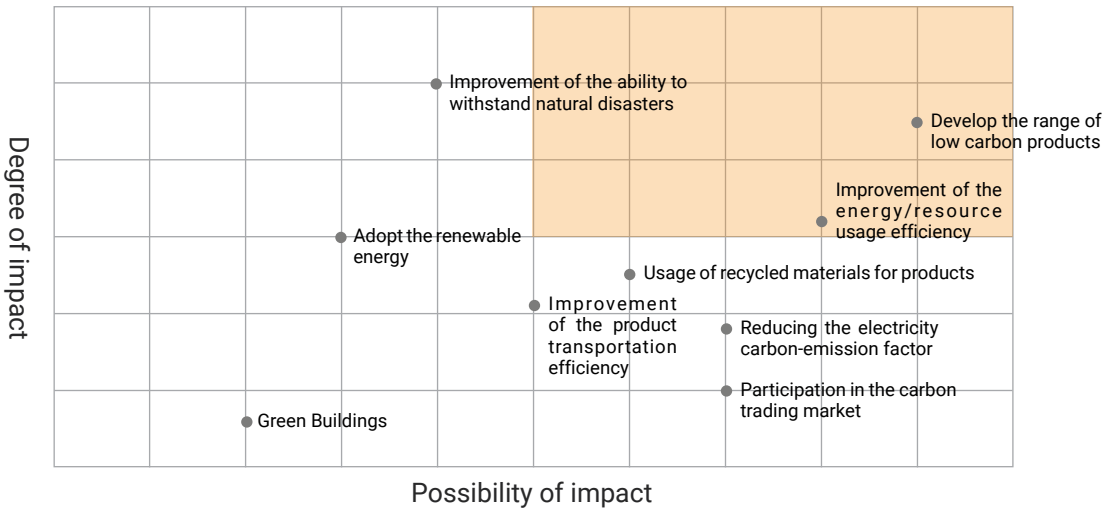
Climate change has become an important issue on a global scale. Climate disaster, once occurred, could give a financial blow to businesses. The Company attentively pays attention to the risks and opportunities that come with climate change. In this year, Phison identified and disclosed the risks and opportunities brought by extreme weather based on the nature of the business by referencing the Task Force on Climate-Related Financial Disclosures (TCFD) and formulated relevant response measures.

Governance	<ul style="list-style-type: none"><li>■ The Risk Management Committee is a functional committee under the Board of Directors and take charge of climate change-related issues. The committee is composed of three members, of whom more than half are independent directors, and briefs the Board of Directors on its climate risk management progress every year.</li><li>■ The executive task force under the Risk Management Committee is responsible for identifying, assessing, and monitoring climate-related risks and opportunities, and for briefing the Risk Management Committee regularly on climate risk-related information.</li><li>■ The Board of Directors is the unit that supervises the Risk Management Committee. The Risk Management Committee regularly reports risk identification results and management and control implementation results to the Board of Directors. The Board of Directors then makes relevant suggestions based on its own authority, responsibilities and expertise, supervises the direction of the project and improves the success rate of the project.</li></ul>
Strategy	<ul style="list-style-type: none"><li>■ The Company defines "short-term" as the following 3 years, "medium-term" as the following 4 to 10 years, and "long-term" as the years counting from the 11th following year.</li><li>■ Analyze the impact and contribution associated with climate change-related risks and opportunities against the TCFD architecture.</li><li>■ Analyze risks under different scenarios, including physical scenarios such as RCP1.9, RCP2.6, RCP4.5, RCP6.0, and RCP8.5.</li></ul>
Risk Management	<ul style="list-style-type: none"><li>■ Analyze risks and opportunities by looking at goodwill, substantive risks, and any change in policy, laws and regulations, market, and technology which might arise under different scenarios.</li><li>■ Plan an adaptation and mitigation strategy for material risks by discussion among relevant departments, and submit the overall assessment results to the Risk Management Committee and the Board of Directors.</li><li>■ We have revised the Supplier Code of Conduct to add a requirement on disclosure of carbon inventory information.</li></ul>
Indicators and Goals	<ul style="list-style-type: none"><li>■ We have established indicators respecting water consumption, greenhouse gas emissions, and renewable energy consumption percentage for the purpose of assessing and managing the risks and opportunities entailed in climate change.</li><li>■ We inventory carbon against ISO 14064-1 and have a certification body verify our inventory data every year. In the future, we will inventory more types of Category 3 emissions year on year to fully grasp our carbon emissions.</li><li>■ We have put in place the climate-related key performance indicators for 2027 with respect to renewable energy, reduction in greenhouse gas emission and water consumption.</li></ul>

Climate Change Risk Matrix



Climate Change Opportunities Matrix



Climate Change Risks and Opportunities Identification Results

Transition Risks

Risk Factor	Scenario Description	Description of Potential Financial Impact	Response Actions
Cap on GHG emissions and carbon fees/taxes	Although the Company is not identified by the Bureau of Energy of the Ministry of Economic Affairs as a big electricity user at the moment, chances abound that the Company will need to pay a carbon fee as the law lowers the emission threshold or the Company scales up its operations.	Increase in operating costs	Set greenhouse gas reduction targets, purchase renewable energy / renewable energy certificates, plant trees, and verify environmental management systems to mitigate the impact of future carbon fees.
Operating costs incurred to achieve carbon reduction targets	In order to ensure that the global average temperature rise is within 1.5°C, it has become an international consensus to achieve net-zero greenhouse gas emissions by 2050. Brand customers and private advocacy groups have successively put forward carbon reduction requirements.	Increase in operating costs	The Company promotes energy-saving plans in the plants and will also evaluate working with value chain partners in the future to increase the benefits of renewable energy procurement.

Physical Risks

Risk Factor	Scenario Description	Description of Potential Financial Impact	Response Actions
Water rationing/ outage	Extreme climate increases the likelihood of absence of rainfall during prime time slots for water gathering. If the situation is considered severe, the government will impose a series of water rationing measures, which will prevent employees from normal work.	Decreasing operating revenue	Establish an internal water level analysis and alert system, and take water from two alternate sources of water supply to cope with the risk of insufficient water supply of either source.
Power rationing/ outage	The Bureau of Energy of the Ministry of Economic Affairs forecast electricity demand to grow by an average of 2.5% annually and peak load to grow by 2.3% during 2021 and 2027. Power rationing or power outage in case of insufficient power resilience will bear on the operation of important machine rooms, thus production capacity.	Increase in operating costs Decreasing operating revenue	Install UPS to ensure the stability of important machine rooms and machine operation and test the generator every month. Going forward, we will continue to assess whether it is required to install UPS at other important labs to cushion the impact of electricity shortage on the Company.
Torrential rain/floods	Extreme weather leads to a higher probability of torrential rain and floods; the velocity of torrential rain is likely to cause floods, which will prevent employees from commuting to work, delay materials allocation, and disrupt planned production and shipment of products.	Increase in operating costs Decreasing operating revenue	Raise the building foundation to reduce chances of a flood, and purchase flood protection equipment such as water pumps.

Major Opportunities

Opportunity Factor	Scenario Description	Description of Potential Financial Impact	Response Actions
Develop the range of low carbon products	More customers in the market select partners by looking at the energy efficiency of a product and a company's ability to reduce carbon emission.	Increase in operating costs Increase in operating revenue	Improve product performance as early as at the design stage, and use eco-friendly and durable materials for products to help end users save energy and extend product lifespan. Use light packaging materials in principle when developing packaging design, and preferentially use renewable materials.
Improve energy/resource usage efficiency	Companies must comply with the Bureau of Energy's requirement on saving power consumption by 1% annually.	Decreasing operating cost	By launching an energy conservation project, the Company replaced obsolete equipment, combined purchase and transportation, etc. to actively implement low-carbon production.

6.1.2 Greenhouse Gas Management

The Company supports the carbon reduction goals of the Paris Agreement. 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 Ministry of Environment of the Executive Yuan with the Greenhouse Gas Protocol tool provided by the Intergovernmental Panel on Climate Change (IPCC) of the United Nations. The Company also passed the verification against the ISO 14064-1:2018 standards.

In 2023, the Company's direct emissions (Category 1) and indirect energy emissions (Category 2) totaled 15,676.301 metric tons of CO<sub>2</sub>e, an increase of 334 metric tons of CO<sub>2</sub>e compared with 2022. The Company has no manufacturing operations, so the main emissions come from purchased electricity. Our emissions intensity in 2023 increased to 0.325 metric tons of CO<sub>2</sub>e per million dollars of revenue, up 27.45% from 2022, mainly due to decreased operating revenue as a result of the market's demand adjustment. Every year the Company launches different energy-conservation programs and purchases renewable energy, constantly heading toward the goal of net zero emissions.

Emission Type	Type of Emission	Metric Tons of CO <sub>2</sub> e	2020	2021	2022	2023
Direct emissions	Category 1	Metric tons of CO <sub>2</sub> e	158.7708	150.5286	340.8842	228.3663
Indirect emissions	Category 2		9,247.4947	11,181.9074	15,001.1131	15,447.9343
	Category 3		-	2,116.4078	1,659.6377	1,721.5395
	Category 4		-	2,165.7436	2,737.3262	3,183.5048
	Category 5		-	-	-	-
Total (Category 1 + Category 2)	Category 6		-	-	-	-
	Total (Category 1 + Category 2)	Metric tons of CO <sub>2</sub> e	9,406.266	11,332.436	15,341.997	15,676.301
Total (Categories 1+2+3+4+5+6)				15,614.587	19,738.961	20,581.345
Emissions intensity (Category 1 + Category 2)		Metric tons of CO <sub>2</sub> e / million NTD	0.194	0.181	0.255	0.325
Data coverage rate		%	100	100	100	100

Note 1: The data covers the use of all factories and leased offices of Phison Electronics, but excludes unused facilities and bases that have not been officially operated for one year and the scope of outsourced management.

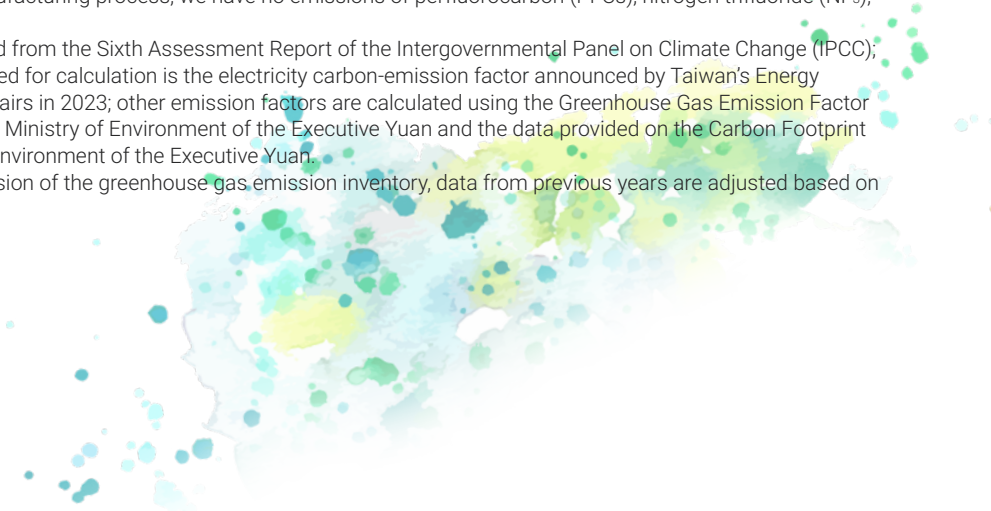
Note 2: Since ISO 14064-1 2018 has expanded inventory boundaries and changed quantifying method, changes in GHG emissions exceeded the significance threshold. Therefore, we shifted the base year from 2022 to 2023.

Note 3: Category 1 includes energy, process, transportation (mobile sources), and fugitive emissions; Category 2 includes purchased electricity; Category 3 covers indirect transport emissions (employee commuting, business travel, and other transport); Category 4 covers indirect GHG emissions associated with an organization's use of products and services (i.e., emissions arising from other organizations' use of products and service, waste disposal, and raw materials use).

Note 4: Our GHG emissions inventory includes an inventory to: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), and hydrofluorocarbon (HFCs). Since the Company has no manufacturing process, we have no emissions of perfluorocarbon (PFCs), nitrogen trifluoride (NF<sub>3</sub>), and sulfur hexafluoride (SF<sub>6</sub>).

Note 5: The global warming potential was quoted from the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC); the electricity carbon-emission factor used for calculation is the electricity carbon-emission factor announced by Taiwan's Energy Administration, Ministry of Economic Affairs in 2023; other emission factors are calculated using the Greenhouse Gas Emission Factor Management Table (version 6.0.4) of the Ministry of Environment of the Executive Yuan and the data provided on the Carbon Footprint Information Platform of the Ministry of Environment of the Executive Yuan.

Note 6: In order to be consistent with the expression of the greenhouse gas emission inventory, data from previous years are adjusted based on the ISO 14064-1 verification report.



6.2 Energy Resources Management

6.2.1 Statistics of Energy Consumption

To review and improve our energy usage efficiency, the Company inventories our energy consumption amount every year. In 2023, the Company's total energy consumption was 116,305.30 GJ, and our energy use intensity was 2.412 GJ per million dollars of revenue. Energy intensity soared by 33.55% from the previous year, mainly due to the reduced operating revenue due to the market's correction of demand.

Since 2021, the Company has been purchasing renewable energy (electricity generated from wind power). By 2023, the renewable energy usage accounted for 3.11% of total electricity consumption. In order to carry out our energy transformation in a steady pace and to reduce the GHG emissions during operations, we aim to increase such percentage to 10% by 2025, and 20% by 2030.

Energy Consumption Statistics

Item	Unit	2020	2021	2022	2023
Petroleum	Liter	4,929	3,164.45	3,064.88	4,261.19
	GJ	160.86	103.27	100.02	139.06
Diesel	Liter	1,000	4,800	3,400	2,200
	GJ	35.15	168.70	119.50	77.32
Total Electricity Consumption	kWh	18,167,966	22,599,479	29,840,985	31,260,731
	GJ	65,372.70	81,318.35	107,375.03	112,483.61
Renewable Energy	kWh	-	264,086	338,515	1,001,964
	GJ	-	950.24	1,218.06	3,605.31
Total Amount of Energy Used	GJ	65,568.71	82,540.56	108,812.61	116,305.30
	MWh	18,228	22,946	30,061	32,333
Energy Use Intensity	GJ per million dollars of revenue	1.352	1.319	1.806	2.412
Data Coverage Rate	%	100	100	100	100

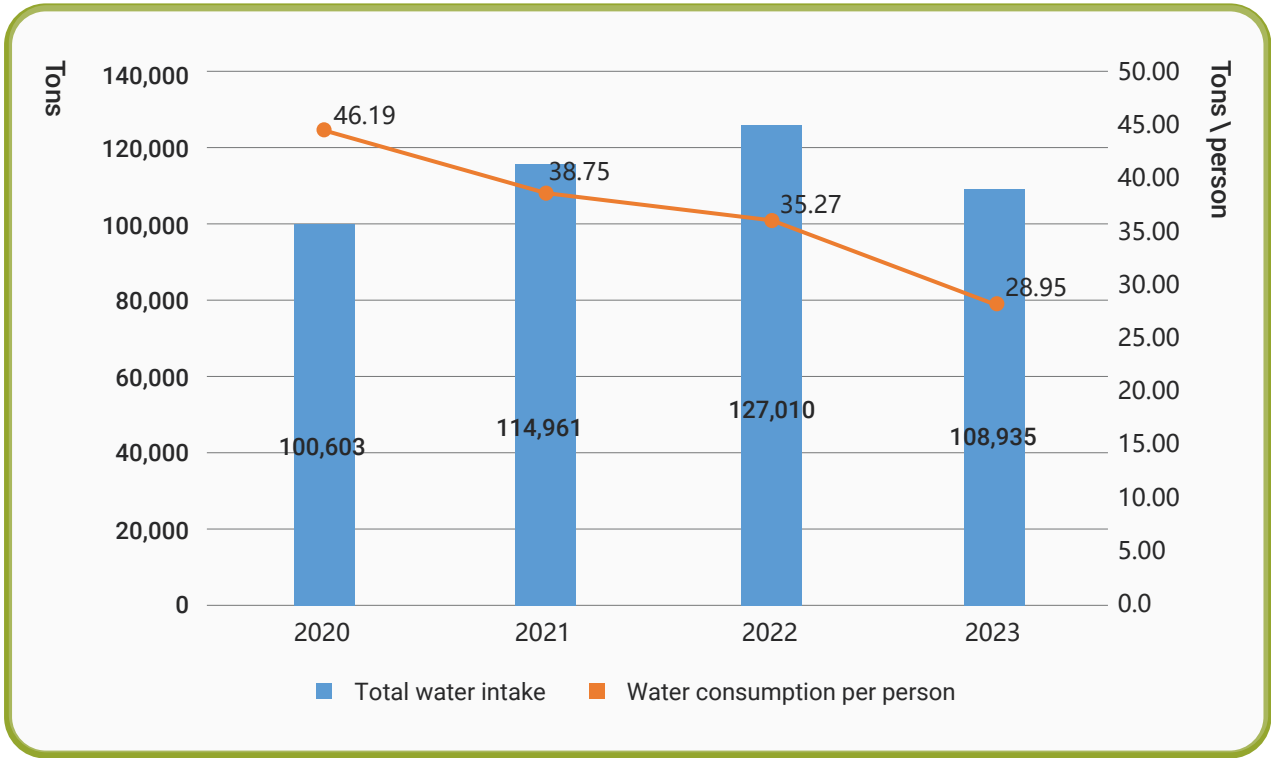
Note 1: The data coverage of our energy use for respective years is consistent with the data coverage of GHG emissions data for that year.  
Note 2: The calorific value conversion factor was referred from the latest calorific value tables of energy products in the year as declared by the Energy Administration during the statistical period.

6.2.2 Statistics of Water Consumption

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<sup>18</sup>, we use water only for general use, of which air-conditioning water accounts for the largest amount. The sources of our water intake are city water and the private water supplier, Kuan Yuan. In 2023, the Company's total water intake was 108,935 tons, a decrease of 18,075 tons from the previous year, and our water consumption per person was 28.95 tons. An annual water intake intensity was 2.259 tons per million dollars of revenue.

<sup>18</sup> 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 Withdrawal and Water Consumption Per Person



Note: If calculated against the headcount, the data coverage rate for 2020 through 2023 was 92.6%, 100%, 86%, and 85.6%, 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 the Miaoli area were Dapu Reservoir and Yunghoshan Reservoir; for the Taipei area, it was Feitsui Reservoir; for the Hsinchu area, it was Baoshan Reservoir; and for the Tainan area, it was Nanhua 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, and Phison Electronics Tainan Office.



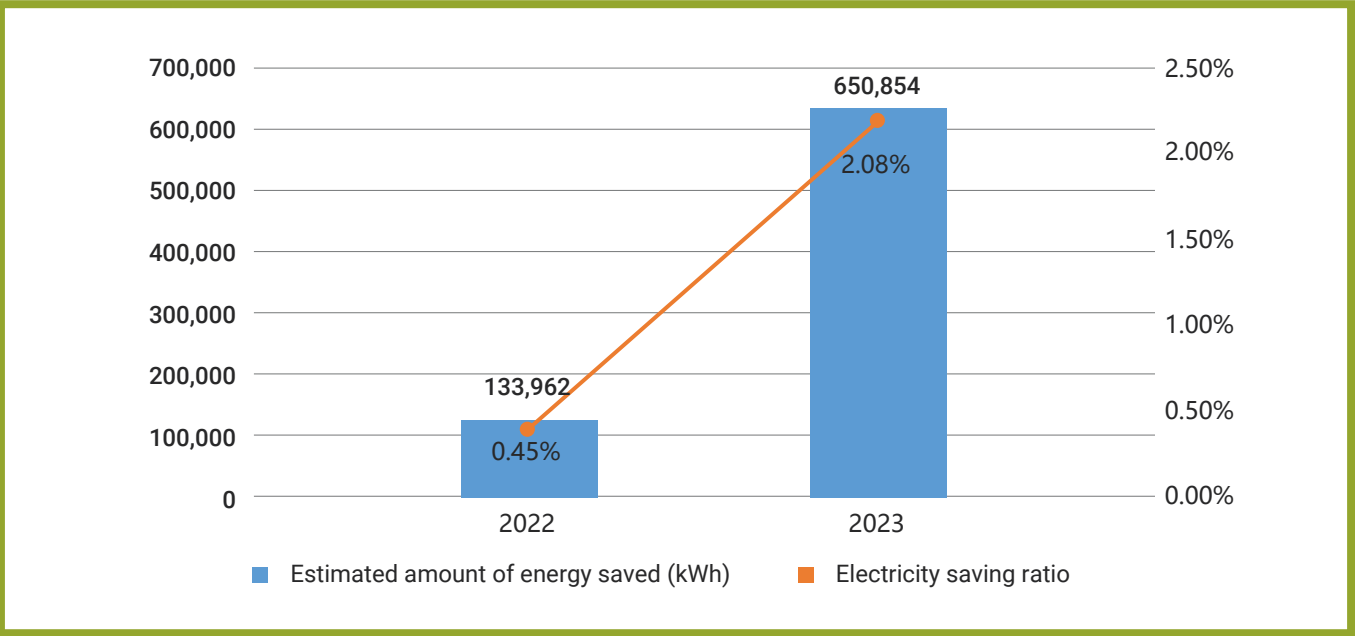


6.2.3 Energy and Resources Efficiency Improvement Project

In addition to daily promotion of energy conservation to employees, the Company also promotes the concepts of energy conservation, water conservation, and waste reduction and shares action plans in annual online re-training courses. It is expected that employees will pay attention to the risk impact of climate change and find ways in their daily lives to reduce energy and resource waste and garbage generation, so as to lessen the burden on the earth from the source.

In 2023, Phison initiated eight energy and water conservation programs, which are expected to save 650,854 kWh of electricity (equivalent to a conservation of 482,263.2 MJ of energy) and 11,832 cubic meters of water, which is equivalent to a reduction of 324 tons of CO<sub>2</sub>e.

2023	Program Description	Estimated Amount of Energy/Water Saved (kWh)/ (Cubic Meters)	Estimated Amount of Costs Saved (NTD)
Energy savings	Parking tower lighting control adjustments	164,095	514,513
	Change of the LED lighting equipment in the office from the old ballast-type to the directly connected type	3,327	10,979
	The office fan is turned off regularly	357,232	1,178,865
	Adjust the office lighting controls to scheduled automatic shutdown	102,797	339,230
	Add sensor control to escape staircase lights	6,145	20,278
	In plant V, the number of recessed lights was reduced by 30% for passenger elevator halls and by 50% for freight elevator halls	17,258	56,951
Water conservation	The backwash time of the UF filtration system in the Kuan Yuan water body in the Zhunan plant was adjusted to reduce the water discharge	1,752	234,975
	Cooling tower conductivity drainage adjustment	10,080	131,040
Total			2,486,831



Note 1: The estimated amount of costs saved was calculated by multiplying the average water/electricity rate by the estimated number of cubic meters/kWh saved.  
Note 2: The tap water carbon emission factor is the CO<sub>2</sub> emissions per cubic meter of water announced by Taiwan Water Corporation for 2022 (0.156 kg CO<sub>2</sub>/cubic meters). Electricity carbon-emission factor used for calculation is the electricity carbon-emission factor announced by Taiwan Energy Administration, Ministry of Economic Affairs for 2022 (0.495 kg CO<sub>2</sub>/kWh).  
Note 3: Energy saving ratio = number of kilowatt hours of electricity saved due to energy saving projects / annual actual kilowatt hours of electricity usage.

6.3 Effluent and Waste Management

6.3.1 Effluent Discharge Management

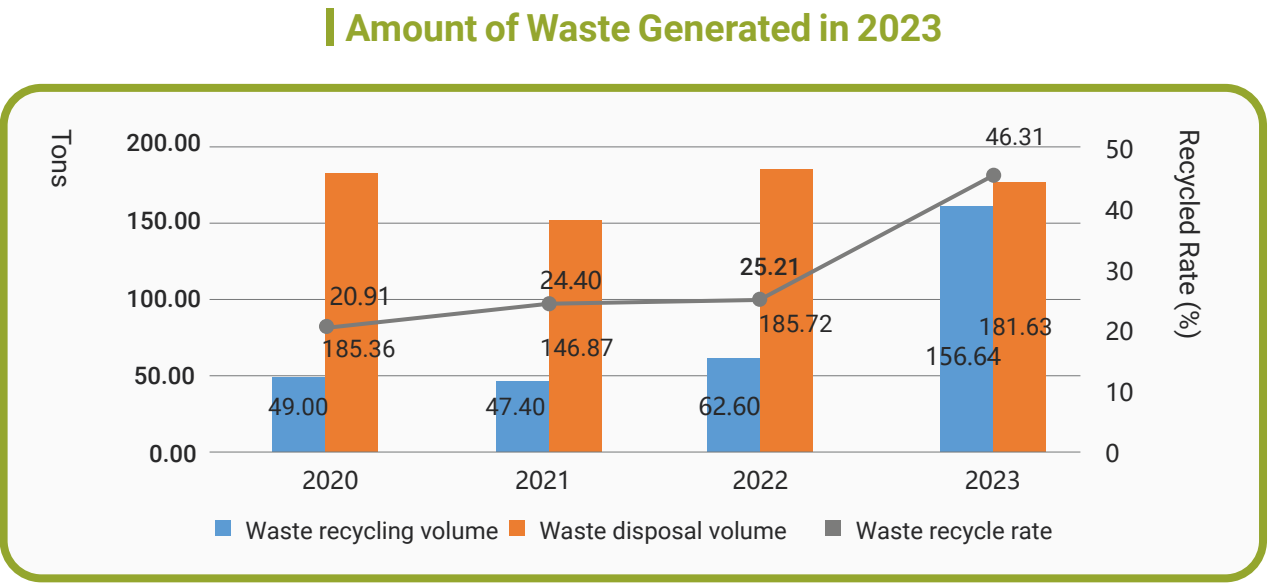
The Company's wastewater in Miaoli region was conveyed to the sewage treatment plant in Kuan Yuan Science Park via the pipelines applied legally without treatment; wastewater in Taipei region was conveyed to the public sewer system. A total of 91,695 tons of water and effluents was discharged from our Zhunan headquarters in 2023. Our wastewater generated in the Miaoli area is tested monthly by an independent water quality testing agency for water temperature, hydrogen ion concentration index (pH), suspended solids, biochemical oxygen demand, and chemical oxygen demand. This is to ensure that the quality of our water and effluents meets the discharge standards of the Kuanyuan Science Park's sewerage system, and our water and effluents does not cause any serious impacts to nearby water bodies.

Category	Item	Emission
Discharge by destination	Surface water + Groundwater + Seawater	0
	Third-party water (wastewater treatment plant)	91,695
	Third-party water sent to other organizations for use	0
Level of treatment	No treatment	0
Total volume of water discharged (metric tons)		91,695

Note 1: The volume of effluents is estimated according to the park regulations, and is calculated as total water consumption x 0.9.  
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 2023, we generated a total 338.27 tons of waste, including general industrial waste and domestic waste (excluding class E hazardous industrial waste), in which 156.64 tons (46.31%) of the waste were recycled, while 181.63 tons of waste could not be recycled. The total waste generation in 2023 increased by 89.68 metric tons compared with last year, all of which came from the increase in recyclable waste. The main reason was the large amount of food waste generated by the opening of the food court and the increase in scraps recycled from processing plants. An annual waste generation intensity was 0.007 tons per million dollars of revenue in 2023.



Note 1: If calculated against the headcount, the data coverage rate for 2020 through 2023 was 92.6%, 90.5%, 86%, and 85.6%, 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 2023, a count on the total weight of hazardous industrial waste produced by all of our operating sites in Taiwan was made, which was 57.10 tons<sup>19</sup> in total; and all the waste has been completely removed at the end of 2023.

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 partially refined for metal recycling, and the unrecyclable part will be incinerated (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 Unit 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. 12 in-vehicle audits and 2 onsite audits were conducted in 2023, and the vendors all passed the audits.

<sup>19</sup> The Company's scrapped products and electronics waste weighed a total of 57.10 tons; 0.0095% of them were recycled and reused.

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 amended its "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, autonomous carbon reduction and biodiversity protection. The Company continued to obtain ISO 14001 Environmental management systems for the design of our flash memory storage devices and flash memory controller chips. We also focus on recycling and energy efficiency policies to reduce the impact of our business activities on the environment.

Please Refer to the Official Website for the Phison Environmental Protection Policy



In 2023, the Company used the "Taiwan Ecological Network" established by the Forestry and Nature Conservation Agency, MOA to make identifications based on geographical location. Only the Tainan Office falls within the "Southern Chianan Plain Grassland Conservation Zone", and all other operating locations are not located in "Biodiversity Hotspots" or "Conservation Corridors". After comprehensive consideration of industry characteristics, operating activities, location, land use, water resource use, and pollutant emissions, the Company determined that the Tainan Office will not come into contact with sensitive areas that affect biodiversity and pristine natural forest ecosystems. Therefore, there are no concerns about potential damage to biodiversity or destruction or deforestation. Therefore, the impact on biodiversity is low. In the future, the Company will also require suppliers to use the "Taiwan Ecological Network" to identify their own biodiversity risks.

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. Since the Company is not an end brand owner, in accordance with the cradle-to-gate model, the management policies at each stage are as follows:

Stage	Implementation Approach and Results
Raw Materials	<ul style="list-style-type: none"><li>■ Hazardous Substance Management.</li><li>■ Sony Green Partner Environmental Quality Approval Program.</li><li>■ 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.</li></ul>
R&D and Design	<ul style="list-style-type: none"><li>■ 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.</li><li>■ Obtain ISO 14001 Environmental Management System certification; the processes to be certified include the design of flash memory storage devices, and the design process of flash memory chips.</li></ul>
Packaging	<ul style="list-style-type: none"><li>■ 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.</li><li>■ Reuse packaging materials to reduce the amount of packaging materials used and waste generated. In 2023, we recycled 780,742 units of packaging materials (anti-static trays).</li></ul>
Transportation	<ul style="list-style-type: none"><li>■ 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.</li></ul>



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 2023, we sent a total of 26 products of our new series to an independent third party for testing of hazardous substances, and the compliance rate of our products with hazardous substance requirements was 100%.

Phison's Approach to Hazardous Substance Management

EU RoHS	EU REACH SVHC
<ul style="list-style-type: none"><li>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.</li></ul>	<ul style="list-style-type: none"><li>All our products conform to the requirements.</li></ul>
Halogen Free	WEEE
<ul style="list-style-type: none"><li>Conformity to customer requirements.</li></ul>	<ul style="list-style-type: none"><li>All our products conform to the requirements for the recovery, reuse, and recycling of WEEE.</li></ul>

Hazardous Substance Management by Stage

R&D	Manufacture	Supply Chain
<ul style="list-style-type: none"><li>Review of New Products<ul style="list-style-type: none"><li>Control Standards of Hazardous Substances</li><li>Third-party hazardous substance inspection</li><li>Safety Data Sheet (SDS)</li></ul></li></ul>	<ul style="list-style-type: none"><li>Incoming Material Quality Control<ul style="list-style-type: none"><li>Acceptance standards</li><li>Hazardous substance testing</li></ul></li><li>Change Management<ul style="list-style-type: none"><li>Third-party hazardous substance inspection</li><li>Safety Data Sheet (SDS)</li></ul></li><li>Annual Hazardous Substance Testing<ul style="list-style-type: none"><li>Products sent to independent third party for testing</li></ul></li></ul>	<ul style="list-style-type: none"><li>Green Product Management System</li><li>Hazardous Substance Testing Report from Independent Third Party</li><li>Safety Data Sheet (SDS)</li></ul>

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	2020	2021	2022	2023
Operating cost	Pollution prevention cost	Wastewater processing	1,993,960	2,241,993	3,581,765	3,273,687
		Empty the septic tank	360,000	300,000	400,000	498,750
	Cost of sustainable use of resources	Waste disposal	894,240	894,240	1,172,240	3,007,678
	Global environmental protection costs	Purchase renewable energy	0	977,118	1,252,506	3,911,882
Management costs		Management system verification	200,000	138,000	138,000	260,000
		Effluent quality testing	30,000	15,225	36,750	33,440
		Soil and water conservation	32,609,250	0	0	0
		Greening and beautification	19,651,620	453,000	422,000	100,000
Social activity costs		Utilization of the farm environment	1,231,560	1,735,805	1,876,636	1,955,247
		Environmental protection activities	0	307,700	1,006,455	1,032,935
Total			56,994,630	7,063,081	9,886,352	14,073,619

Unit: NT\$						
Benefits Breakdown		Description	2020	2021	2022	2023
Cost savings	Energy conservation plan	Estimated water/ electricity charges saved	32,457	1,137,395	411,440	2,486,831
	Waste recycled/ reused	Revenue from recycling	52,019	103,506	137,338	3,238,184
		Resale of anti-static trays	2,438,774	3,967,605	4,315,382	4,406,662
Total			2,523,250	5,208,506	4,864,160	10,131,677

Note: The significant increase in waste disposal costs and revenue from recycling in 2023 is due to the addition of leftover scrap removal expenses and leftover scrap sales revenue.



7. Employee Care

7.1 Employment Overview

7.1.1 Employee Structure

In 2023, Phison Electronics Group had a total of 4,398 employees<sup>20</sup>, up a whopping 208 employees from last year, with a staff growth rate being 5%. 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 3,763 employees, accounting for 85.6% of total employees, in which there were 3,016 R&D personnel, 165 sales personnel, 387 production personnel, and 195 administrative personnel.

| Phison Group Employee Headcount

Year		Taiwan	Overseas	Total
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
2022	Male	2,908	82	2,990
	Female	1,178	22	1,200
	Total	4,086	104	4,190
2023	Male	3,044	94	3,138
	Female	1,233	27	1,260
	Total	4,277	121	4,398

<sup>20</sup> All headcount information in this Report is based on the number of employees in service on December 31 of the current year. The number of employees in 2020 and 2021 includes employees in Phison, PJP, USA, Super Storage Technology, and Ostek; The number of employees in 2022 includes employees in Phison, PJP, USA, Super Storage Technology, Ostek, Nextorage, and Power Storage Technology(Shenzhen); The number of employees in 2023 includes employees in Phison, PJP, USA, Super Storage Technology, Ostek, Nextorage, Power Storage Technology(Shenzhen), and Phison India.

| Employee Structure

Category		Type	Male	Female	Total	Percentage
Position	R&D personnel		2,536	480	3,016	80.15%
	Sales personnel		39	126	165	4.38%
	Production personnel		208	179	387	10.29%
	Administrative personnel		89	106	195	5.18%
Type of Employment Contract	Permanent		2,849	872	3,721	98.88%
	Temporary		23	19	42	1.12%
	Non-guaranteed hours employees		0	0	0	0.00%
Age	< 30		968	293	1,261	33.51%
	30-50		1,851	584	2,435	64.71%
	>50		53	14	67	1.78%
Education	High school diploma or below		15	24	39	1.04%
	Bachelor degree		532	423	955	25.38%
	Master degree		2,298	442	2,740	72.81%
	Ph.D.		27	2	29	0.77%
Nationality	Taiwanese indigenous people		2	0	2	0.05%
	Taiwanese national (non-indigenous people)		2,773	863	3,636	96.63%
	Foreign national		97	28	125	3.32%
Work Place	Local hire		2,864	888	3,752	99.71%
	Expatriate		8	3	11	0.29%

Note 1: The number of non-employee workers in 2023 was 162, an increase of 21 from the previous year (the increase came from the increase in food court personnel). The Company's non-employee workers mainly work as cleaning, security, and food court personnel. They are all employees of contractors appointed by the Company. There are no dispatch workers or co-op students.

Note 2: Among the temporary employees, there are 28 full-time employees (of which 14 are male and 14 are female) and 14 part-time employees (of which 9 are male and 5 are female).

## Diversity in Governance Boards

When seen by gender structure, the percentage of female directors was 12.5% in the Company.

Item		2022		2023	
		Number of People	Percentage (%)	Number of People	Percentage (%)
Total Number of People in Governance Boards		9	100.00	8	100.00
Gender	Male	7	77.78	7	87.50
	Female	2	22.22	1	12.50
Age Range	< 30	0	0.00	0	0.00
	30-50	3	33.33	1	12.50
	>50	6	66.67	7	87.50

In terms of nationality, Taiwanese national, at 96.68%, constitute the most of our workforce; the second highest percentage in our workforce is Malaysian, the third and fourth highest are Vietnamese and Filipino, respectively.

Nationality	Taiwan	Malaysia	Vietnam	Philippines	Other
Percentage in Total Workforce (%)	96.68	2.44	0.53	0.08	0.27
Percentage in All Managerial Positions (%)	94.51	4.75	0.30	0.00	0.44

## Proportion of Female Employees

Category	2022	2023	Targets in 2025 in terms of Percentage
Percentage of Total Female Employees (%)	23.94	23.68	27.00
Percentage of Female Managers (%)	17.92	17.80	22.00
Percentage of Female in First-level Managerial Positions (%)	16.62	17.10	20.50
Percentage of Female in Middle-level Managerial Positions (%)	20.81	19.51	25.50
Percentage of Female in Top-level Managerial Positions (%)	15.56	16.67	25.00
Percentage of Female Managers in Revenue-generating Departments (%)	14.99	15.75	20.00
Female Working in STEM-related Positions (%)	15.35	15.92	14.00

Note 1: Top-level managers include CEO, president, vice president, vice presidents of technology, senior division heads, division heads, deputy division heads, and senior special assistant.

Note 2: Middle-level managers include senior managers, department managers, deputy department managers.

Note 3: First-level managers include managers, deputy managers, section chiefs, deputy section chiefs, team leaders, and deputy 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.

## Employing People with Disabilities

Year	2022			2023		
	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	36	17	0.58%	37	24	0.82%

## Employee Absence Rate

Year	2020	2021	2022	2023
Absence Rate (%)	5.56%	12.03%	7.67%	0.89%

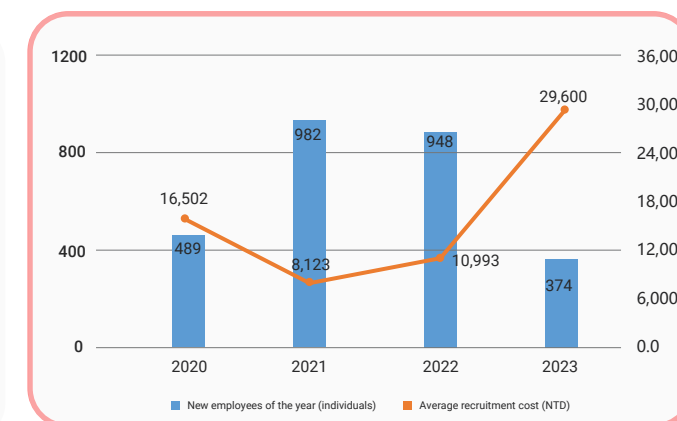
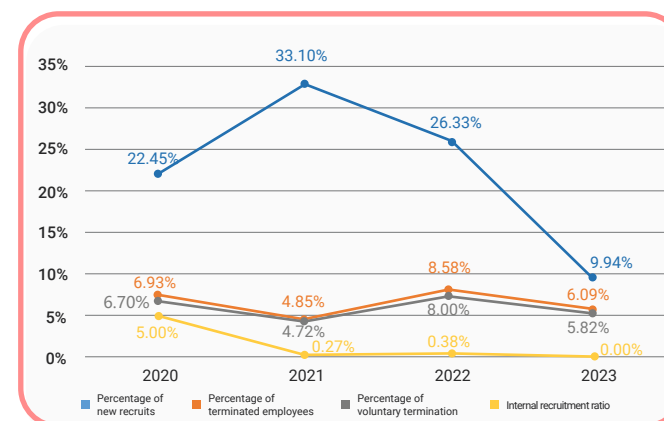
Note 1: Absence rate = (Number of absences during an accounting period / Number of man-workdays during the accounting period) x 100.

Note 2: Absence includes sick leave, personal leave and occupational sickness leave, excluding rescheduling of annual leave, business trip, maternity leave, or paternity leave.

## 7.1.2 Percentages of New Hires and Terminated Employees

In 2023, there was a total of 374 new employees joining Phison's permanent staff in Taiwan, of which 279 were male and 95 were female, accounting for 9.94% of our workforce; a total of 229 employees left our permanent staff in Taiwan, of which 151 were male and 78 were female, accounting for 6.09% 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	Total New Hires	Employee Size	New Hires Percentage (%)
Age	< 30	30-50	>50		< 30	30-50	>50				
Number of new hires (percentage)	195 (5.18%)	83 (2.21%)	1 (0.03%)	279 (7.41%)	68 (1.81%)	25 (0.66%)	2 (0.05%)	95 (2.52%)	374	3,763	9.94%
Gender	Male			Total - Male	Female			Total - Female	Total Termination	Employee Size	Terminated Employees Percentage (%)
Age	< 30	30-50	>50		< 30	30-50	>50				
Number of terminated employees (percentage)	58 (1.54%)	88 (2.33%)	5 (0.13%)	151 (4.01%)	33 (0.88%)	44 (1.17%)	1 (0.03%)	78 (2.08%)	229	3,763	6.09%
Gender	Male			Total - Male	Female			Total - Female	Total Number of Voluntary Terminated Employees	Employee Size	Voluntarily Terminated Employees Percentage (%)
Age	< 30	30-50	>50		< 30	30-50	>50				
Number of voluntarily terminated employees (percentage)	56 (1.49%)	83 (2.21%)	5 (0.13%)	144 (3.83%)	33 (0.88%)	41 (1.08%)	1 (0.03%)	75 (1.99%)	219	3,763	5.82%



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. Employee retention rate is no less than 90%. 2. Talent recruitment rate is not less than 10 times.
Performance	1. The median salary for full-time employees in non-managerial positions is 1,784NT\$ thousand and the average salary is 2,020NT\$ thousand. 2. The expenses on employee benefits amounted to approximately NTD 8,928,132 thousand or NTD 2,418 thousand per employee.
Responsibility	Human Resources Department
Complaint Mechanism	1. Ms. Wang/Ms. Wu of Human Resources Department <a href="mailto:wecan_8080@phison.com">wecan_8080@phison.com</a> 2. Anonymous opinion box
Action Plans	1. Refer to industry salary survey information and evaluate salary increases every year based on operating conditions to constantly improve the attractiveness of employee welfare and salary. 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. 3. Join the "TALENT, in Taiwan", a Taiwanese talent sustainability action alliance, and jointly proposed the initiative that "enterprises take hold of talents and export future skills to universities."
Assessment Mechanism	1. The salary standard disclosed every year on the Market Observation Post System (MOPS) 2. Employee retention rate 3. Talent recruitment rate 4. The number of employee complaints

7.2.1 Promotion of Diversity and Inclusion

Establishing a workplace environment that is diverse, equal, and inclusive can give employees with various characteristics the opportunity to speak up, express their ideas, give full play to their abilities, and at the same time participate more in-depth in the company's growth and decision-making, thereby enhancing their "sense of belonging" to the company, which has a significant impact on talent retention; meanwhile, job seekers are paying more and more attention to a company's DEI performance and will consider the company's DEI performance when deciding whether to join the company.

The Company is committed to improving workplace inclusion and formulates different action plans for different groups. We hope that employees from different backgrounds can all be accepted and supported in the workplace.

Note: The initials DEI stands for Diversity, Equity and Inclusion.

Target Group	Actions to Improve Employee Diversity
Female employees	Phison supports "Women in Research and Development" and invited students from the Electronics and Electrical Engineering Camp of National Yang Ming Chiao Tung University to visit in July 2023. Graduate alumni shared with the students the experiences of women studying and career development in science and engineering departments, encouraging outstanding female students to join, so to expand gender diversity.
Persons with physical and mental disabilities	In addition to actively recruiting employees with disabilities through existing recruitment channels, we will also provide job content suitable for employees with disabilities through job redesign. We also continue to work with relevant social welfare organizations, who assist in matching potential candidates with disabilities with suitable job openings at the Company. At the same time, we also collaborate with the county and city labor departments and vocational training units, in which they refer suitable candidates with disabilities to the Company for interviews.
Foreigners	1. In order to attract more international talents to join, Phison has been working with well-known overseas universities actively in recent years to organize online recruitment briefings, as well as participating in overseas talent recruitment sessions organized by the Ministry of Economic Affairs. 2. For industry-university collaboration part, we also consulted with National Taiwan University and National Yang Ming Chiao Tung University about overseas "Industry Support Talent Cultivation Degree Classes", and cooperates with universities to recruit students from all over the world to study in Taiwan. Enterprises will then provide living stipend and job opportunities after graduation. 3. The Company continues to provide comprehensive assistance such as work permits, banking, accommodation, and medical care to create a friendly talent retention environment so that foreign professionals can live and work in Taiwan.

7.2.2 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 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.

Our employee remuneration is 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. Phison provides cash bonus and employee remuneration twice a year to encourage employees' continual contributions to the company. In this year, the expenses on employee benefits<sup>21</sup> amounted to approximately NTD 8,928,132 thousand, or NTD 2,418 thousand per employee.

<sup>21</sup> Employee benefits include salary, employee insurance (labor insurance, health insurance, group insurance), retirement benefits (new and old pension schemes), food expenses, and employee welfare (related allowances and subsidies from the Employee Welfare Committee).



Salary of Full-time Employees Who Are Not in a Managerial Position

Item	2022	2023	Comparison Between Two Years
Non-managerial full-time employees (Number of people)	3,270	3,639	369
Average salary of non-managerial full-time employees (NT\$ thousand)	2,108	2,020	-4.17%
Median salary of non-managerial full-time employees (NT\$ thousand)	1,894	1,784	-5.81%

Note 1: The median and average annual salary in 2023 decreased because the Company's operating revenue declined compare to 2022, but the number of employees continued to increase.

Note 2: The total annual remuneration for the CEO (including fixed remuneration and variable remuneration) was 24 times as much as the median annual salary of all employees (excluding the CEO). The ratio of the percentage increase in annual total remuneration for the CEO to the median percentage increase in annual total remuneration for all employees (excluding the CEO) is 9.

Male-female Employee Remuneration Ratios

Position	Male	Female
Executive manager salary	110%	100%
Executive compensation	138%	100%
Mid-level and entry-level manager salary	124%	100%
Mid-level and entry-level management compensation	130%	100%
General employee	126%	100%

Note 1: Executive-level managers include the CEO, president, vice president, vice presidents of technology, senior division heads, division heads, deputy division heads, and senior special assistant

Note 2: Middle-level managers include senior managers, department managers, deputy department managers

Note 3: Entry-level managers include managers, deputy managers, section chiefs, deputy section chiefs, team leaders, and deputy 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 survey titled "Females Graduating from Academic Disciplines of Science, Technology, Engineering and Mathematics in Higher Education" compiled by the Department of Statistics, women only accounted for 26.16% of all graduates in the above disciplines in 2022. 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). This is the reason for 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% 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.

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 number of 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 more than 6 months but less than one 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.
Paid miscarriage leave	Those who have a miscarriage after being pregnant for more than two months but less than three months will be granted one week of maternity leave; those who have a miscarriage after being pregnant for less than two months will be given five days of maternity leave. Such one week and five days may not be paid, but the perfect attendance bonuses and performance appraisals shall not be affected.	Those who have a miscarriage after being pregnant for more than two months but less than three months will be granted one week of maternity leave; those who have a miscarriage after being pregnant for less than two months will be given five days of maternity leave. Such one week and five days may be paid.
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 project by project 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 2023, bonuses totaling NT\$93,320,316 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 2023, we offered subsidies totaling NT\$923,967 for the associations.
Medical insurance	No regulations	Term life insurance ranges from NT\$1.5 million to 3 million according to level; critical diseases range from NT\$375,000 to 750,000 according to level; inpatient medical treatment ranges from NT\$2,500 to 3,500 according to level; cancer inpatient medical treatment is NT\$2,000.
Accident insurance	No regulations	Accidental injury insurance ranges from NT\$1.5 million to 5 million according to level; the pay-as-you-go accidental injury medical treatment is NT\$30,000.



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. In 2023, we held a total of 3 themed activities, providing them with fun other than that derived from work and improving their happiness.

Event Name	Event Contents	No. of Participants
2023 Phison Handmade Fun - Terrarium Craft Class	The Employee Welfare Committee invited professional floral designers to introduce planting so that all participating colleagues can learn about different characteristics of the plants and how to choose the plants that best suit them. The class included choosing your favorite vase, turning soil, and transplanting, creating your own little garden bit by bit with your own hands. During the process, the lecturer also provided some maintenance tips, so that colleagues can take good care of their own plants after taking the handmade terrarium home. A total of two sessions were held at the Bangqiao Office and the Zhunan headquarters. The first session was held in conjunction with the annual Earth Day in April to once again remind colleagues to pay attention to environmental protection and the sustainable development of the earth.	262
2023 Phison Handmade Fun - Leather Craft Class	Among the themes of lectures and activities over the years, leather is the most popular among employees. In 2023, the Employee Welfare Committee invited professional leather craftsmen to teach the class step-by-step in the craft classroom, so that participating colleagues can make and take away exclusive leather coffee cup carrier, badge holder and hand-sewn coin purse. The class ranged from getting to know leather, sewing leather to designing leather carving stamps; not only did they fully learn how leather is made, but they also learned the correct knowledge on how to maintain leather at home. A total of two sessions were held at the Tainan Office and the Zhunan headquarters. At the end of the class, employees hammered away and finished the customized stenciled letters in the classroom; as the laughter continued, the tension of working in the office for a long time was relieved.	252
2023 Phison Family Day - The Multiverse of Joy (Leofoo Village)	In 2023, the Company chose Leofoo Village Theme Park to hold its annual Family Day. This year, the theme was "The Multiverse of Joy", which attracted more than 4,500 colleagues and their families to participate together, and the response from employees was quite enthusiastic. The Company has always been committed to providing a high-quality work environment with a work-life balance for colleagues. We not only value our employees individually, but also extend our attention to their families and friends. Therefore, for the 2023 Family Day, we chose Leofoo Village, which is loved by all ages. Through a series of stage activities and team games, we regained our original aspirations, which can not only relieve work pressure, but also gel the colleagues and family members. As a large-scale event that has not been seen for a long time after the pandemic, this Family Day not only offered many amusement facilities and stage activities, but also had parent-child activities, inviting all family members, young and old, to interact together and win exclusive gifts of the event.	4,509
2023 Phison Family Day - The Multiverse of Joy (E-DA World)	Considering that traveling to the north from the Tainan Office is relatively tiring, after allowing employees to vote on their own, for 2023 Family Day, tickets to the E-da Theme Park (2 tickets / person) were given to colleagues stationed in the Tainan Office, and a special plan to purchase additional tickets had been arranged, encouraging and making it easier for colleagues in Tainan to travel with their families.	246



Leather Craft Class



Terrarium Craft Class



The Multiverse of Joy - Team Competition



The Multiverse of Joy - Games on Stage

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 three 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 2023, Phison Farm input a total of NT\$1,955,247 and harvested a total of 18,823 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 5,955 packs of fruits and vegetables were distributed to employees in 2023. 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 contributes 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 contributes 6% of each employee's monthly salary as their pension fund.

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 more than six months and have children under three years old are eligible to apply for this leave for a maximum period of two years.

In 2023, a total of 13 Phison employees applied for unpaid parental leave. 75% of employees on parental leave returned in the year, while 66.7% of employees who returned in the previous year continued to work for the Company.

Year	2022			2023		
Type	Male	Female	Total	Male	Female	Total
No. of employees eligible for parental leave	311	92	403	361	107	468
No. of employees on unpaid parental leave	2	8	10	5	8	13
No. of employees expected to return in the year	1	9	10	4	12	16
No. of employees who actually returned in the year	1	8	9	2	10	12
Return rate (%)	100	88.9	90	50	83.3	75
No. of returned employees in the previous year	0	6	6	1	8	9
No. of employees retained after 12 months since their return in the previous year	0	6	6	0	6	6
Retention rate (%)	N/A	100	100	0	75	66.7

7.2.3 Human Rights Management

Abiding by and recognizing 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, which has been approved by the Chairman, and takes actions in line with the Code of Conduct of the Responsible Business Alliance, thus treating all workers at the Company's workplace with dignity and respect.

Please Refer to the Official Website for the Human Rights Policy

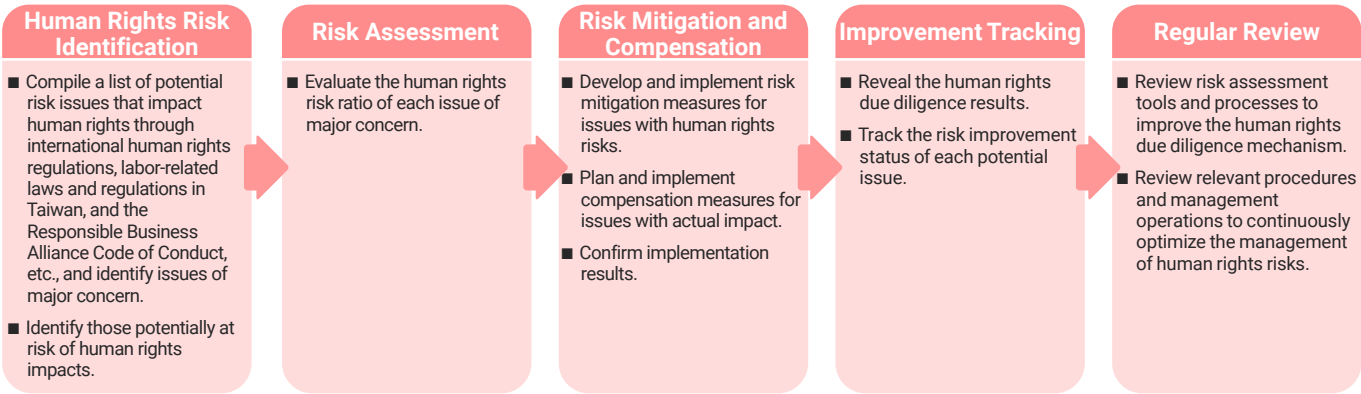


Phison's human rights policy stipulates that child labor and forced labor are prohibited; that unlawful discrimination shall be eliminated; that equal job opportunities shall be ensured; that a communicative work environment shall be created for employees; and that a safe and healthy work environment shall be provided. 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 2023, the training hours in this regard totaled 3,585 hours, with the training completion rate being 100%. There were no cases of discrimination or complaints of human rights violations during the year.

Internal Human Rights Risk Assessment

In order to implement the "Human Rights Policy", the Company has established a human rights due diligence process. Every year, by reviewing relevant information on domestic and foreign human rights issues, relevant labor laws and regulations in Taiwan, and the Responsible Business Alliance Code of Conduct, the Company identifies potential human rights risk issues, differentiates affected objects and risk sources, and reviews the corresponding management through the results of risk assessment, so as to formulate or adjust risk mitigation measures to improve and follow-up on relevant measures, facilitating the effective control and the reduction of the human rights risk impacts and the achievement of management goals.

Due Diligence Investigation Process





| Internal Human Rights Management Practices and Performance

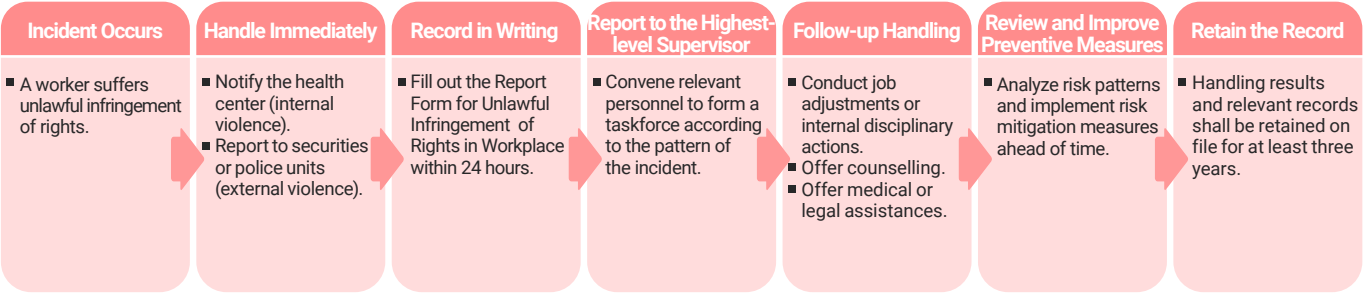
Phison has established the Regulations Governing Internal and External Communication and Complaint and Report Management, which is applicable to Phison's employees and external personnel having a business relationship with or stake in Phison. If the aforementioned personnel suffer or detect any unlawful infringement of rights, discriminations, improper punishments, violations of ethical management and conduct, violations of privacy and intellectual property rights, or other relevant matters, they may file complaints through the existing channels in which the complainants' names shall be provided, or through our 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. A total of 2 pieces of opinions were received in 2023 from the anonymous opinion box; one was about rules and regulations, and the other was about environment cleaning / repairing, and both had been conveyed to respective responsible units for making improvement and adjusting management.

In 2023, the Company's internal RBA human rights audit compliance rate was 89%, and the non-compliance item was overtime. Auditors 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.

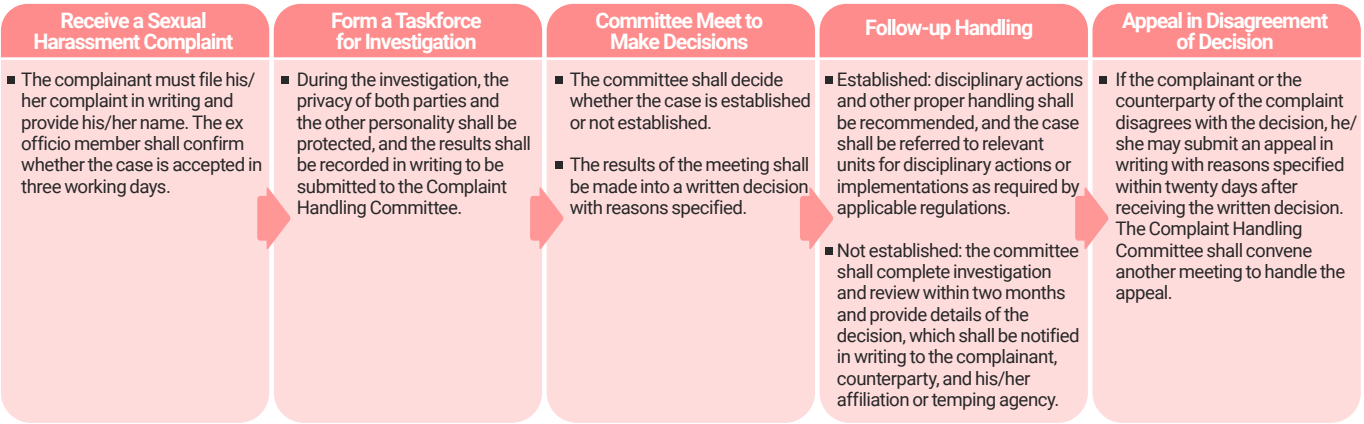
Aside from formulating an unlawful infringement zero-tolerance policy, the Company also organizes internal and external trainings on stalking and harassment prevention and unlawful infringement prevention every year. All employees, including new hires and in-service staff, are required to be trained. The coverage rate for trainees is 100%. Seeing that unlawful infringement often occurs under imbalanced position of power, we hold the "Program on Illegal Infringement for Supervisors" and continue to arrange for all superiors 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. Furthermore, superiors need to take the "Finding Employees' Problems" course, during which they will be informed of their roles, responsibilities, and obligations, the indicators for employee abnormality, the Company's referral system and assistance system, and the Employee Assistance Programs (EAPs). The percentage of supervisors who have participated in the "Program on Illegal Infringement for Supervisors" in the past three years is 19%.

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 2023, the total number of copies distributed and the number of valid copies returned was 3,400. The Company tracked and analyzed those questionnaires, and found that 0.2% of employees believed that they were facing an unlawful infringement risk from outside. However, 0.47% of employees, a percentage about halved from the previous year, believed that they were facing an unlawful infringement risk from inside, mostly in the form of mental and language abuse. Infirmity staff will first inform them the internal and external resources available, and then inform them that the Company has in place management measures and grievance procedures for illegal workplace infringement, so that if a complaint is filed, it will be formally accepted and handled.

| Flowchart of Handling Reports on Unlawful Infringement of Rights

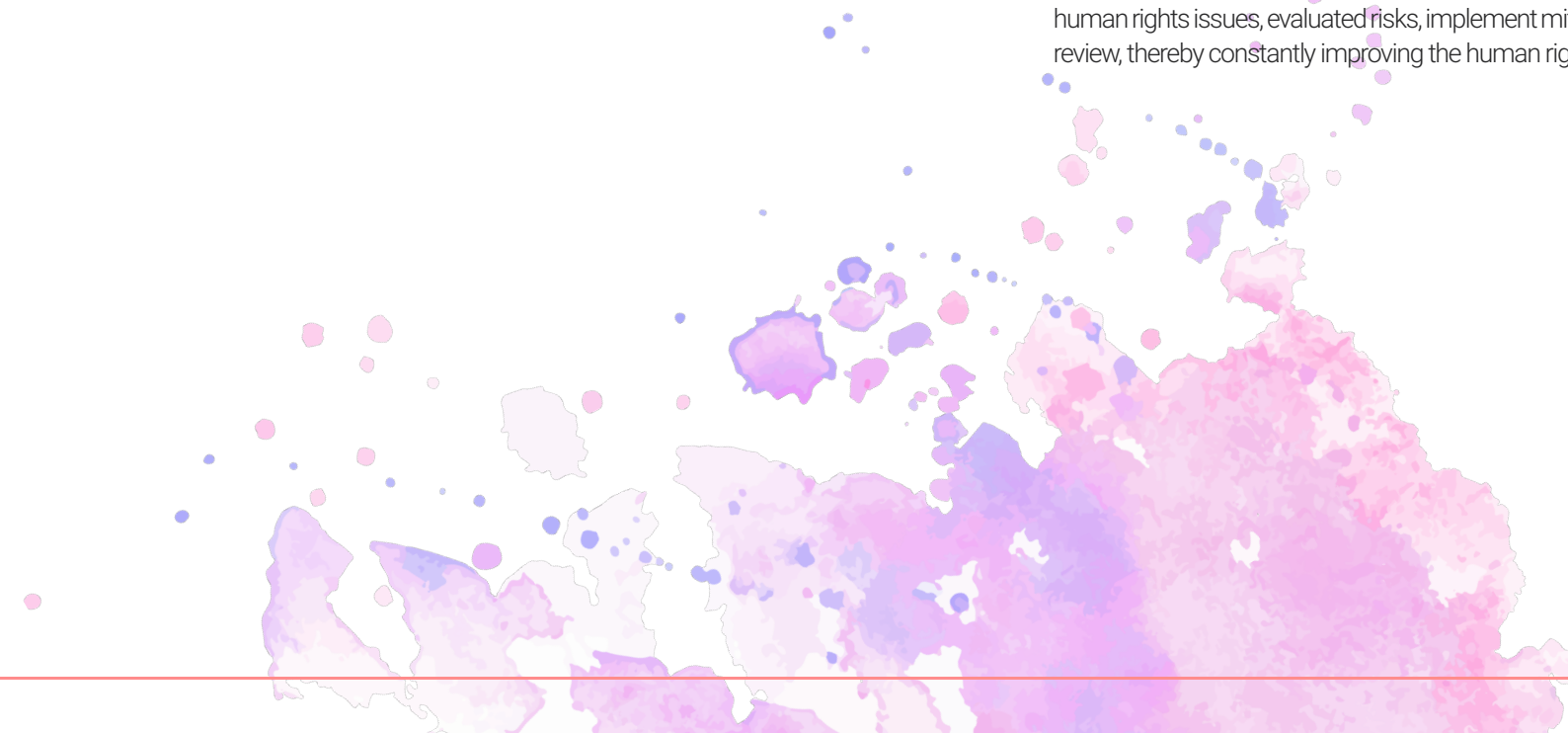


| Sexual Harassment Complaints Handling Flowchart



| 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 identify human rights issues, evaluated risks, implement mitigation and compensation measures, track improvement, and finally make regular review, thereby constantly improving the human rights management among the supply chain.



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 number of hours of management courses taken by the supervisors shall not be less than 10 hours.
Performance	1. The total training expenses was NT\$4,899,404. We have offered a total of 440 sessions of courses, of which 228 are classroom-based courses and 212 are online courses, with an average satisfaction score for such courses being at 94.8. 2. The total training hours reached 55,876.5 hours, or 14.8 hours per employee.
Responsibility	Human Resources Department
Complaint Mechanism	Ms. Wang/Ms. Wu of Human Resources Department <a href="mailto:wecan_8080@phison.com">wecan_8080@phison.com</a>
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. Average employee training hours 2. Satisfaction feedback for training courses

7.3.1 The Seven-Category Training Framework

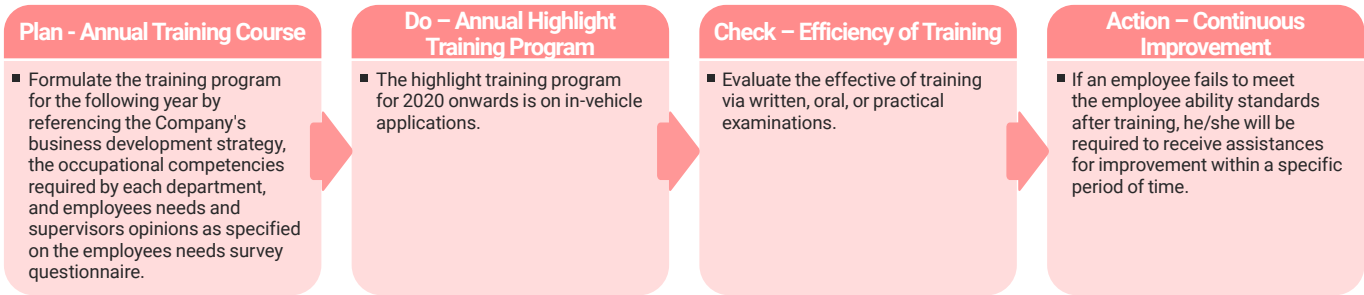
The Company keeps investing in talent training. The HR Department plans the annual training plan and identifies the trainees by referencing the Company's business development strategy and the occupational competencies required by each department. In addition, the HR Department will distribute an employee 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 CEO for approval.

The Company mainly formulates annual plans based on seven major training categories (new employee training, on-job / professional 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.

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	■ Finding employees' problems ■ Work plan and accountability executive power (Supervisor Class)	■ Training on the five core tools ■ Phison in-vehicle products manual ■ Vda 6.3 training ■ ISO 26262 training ■ ASPICE training ■ Automotive awareness training

7.3.2 Training Process

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.



In 2023, the Company's training expenses totaled NTD4,899,404; the average training expenses per person was NTD1,302; and the average training hour per person is 14.8 hours. In 2023, we have offered a total of 440 sessions of courses, of which 228 sessions are classroom-based courses and 212 sessions are online courses. A total of 107 sessions of courses are evaluated with a written examination. The satisfaction score for all the courses averages 94.8.

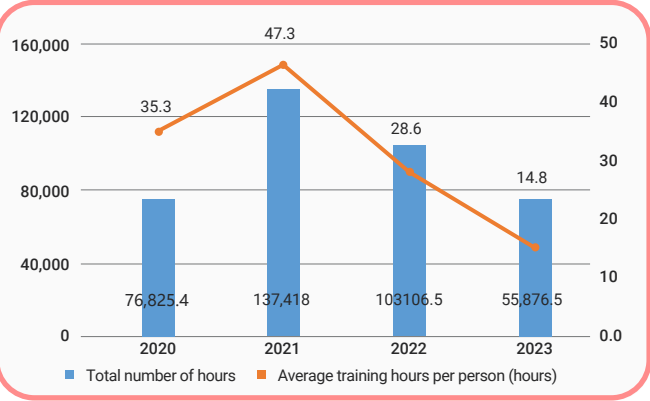
Category		Total Hours	Number of People	Average Hours
Gender	Male	41,618.9	2,872	14.5
	Female	14,257.6	891	16.0
Position	Executive management	900.4	42	21.4
	Mid-level management	6,273.0	205	30.6
	Entry-level management	9,745.1	427	22.8
	General employee	38,958.0	3,089	12.6
Total		55,876.5	3,763	14.8

Note 1: Executive managers include the CEO, president, vice president, vice presidents of technology, senior division heads, division heads, deputy division heads, and senior special assistant.

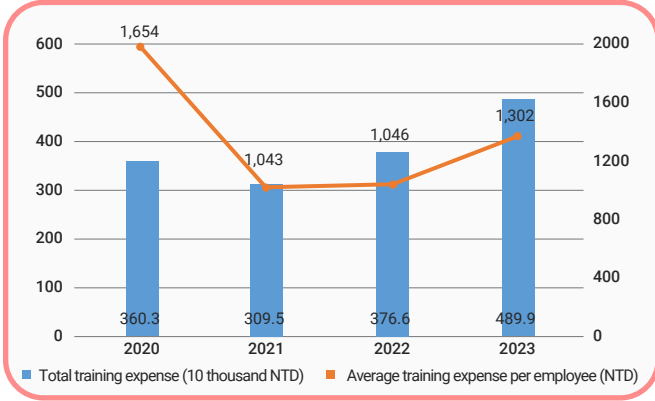
Note 2: Mid-level managers include senior managers, department managers, deputy department managers.

Note 3: Entry-level managers include managers, deputy managers, section chiefs, deputy section chiefs, team leaders, and deputy team leaders.

Training Hours



Training Expenses



Employee Capability Development Training Plan

Project Name	Manpower Efficiency (Management) Improvement Project	In-vehicle Trainings
Project description	As the organization scales up, so does the number of employees. To improve organizational performance, we continue to promote a series of "Manpower Efficiency (Management) Improvement Projects", hoping such training will enhance superiors' ability to foster subordinates and plan career development for subordinates, thereby improving colleagues' work skills.	For R&D staff taking part in the in-vehicle projects, we arrange a series of in-vehicle safety trainings covering topics like application of the five core tools, ASPICE, VDA6.3, IATF 16949, and ISO 26262. The trainings walk employees through formulation of functional safety requirements, functional safety design process, and safety analytics; this enables employees to systematically familiarize themselves with the automotive electronics functional safety industry.
Project goals	1. Cultivate the management capabilities of the management of the System Solution Development Group and the Validation & Precision R&D Business Group to improve the efficiency of the workforce. 2. Implement the performance evaluation system to bolster the competitiveness of personnel. 3. Enhance the correlation of performance evaluation with promotion and rewards.	1. Integrate development process within the Company and establish in-vehicle development specifications 2. Establish a corporate culture of vehicle development 3. Ensure the output value of in-vehicle projects 4. Organize trainings to develop the capabilities of in-vehicle development seeds 5. Arrange and assist seeds to obtain in-vehicle licenses considered necessary.
Number of employees received trainings since the launch of this project	152	2,758
Number of employees received trainings in 2023	86	83

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 2023, the Company elected to apply the multi-dimension performance assessment to managerial officers at the level of deputy division heads; such assessment system was applicable to 68 managerial officers, and may be applicable to employee at other job ranks, depending on its benefits, which remain to be observed.

Assessment Type	Assessment System	Applicable to	Frequency	Implementation
Management-by-objective orientation	Performance evaluation	All employees	Once / half year	Supervisors discuss with employees to set work goals and quantifiable performance indicators, and review the goal achievement and self-assessment results during performance appraisals. Supervisors shall evaluate goal achievement and provide feedback.
Multi-dimensional (360 degrees)	1. 360-degree assessment 2. Promotion evaluation	1. Senior managers and some mid-level managers 2. Managers to be promoted to mid- or senior level	1. Once / year 2. Twice / year	1. The assessee's upper-level supervisors, direct subordinates, and cross-departmental partner colleagues will evaluate the teamwork, work attitude, problem-solving and decision-making abilities in daily work through different aspects. The evaluation results can provide the assessee with a reference for their own improvement. 2. The assessee explains his / her past contributions and future plans after promotion. Relevant senior managers will serve as reviewers to examine whether the assessee is qualified for the new position.
Agile	Monthly review	All employees	Once / month	After supervisors discuss with employees and set personal annual work goals and quantifiable performance indicators, in order to achieve performance indicators, they shall regularly review work progress with employees every month, provide timely guidance and feedback, and take appropriate corrective measures when necessary to avoid mistakes from happening again. Through monthly reviews, department and employee performance indicators are monitored to ensure that the department's overall work goals can be achieved.

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.

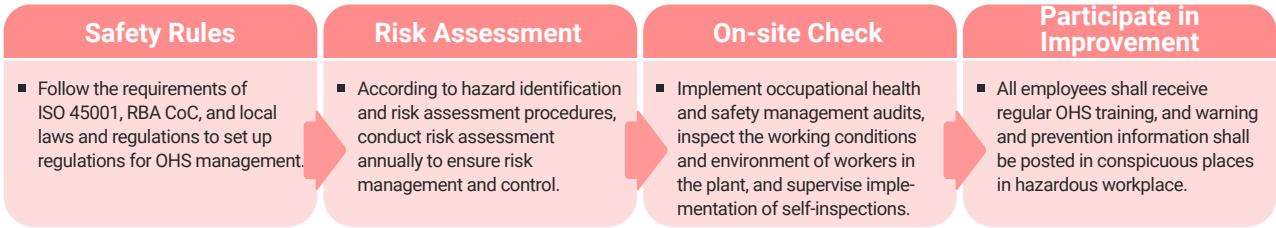




7.4 Occupational Safety and Health

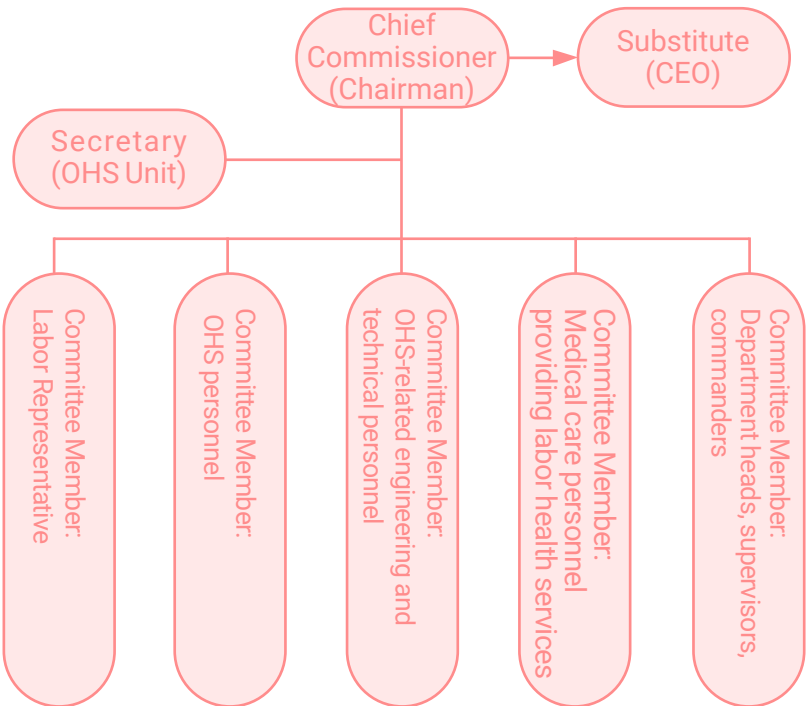
7.4.1 Occupational Health and Safety (OHS) Management System

The Company strives to provide employees with a safe, healthy, and friendly workplace and develops and implements safety and health management documents to maintain the safety of plant personnel (including contractors and visitors) and the plants. 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. In addition to identifying OHS regulations applicable to all operating plants on a regular basis, the Company implements standardized management procedures and training, adheres to the principles of formulating safety regulations, regularly assesses risks, audits and confirms effects of implementation and principles of continuous improvement, so as to strengthen the existing OHS management system.



7.4.2 Organization for Safety and Health Implementation

Phison has established its safety OHS organization as required by law (management unit/committee) and appointed personnel to implement safety and health management affairs. The occupational safety and health management unit (OHS Office) 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 OHS-related affairs. The incumbent committee has 14 members (serving a term of 2 years). While the Chairman of the Board of Director serves as the Chairman of the Committee, 7 employee representatives (elected in employee-employer meetings) shall also be appointed. The other members shall be designated from among OHS-related personnel by the Chairman according to actual needs as required by law. Committee meetings are held on a quarterly basis.



| Safety and Health Implementation Items

Item	2023 Results
Statutory identification	1. Identify laws and regulations applicable to the Company on a regular basis and confirm the compliance status of all plant areas. 2. This year, there was only one amendment to occupational health and safety-related regulations, and the identification results were in compliance with laws and regulations.
Standardized management procedure	1. 45 documents of OHS management procedure are added or modified. 2. Maintain the ISO 45001 OHS management system, conduct internal audits regularly every year, and appoint a third-party verification unit to conduct external audits.
Training	1. New employees completed three hours of work-related safety and health education training within three months of joining the Company. 2. On-the-job employees receive one hour of general safety and health education training every year. 3. The qualifications of special operations personnel and supervisors are in compliance with the occupational health and safety education and training regulations.
Hazard identification	A total of 2,310 work items were conducted for hazard identification and risk assessment of the plant operating environment and personnel work modes. The final assessment result was that there was no work with unacceptable risks.
Chemicals control	Two new chemicals have been added, and operation change management has been completed before use to ensure the safety of personnel and plants.
Contractor management	1. The total number of applications for contractor operations was 345, of which 75 were high-risk operations, accounting for 21.7%. 2. Two contractor accidents occurred. The types of occupational accidents were cuts and falls, both of which resulted in temporary total disability. The total number of days lost due to injuries was 5 days.
Implementation audit	1. This year's internal audit results included 2 deficiencies and 3 suggestions, all of which were corrected and improved during the year and records were retained. 2. The external audit results revealed a total of 4 deficiencies, all of which were corrected and improved during the year.
Emergency drills	1. Five emergency drills were held, with the themes of emergency response to natural disasters, power outages, earthquakes, fires, and chemical leaks. 2. Two firefighting trainings were held, with a total of 59 participants. 3. There were 5 false alarms, including 2 people being trapped in elevators, 2 false fire alarms, and 1 fire-fighting equipment failure. Hazard prevention measures have been taken for the above incidents to prevent harmful consequences.

7.4.3 Health Risk Identification and Management

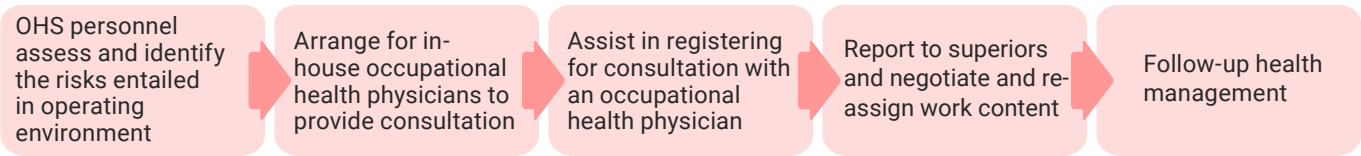
The physical and mental health of employees is the foundation for a company's productivity. Every year, Phison organizes health check-ups that are more prime than what are required by law. A health check-up set worth NTD5,000 is granted to employees regardless of their age; starting from 2023, health check-up subsidies for senior staffs (more than 15 years of experience) have been increased to NT\$8,000 every five years, and the expenses are fully borne by the Company. A health checkup set that is conducted in hospital is granted to top managerial personnel at or above the division level. Through the check-ups, we identify, track, and manage health-related risks and plan subsequent health promotion events. The Company has a health center where health services are provided by 4 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 the questionnaires on the four major plans, we identified three health risks that pose the greatest threat to employees, including metabolic syndrome, anomalous workload and human-factors hazards. We carefully regarded these risks and proposed preventive measures, and we carried out continuous assessment and improvement.

Rank	Risk/Hazard	Level of Impact	Preventive/Corrective Measures
1	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.
2	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).
3	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 operators working in a factory area entailing higher risks (lead-related operations and ionizing radiation operations), Phison provides them with purpose-specific health check-ups every year to track and ensure their health. 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 3 or above, health consultation will be arranged for during the doctors' on-site services. According to the 2023 statistics of health check-ups for employees performing extraordinary operations, of the operators engaging in over two types of operation entailing high risks, no one was classified as subjects for Level 3 and Level 4 management.

Level 3 Management Procedures for Personnel Engaging in Extraordinary Operation



Maternity Protection

The Company has several nursery rooms, all equipped with refrigerators for storing breast milk, sterilizers, cleaning supplies, and sinks, convenient for new mothers 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 or work 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.

To grade maternity hazards in work environment for management purpose, the Company begins by issuing a questionnaire to the ISO 45001 member of each unit for it to fill in. Subsequently, the EHS Department will summarize, grade the hazards and submit the grading results to the Health Center for use in an interview. After assessing the risk hazard level, there are currently no workplaces in the Company that may pose maternal health hazards.

Workplace Stress Management

Every year, employees will fill in a workload assessment scale to determine whether an interview is required based on workload risks and cerebrovascular / cardiovascular disease risks. For those who need an interview, the infirmary will arrange individual consultations and fill out abnormal workload hazard assessment and suggestion forms, and will conduct overtime management and health reminders every month.

When facing stress, in addition to personal adjustments, employees can use the employee assistance programs (EAPs) to help them adjust through professional consultation. The Company will also organize stress relief-related courses and encourage employees to participate in more club activities to relax physically and mentally.

Health Promoting Activities

Phison continues to promote diverse health promotion seminars and employee assistance programs. When major diseases or epidemics occur, the company will also inform employees of important matters and response measures via internal mails to raise employees' preventive awareness and improve their ability to respond. In 2023, a total of 3 health screenings and 11 health seminars (topics including scalp health, zentangle, hyperbaric oxygen therapy, vision care, pain relief, know your constitution and EAPs promotion) were held, with 2,863 people participating in the health promotion activities.



De-stressing and relaxing zentangle



Health seminar



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). Employees are allowed to bring a partner when seeking consultation. We also explain the services to employees and encourage them to use the services via non-periodic courses and publicities.

In 2023, of those who used EAPs, a total of 1,767 individuals used the first-stage telephone consultation (with case managers), and 260 used the second-stage consultation (with professional consultants), thus making total number of consultations 2,027. 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 2023, there were no industrial accidents or work-related incident or deaths of employees in the Company. There were a total of 22 injuries, all of which resulted from traffic accidents during employees' travels to/from work.

In addition, the total working hours of contractors in 2023 were 1,242,496 hours, and the contractors had 2 work-related injuries (industrial accident ratio of 1.61). One was a cleaning staff who was accidentally cut during work, resulting in a loss of 3 working days. The other incident involved falling of a catering service worker, resulting in a loss of 2 working days, and a total lost working day of 5 days. In both cases, accident investigations were completed and corrective and preventive measures were taken to prevent the reoccurrence of similar types of work-related injuries. There were no deaths among contractors during the year.

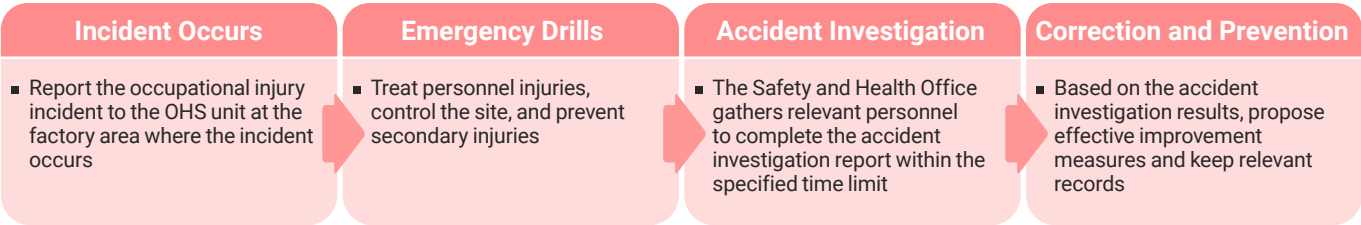
The Company's occupational health and safety performance goal is to keep the number of material work-related accident at 0. Below is the statistical information of occupational injury in recent years:

Item		2020	2021	2022	2023
Injury category	Number of disabling injury cases in the plant	0	0	0	0
	Number of people suffered disabling injuries in the plant	0	0	0	0
	Number of disabling injury cases during business trip	0	0	0	0
	Number of people suffered disabling injuries during business trip	0	0	0	0
	Working day lost	0	0	0	0
Traffic accidents during travels to/from work	Number of injury cases	9	10	21	22
	Working day lost	75	150	266	52
Total working hours		3,639,410	4,703,511	6,277,831	6,640,450
Disabling injury frequency rate		0	0	0	0
Disabling injury severity rate		0	0	0	0
Work-related injury percentage		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 caused by employees commuting on their own.  
Note 3: Disabling injury frequency rate (FR) = number of occupational injuries x 1,000,000 / total working hours.  
Note 4: Disabling injury severity rate (SR) = total lost days x 1,000,000 / total working hours. The Occupational Safety and Health Administration requires that calculation be made to integer, with any fraction being round down.  
Note 5: Work-related Injury Ratio = Number of recordable work-related Injuries / Total working hours x 1,000,000.  
Note 6: Material work-related accident was defined as (1) Accidents involving death; (2) Accidents causing injuries to three people or more; (3) Accidents causing injuries to one person or more that require hospitalization; or (4) All other categories of accidents designated and officially announced by the central competent authority.

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.



Subcontractor Occupational Safety and Health (OHS) Management

In order to achieve the goal of zero occupational accidents for contractors and prevent damage to plants, the Company established the "OHS Procurement Management Regulations" and the "Contractor Management Regulations". We screen for contractors deemed appropriate to undertake the commissioned work, and ask them to sign the "Subcontractor Safety and Health Commitment Letter" before work, declaring compliance with government labor and environmental regulations, Code of Conduct of the Responsible Business Alliance and other standards.

In order to strengthen the safety and health management capabilities of contractors, the Company holds a consultative organization meeting for the on-site contractors on contract within one month of the new year, requiring mutual safety and health education guidance, assistance, communication, inspections and other necessary matters to prevent occupational disasters among contracting enterprises.

In addition, high-risk operations in the plant (such as elevated operations, hot work, live electricity, crane operations or confined spaces) are also required to be confirmed by the OHS Office before they can be carried out. The OHS Office conducts random inspections during the contractor's operations to review the implementation of the contractor's operation safety management.

There were a total of 345 applications for contractor operations in the plant in 2023. According to the regulations, the OHS Office conducted the annual safety and health performance evaluation on the contractors (20 in total) who had signed the contracts with Phison or worked in the plant every quarter before the end of the year, and reported the results to the management unit for contracting and outsourcing as a reference for future selection of contractors. The results of this year's contractor evaluation showed no contractors with "significant risks", only one vendor was listed in the watch list, and the rest were all excellent or normal; the main reason for being listed in the watch list was that the contractor failed to take out the construction waste when leaving the plant but disposed of it in the Company's garbage area without authorization instead, which violated the Contractor Management Regulations.





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 employee-employer meetings as required by law, but also actively establishes multiple communication channels, such as physical and online forum, anonymous mail 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.

In order to respond to the opinions of new employees in a more timely manner, in 2023, we combined the new employee opinion survey with the employee briefing session. The CEO explained in person the Company's operating status and R&D direction, and responded to the opinions raised by colleagues. We hope that colleagues can have a clear understanding of the Company's future development direction and feel that the Company values their opinions and ideas, so that they can fit in more quickly and that internal communication can be improved, achieving the goal of increasing the retention rate of new employees and reducing the turnover rate.

Agenda items of the 2023 employer-employee meeting included "Applicability of the two-week and eight-week flexible working hours under Article 30 of the Labor Standards Act", "Changes in the payment method of ordinary sick leave" and "Whether employees can choose to work from home one day per week", etc.

7.5.1 Channels and Frequency of Communication

Category	Timing	No. of Sessions in 2022	No. of Sessions in 2023
Employee opinion survey	Execute as necessary	0	0
New employee opinion survey	Prior to new employee symposium	1	4
New employee symposium	At least held semiannually in which the CEO communicates with new employees	1	4
Employee seminar	Held after the investor conference to inform employees of Phison's operations and future goals	4	4
Employee-employer 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	4	4

Note: Gathering in 2022 was discouraged due to pandemic control considerations. As such, the number of New Employee Symposiums is reduced to one time only.



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", "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.

As for the Company's for-benefit performance, the Company contributed a total of NT\$7,736,599 (including donations of funds and resources) towards charitable causes, with 737 volunteer hours<sup>22</sup> cumulatively in 2023.

<sup>22</sup> Of the 737 volunteer hours, 241 were in office hours, and the remaining 496 were in off-hours and on holidays.





Support for Students

- Donated to Yang Ming Chiao Tung University's Universal Talent Plan
- Donated 70 sets of enterprise-grade SSD to National Yang Ming Chiao Tung University
- Donated to National Tsing Hua University's 2023 Love Support Project
- Sponsored "Taiwan Health Foundation" for its scholarships for National Taiwan University Ph.D. students
- Donated to improve the teaching environment and equipment of Pan Tou Elementary School and sponsored the school for expenditures required for campus group competition event

Donations in cash totaled NT\$1,750,000, while the total value of supplies donated reached NT\$1,154,899.



Community Care

- Sponsored establishment of the national Friends of the Police Association
- Fun to Go to Schools - Donated to Li Yue Elementary School and Nan Hei Elementary School
- Donated to Taiwan Health Foundation's 2023 Love Support Project

Donations in cash totaled NT\$450,000.



Support for the Disadvantaged

- Syin-Lu Social Welfare Foundation "Multiple Support Services for People with Mental Developmental Disabilities"
- Sponsored the 1919 Food Bank of the Chinese Christian Relief Association
- Subscription and donation of Miaoli Yu An Intellectually Challenged Children's Home's charity fair tickets
- Donated to Boyo Social Welfare Foundation / Child Welfare League Foundation's 2023 Love Support Project



Donations in cash totaled NT\$185,700.



Environmental Protection

- Donated tree-raising funds to TOAF "Coastal Forest Restoration Long-term Program"
- Adopted Luodong Forest District Office's 2023 state-owned forest afforestation project
- Donated planting for greening and beatification of the public facility of Miaoli County Government
- First-year donation to Lovely Taiwan Foundation's Shennong Farming Project



Donations in cash totaled NT\$2,099,000.

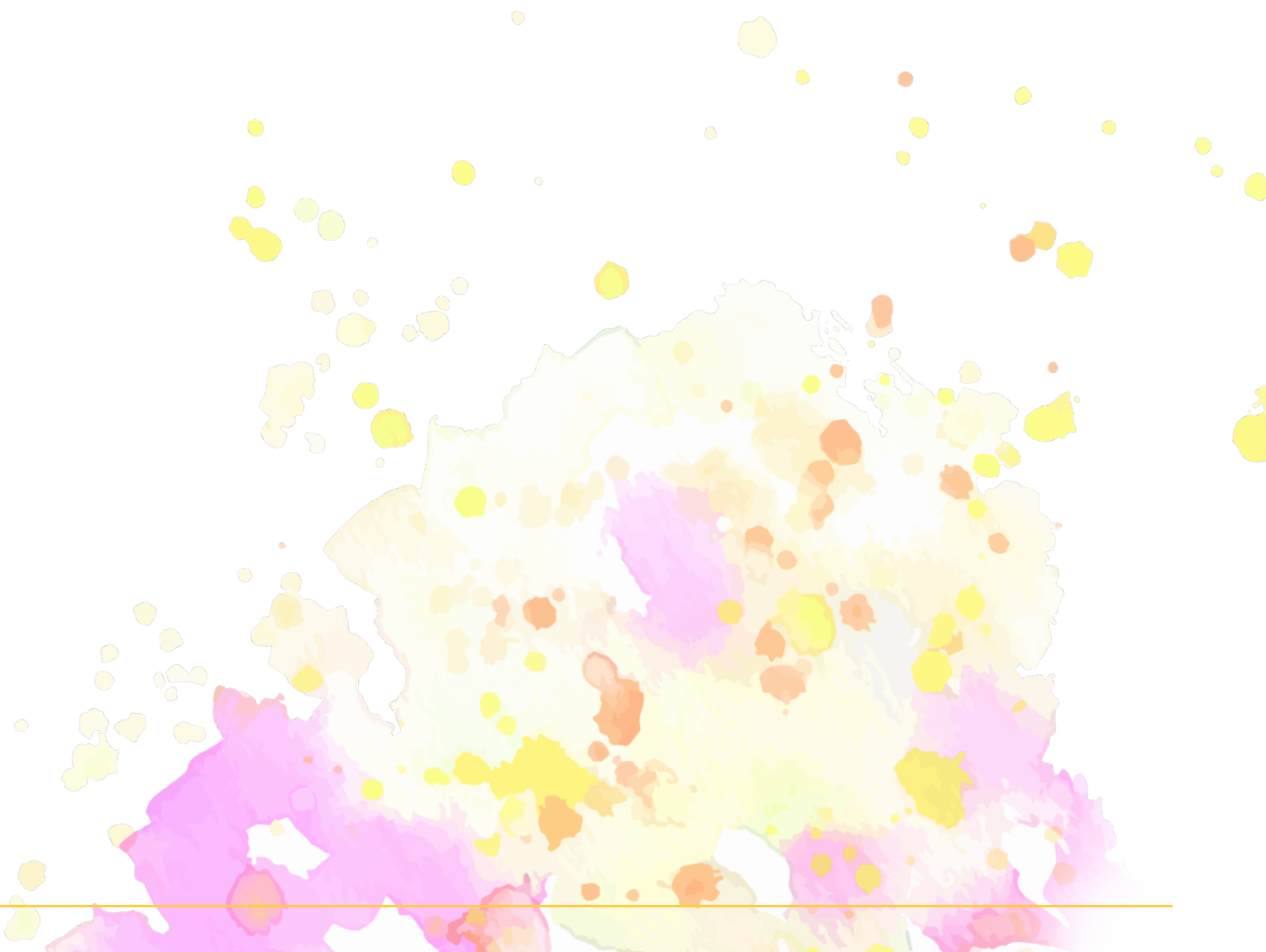


Social Innovation

- Sponsored the 2023 Miaobei Arts Festival
- Donated to the Academic Development Foundation of National Taiwan University
- Sponsored the event of the Electrical Engineering Week of National Yang Ming Chiao Tung University
- Sponsored Chu-Ming Foundation - 2023 Graduation Video of National Yang Ming Chiao Tung University
- Sponsored the 2023 orientation camp of the Department of Electronics and Electrical Engineering of National Yang Ming Chiao Tung University
- Sponsored National Cheng Kung University Education Foundation for the expenditures for its spring/autumn recruitment event
- Sponsored the 34th VLSI Design/CAD Symposium



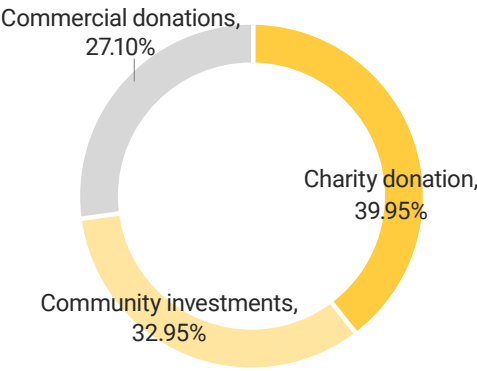
Donations in cash totaled NT\$2,097,000.



8.2 Annual Charity Performance

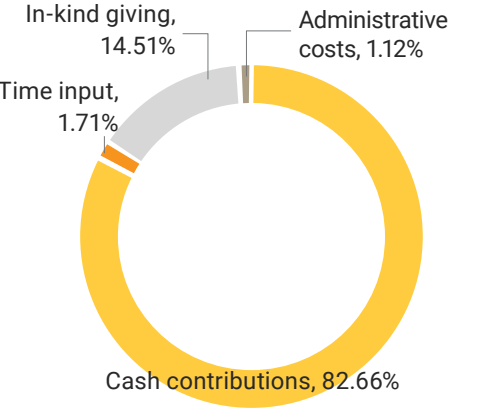
Analysis of Charity Categories

Category	Amount (NT\$)	Percentage (%)
Charity donation	3,090,599	39.95
Community investments	2,549,000	32.95
Commercial donations	2,097,000	27.10
Total money for annual charity activities	7,736,599	100



Cost Analysis of Charitable Expenses

Category	Amount (NT\$)	Percentage (%)
Cash input	6,581,700	82.66
Time input	136,129	1.71
In-kind giving	1,154,899	14.51
Administrative costs	89,259	1.12
Total costs of annual charity activities	7,961,987	100



Note: Time input calculation method:  
Volunteer hourly wage = (Average salary for non-managerial positions / total working days in 2023) / daily working hour  
Total volunteer time value = volunteer hours invested during business hours \* volunteer hourly wage

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 NT\$0 in 2023.

Unit: NT\$ thousand

Item	2020	2021	2022	2023
Lobbying group; advocacy group	0	0	0	0
Political activities; candidate	0	0	0	0
Business association, associations, or tax exempt group	1,300	0	0	0
Total	1,300	0	0	0

Highlight Project 1 : Phison's "Fun to Go to Schools" Plan, the 5-year Assistance Plan, Has Entered the Third Year



Phison's "Fun to Go to Schools" plan, the 5-year assistance plan, has entered its third year. Volunteers led the children to learn, think and implement STEAM education together. The atmosphere was excited and the children's interest in light and electricity was aroused.

The best time to implement STEAM education is before the age of 11, but there is a lack of relevant equipment and facilities for children to learn about it in conventional education fields in Taiwan, especially in schools in remote areas. This year, through the "Fun to Go to Schools" plan, Phison Electronics led children from two schools (Li Yue Elementary School in Sanyi Township and Nan Hei Elementary School in Gongguan Township) to conduct a hands-on course on colorful star table lamps. First, engineers completed the lamp holder in the plant in advance, using a soldering iron to perform two-stage wire welding, and then using a hot air gun to heat the heat shrink tube for protection and insulation. The whole process was recorded into multiple videos and integrated into the teaching plan, so that children can feel like they were there in the plant.

In the second stage, the hands-on course started, where children were guided on-site to assemble lamp shades, light bulbs, and batteries, thereby teaching them the scientific knowledge such as the principles of LED light emitting, the concepts of positive and negative electrodes, and how to avoid short circuits. Finally, we carried out lamp painting, creative idea sharing, and selecting the best works to fully implement the STEAM education concept.





### Highlight Project 2 : Official Launch of the Phison Electronics x Lovely Taiwan Foundation Sinpu Elementary School "Shennong Farming Project"



Phison Electronics is located in Miaoli County and has been deeply involved in the local area for a long time. It hopes to use the power of the enterprise to connect the community and enrich the cultural and educational energy of Miaoli County. The Lovely Taiwan Foundation has launched the "Shennong Farming Project" since 2015, with "organic diet, native education, and hometown identity" as the core concept, allowing children to develop healthy organic eating habits from an early age through organic diet, and thus strengthening their bodies. Phison Electronics supports the concept of the Lovely Taiwan Foundation and works hand in hand with it to promote the "Shennong Farming Project" at Sinpu Elementary School in Tongxiao Township, Miaoli County, embracing an organic lifestyle with the idea of "one school, one farmland", and boosting students' hometown identity and confidence.

In May 2023, the "Shennong Farming Project" of Sinpu Elementary School was officially launched. Starting from the promotion of organic diet (organic soy products and fruits are provided twice a month), curriculum planning, to the development of physical school fields, soil sampling, weeding, and loosening the soil, Phison Electronics plans to invest a total of NT\$6 million over a period of six years to sow the seeds of agri-food education in the hearts of schoolchildren based on the township culture.

So far, in the project, they have not only successfully completed the school field preparation, but also led the students to learn weeding and sowing in person, taught them knowledge about planting vegetable seedlings and understanding seeds, sprinkled potting soil on the school field and planted crops such as Chinese cabbage, cabbage, leaf mustard, and peanuts, one after another. They also conducted several Shennong organic food education sessions, and tasted organic soy milk, organic bittern tofu pudding from Chuanlong Old House Tofu Shop, and West Lake organic Wendan pomelo that were in season, while learning about the origin and processing methods of food.

With organic diet, native education, and hometown identity, turning the school field into classroom, Phison Electronics hopes that through the "Shennong Farming Project", the children can get their hands dirty and experience the implementation of eco-friendly farming in depth, and appreciate the smell of Taiwan's land, its deep culture and the warm power.

### Highlight Project 3 : "Coastal Forest Restoration Long-term Program" Carries On; Phison Electronics Continues to Cultivate Green Hope Through Deep Involvement in the Local Area



The "Coastal Forest Restoration Long-term Program" launched by Phison Electronics since 2021 has entered its third year now, and a total of 3,000 tree species (such as yellow hibiscus, screw-pine, and casuarina) that are resistant to wind, sand, water and salt have been planted on the adopted coastal land.

Newly planted trees grow best during the rainy season. This year, Phison and the Tse-Xin Organic Agriculture Foundation (TOAF) collaborated on the offshore tree planting event, which was held on the Earth Day on April 22 in Guogang Section of Houlong Township of Miaoli County. Under the leadership of the Company executives, volunteers from Phison went to the beach in Houlong, Miaoli, followed the professional guidance of volunteers from the TOAF, and laid down biodegradable water-storing tree planters one by one with their own hands. A total of nearly 1,000 trees have been planted on site. We expect to form a forest through planting of trees, hoping to safeguard Taiwan's coastal line and conserve our land from draining.

From planting trees to forming a forest, Phison hopes to focus on SDG14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development in "UN's Sustainable Development Goals (SDGs)" through this program and to implement corporate social Responsibility (CSR). At the same time, we also hope that through our own efforts, we can inspire people from all walks of life to join us.



# Appendix

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Disclosure 2-16 Communication of critical concerns	3.2 Corporate Governance	25	
Disclosure 2-17 Collective knowledge of the highest governance body	3.2 Corporate Governance	25	
Disclosure 2-18 Evaluation of the performance of the highest governance body	3.2 Corporate Governance	28	
Disclosure 2-19 Remuneration policies	3.2 Corporate Governance	28	
Disclosure 2-20 Process to determine remuneration	3.2 Corporate Governance	28	
Disclosure 2-21 Annual total compensation ratio	7.2 Talent Attraction & Retention	74	
4. Strategy, policies and practices			
Disclosure 2-22 Statement on sustainable development strategy	A Message from the CEO	5	
Disclosure 2-23 Policy commitments	7.2 Talent Attraction & Retention	79	
Disclosure 2-24 Embedding policy commitments	5.1 Supply Chain Management	80	
Disclosure 2-25 Processes to remediate negative impacts	7.2 Talent Attraction & Retention	80-81	
Disclosure 2-26 Mechanisms for seeking advice and raising concerns	3.3 Ethical Corporate Management	30	
Disclosure 2-27 Compliance with laws and regulations	3.4 Regulatory Compliance	32	
Disclosure 2-28 Membership associations	1.3 Participation in External Organizations	17	
5. Stakeholder engagement			
Disclosure 2-29 Approach to stakeholder engagement	2.1 Material Topics Identification Procedures	18	
Disclosure 2-30 Collective bargaining agreements	N/A	N/A	No collective bargaining agreements

## Material Topics

Material Topic Disclosure	Related Report Section(s)	Page No.	Reasons for Omission
1. Economic Performance			
GRI 3: Material Topics 2021			
Disclosure 3-1 Process to determine material topics	2.1 Material Topics Identification Procedures	18	
Disclosure 3-2 List of material topics	2.1 Material Topics Identification Procedures	18,22	
Disclosure 3-3 Management of material topics	3.6 Economic Performance	36	
GRI 201: Economic Performance 2016			
Disclosure 201-1 Direct economic value generated and distributed	3.6 Economic Performance	37	
Disclosure 201-3 Defined benefit plan obligations and other retirement plans	7.2 Talent Attraction & Retention	78	
2. Ethical Corporate Management			
GRI 3: Material Topics 2021			
Disclosure 3-1 Process to determine material topics	2.1 Material Topics Identification Procedures	18	
Disclosure 3-2 List of material topics	2.1 Material Topics Identification Procedures	18,22	
Disclosure 3-3 Management of material topics	3.3 Ethical Corporate Management	30	
GRI 205: Anti-corruption 2016			
Disclosure 205-2 Communication and training about anti-corruption policies and procedures	3.3 Ethical Corporate Management	31	
Disclosure 205-3 Confirmed incidents of corruption and actions taken	3.3 Ethical Corporate Management	31	
3. Risk Management			
GRI 3: Material Topics 2021			
Disclosure 3-1 Process to determine material topics	2.1 Material Topics Identification Procedures	18	
Disclosure 3-2 List of material topics	2.1 Material Topics Identification Procedures	18,22	
Disclosure 3-3 Management of material topics	3.5 Risk Management	33	
GRI 305: Emissions 2016			
Disclosure 305-1 Direct (Scope 1) GHG emissions	6.1 Climate Strategy	59	
Disclosure 305-2 Energy indirect (Scope 2) GHG emissions	6.1 Climate Strategy	59	
Disclosure 305-4 GHG emissions intensity	6.1 Climate Strategy	59	
4. Innovation Management			
GRI 3: Material Topics 2021			
Disclosure 3-1 Process to determine material topics	2.1 Material Topics Identification Procedures	18	
Disclosure 3-2 List of material topics	2.1 Material Topics Identification Procedures	18,22	
Disclosure 3-3 Management of material topics	4.1 Innovative R&D	42	
5. Green Products			
GRI 3: Material Topics 2021			
Disclosure 3-1 Process to determine material topics	2.1 Material Topics Identification Procedures	18	
Disclosure 3-2 List of material topics	2.1 Material Topics Identification Procedures	18,22	
Disclosure 3-3 Management of material topics	4.1 Innovative R&D	42	
GRI 302: Energy 2016			
Disclosure 302-5 Reductions in energy requirements of products and services	4.1 Innovative R&D	45	
6. Supply Chain Management			
GRI 3: Material Topics 2021			

Material Topics

Material Topic Disclosure	Related Report Section(s)	Page No.	Reasons for Omission
Disclosure 3-1 Process to determine material topics	2.1 Material Topics Identification Procedures	18	
Disclosure 3-2 List of material topics	2.1 Material Topics Identification Procedures	18,22	
Disclosure 3-3 Management of material topics	5.1 Supply Chain Management	50	
GRI 308: Supplier Environmental Assessment 2016			
Disclosure 308-1 New suppliers that were screened using environmental criteria	5.1 Supply Chain Management	51	
GRI 414: Supplier Social Assessment 2016			
Disclosure 414-1 New suppliers that were screened using social criteria	5.1 Supply Chain Management	51	
7. Talent Attraction & Retention			
GRI 3: Material Topics 2021			
Disclosure 3-1 Process to determine material topics	2.1 Material Topics Identification Procedures	18	
Disclosure 3-2 List of material topics	2.1 Material Topics Identification Procedures	18,22	
Disclosure 3-3 Management of material topics	7.2Talent Attraction & Retention	72	
GRI 401: Employment 2016			
Disclosure 401-1 New employee hires and employee turnover	7.1 Employment Overview	71	
Disclosure 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	7.2Talent Attraction & Retention	75	
Disclosure 401-3 Parental leave	7.2Talent Attraction & Retention	78	
GRI 405: Diversity and Equal Opportunity 2016			
Disclosure 405-1 Diversity of governance bodies and employees	7.1 Employment Overview	70	
Disclosure 405-2 Ratio of basic salary and remuneration of women to men	7.2 Talent Attraction & Retention	74	
GRI 406: Non-discrimination 2016			
Disclosure 406-1 Incidents of discrimination and corrective actions taken	7.2 Talent Attraction & Retention	79	
4. Talent Development and Training			
GRI 3: Material Topics 2021			
Disclosure 3-1 Process to determine material topics	2.1 Material Topics Identification Procedures	18	
Disclosure 3-2 List of material topics	2.1 Material Topics Identification Procedures	18,22	
Disclosure 3-3 Management of material topics	7.3 Talent Development and Training	82	
GRI 404: Training and Education 2016			
Disclosure 404-1 Average hours of training per year per employee	7.3 Talent Development and Training	83	
Disclosure 404-3 Percentage of employees receiving regular performance and career development reviews	7.3 Talent Development and Training	84-85	

Other Topics

Other Topic Disclosure	Related Report Section(s)	Page No.	Reasons for Omission
GRI 206: Anti-competitive Behavior 2016			
Disclosure 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	3.4 Regulatory Compliance	32	
GRI 207: Tax 2019			
Disclosure 207-4 Country-by-country reporting	3.6 Economic Performance	38	
GRI 302: Energy 2016			
Disclosure 302-1 Energy consumption within the organization	6.2 Energy Resources Management	60	
Disclosure 302-3 Energy intensity	6.2 Energy Resources Management	60	
Disclosure 302-4 Reduction of energy consumption	6.2 Energy Resources Management	62	
GRI 305: Emissions 2016			
Disclosure 305-5 Reduction of GHG emissions	6.2 Energy Resources Management	62	
Disclosure 305-6 Emissions of ozone-depleting substances (ODS)	N/A	N/A	No ozone-depleting substances were used or discharged during the reporting period
Disclosure 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 403: Occupational Health and Safety 2018			
Disclosure 403-9 Work-related injuries	7.4 Occupational Safety and Health	90	
GRI 408: Child Labor 2016			
Disclosure 408-1 Operations and suppliers at significant risk for incidents of child labor	5.1 Supply Chain Management	54	
	7.2 Talent Attraction & Retention	79	
GRI 418: Customer Privacy 2016			
Disclosure 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	3.7 Information Security	39	



## Appendix 2: SASB Content Index- Semiconductors Industry

Topic	Code	Accounting Metric	Category	Report Contents / Data	Page No.
Greenhouse Gas Emissions	TC-SC-110a.1	<ul style="list-style-type: none"><li>Gross global Scope 1 emissions</li><li>Amount of total emissions from perfluorinated compounds</li></ul>	Quantitative	<ul style="list-style-type: none"><li>228.3663 metric tons CO<sub>2</sub>e</li><li>0 metric ton CO<sub>2</sub>e</li></ul>	59
	TC-SC-110a.2	<ul style="list-style-type: none"><li>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</li></ul>	Discussion and Analysis	<ul style="list-style-type: none"><li>Sustainability Management Indicators</li></ul>	10-11
Energy Management in Manufacturing	TC-SC-130a.1	<ul style="list-style-type: none"><li>Total energy consumed</li><li>Percentage grid electricity</li><li>Percentage renewable</li></ul>	Quantitative	<ul style="list-style-type: none"><li>116,305.30 GJ</li><li>96.71%</li><li>3.11%</li></ul>	60
Water Management	TC-SC-140a.1	<ul style="list-style-type: none"><li>(1) total water withdrawn,</li><li>(2) Total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress</li></ul>	Quantitative	<ul style="list-style-type: none"><li>0%</li><li>0%</li></ul>	61
Waste Management	TC-SC-150a.1	<ul style="list-style-type: none"><li>Amount of hazardous waste from manufacturing</li><li>Percentage of hazardous waste recycled</li></ul>	Quantitative	<ul style="list-style-type: none"><li>57.10 metric tons</li><li>0.0095%</li></ul>	64
Employee Health & Safety	TC-SC-320a.1	<ul style="list-style-type: none"><li>Description of efforts to assess, monitor, and reduce exposure of employees to human health hazards</li></ul>	Discussion and Analysis	<ul style="list-style-type: none"><li>7.4 Occupational Safety and Health</li></ul>	88-89
	TC-SC-320a.2	<ul style="list-style-type: none"><li>Total amount of monetary losses as a result of legal proceedings associated with employee health and safety violations</li></ul>	Quantitative	<ul style="list-style-type: none"><li>NT\$0</li></ul>	32
Recruiting & Managing a Global & Skilled Workforce	TC-SC-330a.1	<ul style="list-style-type: none"><li>Percentage of employees that are</li><li>(1) Foreign nationals</li><li>(2) Located offshore</li></ul>	Quantitative	<ul style="list-style-type: none"><li>3.32%</li><li>0.29%</li></ul>	69
Product Lifecycle Management	TC-SC-410a.1	<ul style="list-style-type: none"><li>Percentage of products by revenue that contain IEC 62474 declarable substances</li></ul>	Quantitative	<ul style="list-style-type: none"><li>This time, controller IC was first used as the disclosure scope. According to the "controller IC revenue containing IEC 62474 substances in 2023 / controller IC product revenue in 2023", it was concluded that the percentage of controller IC revenue containing IEC 62474 substances was 49%.</li></ul>	66
	TC-SC-410a.2	<ul style="list-style-type: none"><li>Processor energy efficiency at a system-level for:</li><li>(1) Servers,</li><li>(2) Desktops</li><li>(3) Laptops</li></ul>	Quantitative	<ul style="list-style-type: none"><li>Phison is not an end product manufacturer, and thus there is no applicable content.</li></ul>	N/A
Materials Sourcing	TC-SC-440a.1	<ul style="list-style-type: none"><li>Description of the management of risks associated with the use of critical materials</li></ul>	Discussion and Analysis	<ul style="list-style-type: none"><li>5.1 Supply Chain Management</li></ul>	52
Intellectual Property Protection & Competitive Behavior	TC-SC-520a.1	<ul style="list-style-type: none"><li>Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations</li></ul>	Quantitative	<ul style="list-style-type: none"><li>In 2023, only one patent-related lawsuit reached a resolution. The parties involved settled the dispute through a confidential agreement. The financial terms of the settlement are explicitly stipulated as confidential information in the relevant contract and are not to be disclosed to any third parties.</li></ul>	N/A
Activity Metrics	TC-SC-000.A	<ul style="list-style-type: none"><li>Total production</li></ul>	Quantitative	<ul style="list-style-type: none"><li>124,298 thousand units of NAND Flash Memory Module Product</li><li>10,567 thousand units of ICs</li><li>224,938 thousand units of controller ICs</li></ul>	14
	TC-SC-000.B	<ul style="list-style-type: none"><li>Percentage of production from owned facilities</li></ul>	Quantitative	<ul style="list-style-type: none"><li>0%</li></ul>	16

## Appendix 3: Taipei Exchange Rules Governing the Preparation and Filing of Sustainability Reports by TPEx Listed Companies - Table 1-8 Sustainability Disclosure Indicators - Semiconductor Industry

Code	Indicator	Indicator Category	Annual Disclosure	Unit
I	Total energy consumption, percentage of purchased electricity, and percentage of renewable energy consumption	Quantitative	116,305.30 GJ、100%、3.11%	Billion joules(GJ), Percentage(%)
II	Total water intake and total water consumption	Quantitative	108,935 m <sup>3</sup> , 17,240 m <sup>3</sup>	Thousand cubic meters (m <sup>3</sup> )
III	The weight and recycling percentage of hazardous waste generated	Quantitative	57.10 metric tons, 0.0095%	Metric ton (t), Percentage (%)
IV	Description of work-related accident category, number of victims, and percentage	Quantitative	No occupational injuries in 2023	Ratio (%), Quantity, Percentage (%)
V	Disclosure of product life cycle management: Including the weight, and percentage of recycling, of electronics waste and scrapped products	Quantitative	57.10 metric tons, 0.0095%	Metric ton (t), Percentage (%)
VI	A description of the risk management associated with the use of critical materials	Qualitative description	5.1 Supply Chain Management	N/A
VII	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	Quantitative	0	Currency
VIII	Major peoduct output volume by product category	Quantitative	124,298 thousand units of NAND Flash Memory Module Product 10,567 thousand units of ICs 224,938 thousand units of controller ICs	Vary with product categories

Appendix 4: Independent Assurance Opinion Statement

<div><div>TÜVNORD</div><div><div>Assurance Statement</div><div>Phison Electronics Corp. Sustainability Report</div></div><div><p>TUV NORD Taiwan Co., Ltd. (hereinafter referred to as TUV NORD) was commissioned by Phison Electronics Corp. (hereinafter referred to as PHISON) to perform the 2023 Sustainability Report Verification (hereinafter referred to as Sustainability Report) in accordance with the AA1000 Assurance Standard Version 3 and the GRI Sustainability Reporting Standards (GRI Standards) and related assurance standards.</p><p>The Scope of Statement and Assurance Standards</p><p>1) The scope of assurance is consistent with the scope of disclosure in Phison Electronics Corp. 2023 Sustainability Report, which covers the period from 1 January 2023 to 31 December 2023.</p><p>2) The verification of compliance with the AA1000 Principles of Accountability for Phison Electronics Corp. bases on the AA1000 Assurance Standard, Third Edition, Application Type I. This does not include verification of the reliability of the information/data disclosed in the report.</p><p>3) Sustainability Accounting Standards Board (SASB) semiconductor sector sustainability accounting metrics.</p><p><b>Intended Users</b></p><p>The intended users of this statement are the stakeholders of Phison Electronics Corp.</p><p><b>Assurance Type and Level</b></p><p>In accordance with the requirements of the AA1000 Assurance Standard Version 3, Type 1, Moderate of Assurance Level.</p><p><b>Opinion Statement</b></p><p>Phison Electronics Corp. complies with the GRI sustainability reporting and AA1000 accountability principles of inclusivity, materiality, responsiveness and impact. The sustainability report presents the commitment of top management, the needs and expectations of stakeholders. To achieve sustainability performance indicators by stakeholders' engagement.</p><p>We assure that Phison Electronics Corp. complies with the SASB semiconductor sector sustainability accounting standards to disclose relevant metrics.</p></div><div>Page 1 of 4</div></div>	<div><div>TÜVNORD</div><div><div>Methodology</div></div><div><p>The verification is in accordance with the above stated assurance standards and the TUV NORD Sustainability Report Verification Agreement.</p><p>Our verification includes the following activities:</p><ul style="list-style-type: none"><li>* Collect objective evidence of relevant performance metrics, as mentioned in the report.</li><li>* Assurance of expectations of local or national regulations; international standards as set forth in public opinion and/or expert opinion are relevant to such general considerations.</li><li>* Document review records and report content assessment in the context of GRI criteria application requirements.</li><li>* Interviews with managers and related staff on issues of concern to the company's stakeholders.</li><li>* Interviews with personnel involved in sustainability management, information gathering and report preparation.</li><li>* Review significant organizational developments and review internal and external audit findings.</li><li>* Review AA1000 (2018) Principles of Accountability and other compliance requirements.</li></ul><p><b>Conclusion</b></p><p>The results of the AA1000 accountability standard for inclusivity, materiality, responsiveness and impact in the report are set out below.</p><p><b>Inclusivity</b></p><p>Phison Electronics Corp. identifies 6 stakeholders and their concerns via the xx method, and decides materiality through stakeholder discussions, sustainability committees and experts. There are 8 material topics determined among the 20 sustainability topics including economic, governance, social, human rights and climate impact.</p><p><b>Materiality</b></p><p>Phison Electronics Corp. complies with the GRI Guidelines and SASB semiconductor sector sustainability Indicators disclosure related metrics to fully disclose the company's material risks and opportunities, taking into account the extent of impact on the company and prioritize the materiality of the report.</p></div><div>Page 2 of 4</div></div>	<div><div>TÜVNORD</div><div><div>Responsiveness</div></div><div><p>Phison Electronics Corp. Sustainability Report clearly describes the relationship between sustainability and organizational strategy and the performance metrics corresponding to the materiality and their achievement status, and adequately addresses the main issues of concern to stakeholders.</p><p><b>Impact</b></p><p>The Phison Electronics Corp. sustainability report fully identifies materiality that reflect the significant economic, environmental, and social impacts on the organization. The company has established a robust process to monitor and measure the impact and establish short, medium, and long-term strategic planning through corporate governance.</p><p><b>GRI Sustainability Reporting Standards</b></p><p>Phison Electronics Corp. sustainability report complies with the GRI 1 to GRI 3 universal Standards and the GRI 200 Series, GRI 300 Series and GRI 400 Series topic standards, and meet the requirements for disclosure.</p><p><b>Limitations</b></p><p>The financial report of Phison Electronics Corp. was certified by KPMG the accounting firm appointed by the company.</p><p>The data of carbon emission verification was verified by Global Certification third party.</p><p><b>Independent Statements and Competence</b></p><p>TUV NORD Group is a leader in the supervision, testing and certification. It operates businesses and provides services in more than 150 countries around the world. The services include management systems and product certification; quality, environmental safety, social and moral audits and training; corporate sustainability report assurance.</p><p>TUV NORD and Phison Electronics Corp. are mutually independent organizations, and there is no conflict of interest with Phison Electronics Corp. or any of its affiliates or interested parties when performing the verification of the sustainability report. Regarding the sustainability report of Phison Electronics Corp., TUV NORD bases on the Phison Electronics Corp. verification agreement, and does not assume any legal or other responsibilities. Phison Electronics Corp. is responsible for responding to any questions that intended users concerned.</p></div><div>Page 3 of 4</div></div>	<div><div>TÜVNORD</div><div><div>The verification team is composed of experienced chief reviewers such as ISO 9001, ISO 14001, ISO 14064-1, ISO 14067, ISO 45001, SA 8000, ISO 50001, ISO 27001 etc., and has received the CSAP verification practice qualification certification of AA1000 AS v3 accountability training. The verification team bases on extensive knowledge and experience in the industry to provide professional advice in this assignment.</div><div><div>Jack Yeh</div><div>General Manager</div></div><div><div>Date of Issuance: 2024.06.06</div><div>TUV NORD Taiwan Co., Ltd.</div><div>Room A1, 9F, No. 333, Sec. 2, Tun Hua S. Rd., Taipei 10669 Taiwan, R.O.C.</div></div><div><div>AA1000</div><div>Licensed Assurance Provider</div><div>000-75</div></div><div>Page 4 of 4</div></div></div>
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